

## Key Assumptions

### Service Pressures, Corporate Cost Pressures & Additional Resources, Savings, and Efficiencies

	Revised Budget 2024/25 £m	Sept MTFP Position (updated from February 2024)			
Service Pressures (net of any specific grant changes)		25/26 £m	26/27 £m	27/28 £m	Total £m
Wellbeing Directorate	126.0	6.8	5.8	6.1	18.7
Children's Directorate	91.0	4.5	5.3	5.3	15.1
Operations Directorate	58.2	4.1	(0.9)	1.5	4.7
Resources Directorate	40.4	0.1	0.3	0.0	0.4
<b>Service Pressures (net of any specific grant changes)</b>	<b>315.6</b>	<b>15.6</b>	<b>10.5</b>	<b>12.9</b>	<b>38.9</b>
Savings, Efficiencies, Fees & Charges					
Wellbeing Directorate		(2.6)	(0.9)	(0.8)	(4.4)
Children's Directorate		(0.6)	0.0	0.0	(0.6)
Operations Directorate		(3.8)	(2.2)	(2.0)	(8.0)
Resources Directorate		(0.5)	(0.2)	(0.1)	(0.8)
Transformation		(4.0)	(1.6)	(1.1)	(6.8)
Reversal of one off savings in 2024/25		4.2	0.0	0.0	4.2
		<b>(7.4)</b>	<b>(4.9)</b>	<b>(4.0)</b>	<b>(16.3)</b>
Corporate Items - Cost Pressures					
Transformation Base Revenue Cost	3.7	0.8	0.0	0.0	0.8
Debt Capital Repayment - Minimum Revenue Provision	7.0	0.5	0.4	0.4	1.2
Debt Interest on Borrowings	3.6	0.0	0.0	0.0	0.0
Treasury Management Income	(1.9)	1.9	1.7	1.7	5.4
Pension - Back funding	3.6	0.2	0.0	0.0	0.2
Provision for the Pay Award	8.0	3.8	3.8	3.8	11.4
Pay and Grading Project	1.3	1.7	(0.6)	(0.5)	0.6
Benefits	(1.6)	0.0	0.0	0.0	0.0
Investment Properties Income	(5.0)	(0.1)	0.0	0.0	(0.1)
Redundancy costs that can no longer be charged to Transformation	0.1	(0.1)	0.0	0.0	(0.1)
Miscellaneous including levies	0.8	0.5	0.6	0.6	1.6
Contingency	7.9	(5.7)	(0.0)	(0.0)	(5.8)
<b>Corporate Items - Cost Pressures</b>	<b>27.4</b>	<b>3.4</b>	<b>5.9</b>	<b>5.9</b>	<b>15.2</b>
Council Tax	(261.6)	(16.9)	(15.3)	(15.5)	(47.8)
Business Rates	(91.2)	24.7	(1.2)	(1.2)	22.3
Unringfenced Government Funding	(4.6)	0.5	(0.0)	(0.0)	0.4
Reserve Movements	17.8	(18.2)	2.7	0.0	(15.5)
<b>Funding - Changes</b>	<b>(339.6)</b>	<b>(10.0)</b>	<b>(13.8)</b>	<b>(16.7)</b>	<b>(40.6)</b>
<b>Annual – Net Funding Gap</b>	<b>3.4</b>	<b>1.5</b>	<b>(2.5)</b>	<b>(1.9)</b>	<b>(2.8)</b>
<b>Application of one-off business rates resources to MTFP</b>	<b>(3.4)</b>	<b>(1.5)</b>	<b>4.0</b>	<b>0.9</b>	<b>3.4</b>
<b>Annual – Net Funding Gap</b>	<b>0.0</b>	<b>0.0</b>	<b>1.6</b>	<b>(1.0)</b>	<b>0.6</b>
<b>Cumulative MTFP – Net Funding Gap</b>		<b>0.0</b>	<b>1.6</b>	<b>0.6</b>	

The developing 2025/26 Budget and Medium-Term Financial Plan (MTFP) as presented is based on numerous key assumptions that although they have been informed by many factors such as government announcements, economic forecasts, and trend analysis, are also based on professional judgement. These can be listed as follows.

