

Report subject	<b>Medium Term Financial Plan (MTFP) Update</b>
Meeting date	10 December 2024
Status	Public Report
Executive summary	<p>This report:</p> <ul style="list-style-type: none"> <li>• Aims to ensure the council continues to maintain a balanced 2025/26 budget forecast by considering the impact that changes to the previous assumptions will have on the underlying approved position and taking mitigating action where necessary. This includes the announcements relevant to local government in the Chancellors 30 October Budget statement.</li> <li>• Should be considered alongside the “Assessing the serious cashflow issue caused by ever-increasing demand and cost outstripping High Needs Dedicated Schools Grant government funding” report on the 10 December 2024 Cabinet agenda. That separate report provides an update on the ongoing conversation with the Department for Education (DfE) and the Ministry of Housing, Communities and Local Government (MHCLG) further to the letter of the Director of Finance issued on the 22 May 2024. This letter outlined concerns about the impact the ever-increasing deficit on the Dedicated Schools Grant (DSG) will have on the council’s ability to set a legally balanced budget for 2025/26.</li> </ul> <p>In addition, the report proposes not to change the Local Council Tax Support Scheme (LCTSS) for 2025/26 and therefore continue with the same scheme the council has operated since April 2019.</p>
Recommendations	<p>It is <b>RECOMMENDED</b> that Cabinet:</p> <ol style="list-style-type: none"> <li><b>Acknowledges the ongoing progress being made to maintain a balanced budget position for 2025/26 and MTFP.</b></li> <li><b>Endorses the latest position regarding the developing 2025/26 Budget and MTFP position.</b></li> <li><b>Approve the continuation of the current Local Council Tax Support Scheme (LCTSS) into 2025/26.</b></li> </ol>

	<b>d) Request Portfolio Holders, Corporate Directors and Budget Holders bring forward the necessary additional savings, efficiencies and additional income proposals to enable the 2025/26 Budget to be balanced.</b>
Reason for recommendations	<p>To comply with accounting codes of practice and best practice which requires councils to have a rolling multi-year medium term financial plan.</p> <p>To provide Cabinet with the latest high-level overview of the development of the 2025/26 Budget and 3-year medium-term financial plan with reference to the ongoing conversation with DfE, MHCLG and CIPFA regarding the difficulties presented by the accumulating DSG deficit.</p>
Portfolio Holder(s):	Cllr. Mike Cox, Portfolio Holder for Finance
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Wards	Council-wide
Classification	For Decision

## Background

1. Cabinet at its meeting on the 2 October 2024 received its latest MTFP Update report. In receiving the report Cabinet acknowledged the ongoing progress being made to maintain a balanced budget position for 2025/26 and MTFP. The report also recognised this work had been undertaken in the context of the February 2024 approved General Fund budget for 2024/25 which was balanced based on conventional local financial management processes including the assumed delivery of £38m in annual savings, efficiencies and additional income. The 2024/25 Budget also addressed the inherited £30m structural deficit due to the previous use of reserves in balancing the 2023/24 budget.
2. Although significant progress had been made it was clear there was still work to be done to ensure that the council can continue its strategy of maintaining the financial health of the authority through a balanced MTFP. This work would be significantly influenced by the implementation of mitigation strategies by service directorates to manage any emerging in-year 2024/25 budget pressures as well as any policy announcements which impact local government by the new national government.

3. **Figure 1: October 2024 Medium Term Financial Plan position**

	Oct MTFP Position (updated from Feb 2024)			
	25/26 £m	26/27 £m	27/28 £m	Total £m
Annual – Net Funding Gap	1.5	(2.5)	(1.9)	(2.8)
Application of one-off business rates resources to MTFP	(1.5)	4.0	0.9	3.4
Annual – Net Funding Gap	0.0	1.6	(1.0)	0.6
Cumulative MTFP – Net Funding Gap	0.0	1.6	0.6	

4. It was also acknowledged that this position would materially alter if any of the key financial planning assumptions, currently adopted to underpin the financial planning
5. framework, were to change. These key assumptions included.
  - a basic increase in Council Tax of 2.99% in year up to an including 2027/28 as well as an annual increase of 2% in respect of the social care precept.
  - a 2% increase in the pay base of the authority in each year of the MTFP in recognition on the annual pay award uplift as negotiated for the council by the National Employers Organisation (NEO).
  - a 3.9% increase in the National Living Wage to £11.89 per hour for 2025/26 followed by annual increases of 2%.
  - that the DfE and MHCLG would provide a financially sustainable solution to the existential challenge to the Councils ability to set a legally based budget for 2025/26 posed by having the lack of cash to fund the special educational needs and disability service.
6. In support of the 2025/26 budget process steps were taken to enhance the associated Overview and Scrutiny arrangements. This included during September Directorate Budget Awareness sessions and during October/November task & finish working groups to explore key lines of enquiry within their area of responsibility. The areas considered in further detail were as follow.
  - **Children's Services Overview and Scrutiny Committee**
    - School Transport costs
    - Care growth forecast
  - **Health and Social Care