## **1. Wellbeing**

### **Service Pressures £6.8m (5.4% increase over the 2024/25 revised budget for demand and inflationary increases excluding those related to council pay)**

#### **Adult Social Care and Commissioning**

The MTFP makes provision for an additional gross £24.5m investment in adult social care services over the 3-year period to March 2028 (£8.5m in 2025/26). Grant support towards these pressures has been assumed with £2m of growth each year. The pressures exclude the impact of the pay award on the services staff and arise from a combination of:

- 1) Assumptions around inflationary pressures within the care market. These pressures relate mainly to increases for providers in staffing costs where a significant driver is the consequential impact of changes in the National Living Wage (NLW) with this estimated at £10.8m over the 3 years.
- 2) The funding allocation for the Market Sustainability and Improvement fund is being used to assist moving towards achieving the 'Fair Cost of Care'. The Discharge Fund will be used to meet the increased care costs and speed up hospital discharges.
- 3) Demographic growth for all client groups is provided for at £10.5m over the 3-year period.

The NLW remains a key driver for the cost of care services affecting 70% of the cost of providing home care and 65% for residential fees. The rate from April 2024 was confirmed at £11.44 per hour and the cost of care in the MTFP has been taken forward from this base.

The remaining 30%-35% of the cost of providing care is driven by other cost of living factors assumed to increase in 2025/26 in line with CPI as estimated by the Office of National Statistics in November 2023 with approximately £1m additional cost included in the plan annually.

The NLW is assumed at 3.9% increase in 2025/26 and then 2% each year thereafter, and for CPI the assumptions are 1.6%, 1.5% and 1.8% for each year respectively.

It should also be noted that a Mental Capacity (Amendment) Bill has replaced the Deprivation of Liberty Safeguards (DoLS) with a scheme known as the Liberty Protection Safeguards. These arrangements describe the procedures necessary to deprive people of their liberty because of lack of capacity to consent to their care arrangements. The implementation of the new scheme was delayed last year, and when introduced the council will commit spending on this activity up to any amount funded by the government.

The new government is not taking forward the social care reforms with the previously estimated costs and income no longer included in the MTFP. The planned reforms had been delayed by the previous government to October 2025 with the earmarked funding for 2024/25 used instead to support core adult social care budget pressures nationally. The reforms as previously set out included the implementation of the extended means test, the lifetime cap on personal care costs and the extension of Section 18(3) to enable self-funders in residential care to access local authority contracting arrangements.

## **Housing**

The cost of homelessness continues to rise due to the significant increase in demand and the rising costs of accommodation. The annual homelessness prevention grant (HPG) has been supplemented in recent years by earmarked reserves designated to support homelessness, but

this reserve is depleting and estimated to be fully utilised by the end of 2025/26. It has been assumed that the housing acquisition programme will deliver the expected benefits, and that housing accommodation and B&B costs will reduce and be managed within the in-year HPG received and base budget provision from 2026/27.

Annual budget growth has been provided for unavoidable inflation in housing support and CCTV contracts at £0.3m in 2025/26 and £0.2m annually thereafter.

## **2. Children's Services**

### **Service Pressures £4.5m (4.9% increase over 2024/25 revised budget for demand and inflationary increases excluding those related to council pay costs)**

The MTFP makes provision for an additional gross £17.7m investment in children's services over the 3-year period to March 2028 (before additional specific grants). This pressure, which excludes the impact of the pay award on the services staff, is a combination of:

#### **1) Care:**

- a. The service has seen a rise in the costs of children in care since the budget was set for 2024/25 with resources released from other budgets, primarily adult social care, and redirected to children's services with the MTFP growth in addition to this permanent base budget increase. There continues to be increasing complexity of children needing placements with a limited supply of good quality places nationally and providers have been able to increase their fees beyond our expectations.
- b. The requirement for providers of supported accommodation for looked after children and care leavers aged 16 and 17 to be Ofsted registered and inspected has also led to an increase in placement fees as higher costs are passed on.
- c. Local social care market purchasing has been reliant on framework contracts which previously worked well in managing placement costs, however in recent years this has significantly deteriorated. This change has impacted on price and a range of market options is being explored.

#### **2) School Transport:**

- a. The cost of special educational needs and disability (SEND) transport is directly linked with the increasing number of education, health, and care plans (EHCPs) and the pressure that continues in the high needs block of the dedicated schools grant (DSG).
- b. SEND transport is however not funded by the DSG and instead the responsibility falls to the general fund budget of the council.

The social care grant provided since 2020/21 is assumed to continue along with all other children's social care funding throughout the 3 years of the plan.

## **3. Operations**

### **Service Pressures £4.1m (7% increase over 2024/25 revised budget largely driven by inflationary increases and changes to service provision)**

The MTFP provides for additional investment over the 3-year period to March 2028 of £7m across operations services. In addition, there is a one off investment of £2.3m in 2025/26 for the Russell Cotes museum to support its move to become independent of the council.

The on-going pressures over the 3 years are a combination of:

- 1) Inflationary pressures for waste disposal and recycling services linked to contracts and market movements of £1.5m (£0.6m allowed for in 2025/26).

- 2) In the bereavement service, a budget increase of £0.2m has been provided from 2025/26 to allow for relocation of the coroner's service. In the crematorium service it has been assumed that there are no further income reductions with stabilisation at the 2024/25 base budget level.
- 3) Fuel inflation of £0.26m annually has been allowed for along with reprofiled prudential borrowing repayments of £0.7m from 2025/26 to ensure that the rolling capital programme for fleet vehicles is maintained.
- 4) There are investments in the seafront IT system and beach huts, with these additional costs expected to be recovered through additional income.
- 5) Inflationary pressures allowed for within sustainable transport for concessionary fares increases following the recent rebase to reflect the current trend of journeys undertaken.
- 6) Additional 3-year maintenance programme for the Twin Sales bridge to replace further bearings has been established at £0.25m per annum.
- 7) The business support budget has been restored by £0.4m to reflect on-going needs across the council.

#### **4. Pay Award**

Local government agreed pay awards for 2018/19, 2019/20, 2020/21 and 2021/22 were 2%, 2%, 2.75% and 1.75% respectively. The National Employers organisation took a different approach in agreeing the pay awards for 2022/23 and 2023/24.

For 2022/23 a flat rate increase of £1.925 on every spinal column point was agreed. For 2023/24 agreement with the Trade Unions was reached on a flat rate increase of £1,925 on every grade up to SCP43 and 3.88% above this level.

A 4.5% provision for the pay award has been made as part of the approved budget for 2024/25. Unison sought views from its members in respect of a 2024 pay claim of 10% or £3,000 whichever is greater. Every 1% variation is estimated to require a £1.9m provision in the general fund once allowance is made for recharges (for example to capital) and external contributions (such as adjusted fees & charges etc.) On the 16 May 2024 the National Employers Organisation (NEO) offered £1,290 on all grades up to spinal column point 43 and 2.5% over this amount. This would mean a 5.77% increase for the lowest paid within the council. The NEO offer was not accepted by the trade unions, and they are currently balloting their members for industrial action.

The MTFP makes provision for annual pay awards of 2% from 2025/26 onwards.

In addition, as part of the savings and efficiencies proposals underpinning the 2023/24 budget, provision was made for only 95% of each service's employee establishment to allow for the impact of turnover and other matters on the actual cost of the service. Previously the assumption varied between services, of between 95% and 98%. Monitoring of the 95% assumption is continuing however monitoring indicates some areas are finding it difficult to achieve the target. In addition, services are also expected to manage the impact of any incremental drift in their pay base.

#### **5. New Pay and Grading Structure**

A key requirement following the establishment of BCP Council was to create a single new pay and grading structure. The proposed 2024/25 budget made provision for a £1.060m uplift is the cost of the pay bill following the implement of pay and reward.

The latest position reflects the final offer being made to staff as set out in a report to Cabinet on 4 September 2024. This sets out that the ultimate additional increase in the pay bill will be

£1.641m, as compared to the £1.060m included in the 2024/25 budget with annual fluctuations during the period of implementation in reflection of the pay protection arrangements.

For financial planning purposes, the proposed implementation is now assumed to be 1 April 2025. The council will however endeavour to deliver at the earliest date achievable. In line with the normal annual protocols put in place the assumption continues to be that budget holders will manage within their budgets any additional incremental drift associated with the new arrangements, as with the current arrangements. An amount of £269k in one-off resources has been set aside to fund the cost of the implementation team in 2024/25.

## 6. Pension Fund

BCP Council is a member of the Dorset Local Government Pension Scheme administered by Dorset Council. The funds actuary Barnett Waddingham is required to revalue the fund every three years (tri-annual revaluation) to determine both the value of its assets and liabilities and the contributions rates for each employer in the fund.

The fund was last revalued as of April 2022 and the impact was agreed with the pension fund actuary in November 2022. The March 2022 position for BCP Council was a funding deficit of £53.2m with a resulting funding level of 95.9% as outlined below, compared to a funding deficit of £86.6m on 31 March 2019 relating to a funding level of 91.9%.

**Figure 1: BCP Pension Fund – funding levels**

Local Authority	31 March 2016 Funding Level	31 March 2019 Funding level	31 March 2022 Funding Level
Bournemouth Council	79%		
Christchurch Council	88%		
Dorset Council	80%		
Poole	86%		
<b>BCP Council</b>	<b>82%</b>	<b>92%</b>	<b>96%</b>

BCP Council contribution rates are as set out below. In respect of the 2022 revaluation, the increase on the ongoing rate was offset by the reduction in the back-funding element. Key variables that impacted on the valuation were the impact on liabilities of inflation, salary increases and the assumed discount rate, and the level of investment returns on the assets of the fund.

**Figure 2: BCP Pension Fund contributions agreed with the actuary:**

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Ongoing <i>Primary Rate</i>	15.6%	16.2%	16.8%	17.4%	19%	19%	19%
Backfunding <i>Secondary Rate</i>	£9.43m	£5.89m	£6.10m	£6.32m	£3.97m	£4.13m	£4.29m

In comparing pay rates with those of other employers, it is important to recognise that the council has a total contribution rate of more than 22%. Many private sector companies will be making only a 3% minimum pension fund contribution.

## **7. Inflationary Costs**

Inflation is only provided for in service directorate budgets where it can be demonstrated that it will be needed due to either market or contract conditions. Inflation as of September 2023, which is applied or factored into several 2024/25 contractual uplifts, was 6.7% as measured by the (CPI) Consumer Price Index.

The government's inflation target remains at 2% on an annual basis.

CPI Inflation as July 2024 is 2.2%.

## **8. Transformation**

The 2024/25 Budget and MTFP assumes that the council will apportion £835k of general staff costs against the transformation programme in 2024/25 and that this will be reduced to zero from 2025/26 onwards as the formal central programme reaches its conclusion.

In line with the approved financial strategy, and in support of the delivery of the potential additional savings proposals the work to deliver the transformation business case will continue with a particular focus on the underlying need to resize the authority with the resultant reduction in its head count. The recommendation of the October report is, in line with the approach adopted in 2023, to establish a targeted voluntary redundancy process during the autumn of 2024 to ensure delivery for the saving for 1 April 2025 onwards. In support of this process, it is proposed to use the following updated value for money criteria.

- a. No individual will be made redundant unless the payback in savings from their post is less than 3 years.
- b. Exceptions to these principles will be permitted due to operational and service delivery needs however any such proposals will need the approval of the following Senior Officers, Chief Executive, Director of Finance, and the Head of Human Resources. The authorisation of these three officers will also be required for any proposal in which the total exit cost is more than £95,000.
- c. The expectation is that individuals will be required to work their notice periods and take any outstanding annual leave entitlements.

## **9. Treasury Management Income**

The MTFP assumes a £1.9m pressure on the treasury management function recognising the council continued need to borrow cash and decreasing level of balances available to invest. The Council continues to employ an internal borrowing policy which has avoided taking out additional external long-term debt and the associated highest interest rates payable. However, this policy is finite and is under significant pressure from the impact of the DSG deficit. The DSG deficit is cash that could have been retained in the Council cash balances and earned a return. As an example, the forecast deficit of £109.9m by the end of 2024/25 costs the council on average 4.85% to temporarily borrow costing the council £5.385m annually.

## **10. Debt Capital Repayment – Minimum Revenue Provision**

The Treasury Management Strategy is presented annually to Council alongside the budget after first having been considered in detail by Audit & Governance Committee. As part of this process the Council is required to periodically review the approach taken to the annual minimum revenue provision (MRP) for the repayment of debt.

The overriding requirement is to set a prudent provision which ensures that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefit.

The approach is on an annuity basis, as per most household mortgages, rather than either a straight line or reducing balance method.

Ongoing consideration will be given to whether it would be appropriate to provide a voluntary revenue provision (VRP) to enhance the level of prudence around the MRP provision. As part of the outturn for 2023/24 £7.1m was set aside as VRP. VRP allows a degree of flexibility in later years by allowing reduction in MRP payments. The council will consider the setting aside of further VRP when the financial position allows across the MTFP.

## **11. One-Off Resources**

As part of the normal annual budget process the council is required to review the brought forward and forecast position on each of its collection funds (business rates and council tax) and make provision for the forecast year end surplus or deficit as part of the following years budget.

Based on a 2023 fundamental review undertaken in respect of the business rates collection fund a forecast surplus was treated as an exceptional one-off resource rather than as just as part of the standard budget setting arrangements for 2024/25.

A schedule of how these resources is being applied is set out in figure 3 below. In summary it continues to be applied to the delivery of outcomes in support of the financial sustainability of the council and enabling the phasing of savings over a defined time periods.

**Figure 3: Application of one-off business resources**

	Latest Application £000s	Profiled Application of Resources			
		2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
<b>Resources Available - Business Rates Collection Fund (Surplus)</b>	<b>(25,281)</b>				
<b>Application of Resources</b>					
<b>a) Resources set aside to support regeneration ambitions</b> Includes resources to fund the staff transferred by BCP FuturePlaces Ltd over a 4-year period.	4,000	1,000	1,000	1,000	1,000
<b>b) Russell Cotes Museum</b> <i>(separate 7 February 2024 Cabinet report)</i> £2m One-off dowry payment + £250k one-off maintenance dowry payment.	2,250		2,250		
£626k Base budget removed from 1 April 2024 but do not become self sufficient until 1 October 2025.	939	626	313		
£50k Base budget for corporate maintenance removed from 1 April 2024 therefore £75k provision 1/10/25.	75	50	25		
<b>c) Climate Change and Ecological Emergency</b> Resources to top up the project budget, via an Earmarked Reserve, to £1m.	452	452			
<b>d) Children's Services - Improvement Expenditure</b> One-off investment in the Children's Services, Building Stronger Foundations Programme, December Cabinet.	522	522			
<b>e) Bournemouth Air Festival</b> £200k One-off funding for 2024/25 only.	200	200			
£100k as a further one-off contingency to underwrite the 2024/25 event	100	100			
<b>f) Pay and Reward</b> One-off implementation costs for 2024/25.	269	269			
<b>g) Christmas Events</b> £200k One-off funding for 2024/25 only.	200	200			
<b>h) Transitional implementation of specified savings proposals</b> Resources to enable specific savings proposals to be implemented over a transitional period.	2,773	1,705	1,068		
<b>i) Contingency</b> Resources set aside in support of the potential for optimism bias in the £38m of 2024/25 proposed savings. Based on Q1 Budget Monitoring for 2024/25 evidences that at least £4.302m of the original £5.654m will be required	4,302	4,302			
<b>j) Resources to support the balancing of the 2024/25 Budget &amp; MTFP</b> Original £7.847m of resources to support the balancing of MTFP increased by £1.352m from original item (i)	9,199	3,375	4,917	907	
<b>Balance Carried Forward</b>	<b>25,281</b>	<b>12,801</b>	<b>9,573</b>	<b>1,907</b>	<b>1,000</b>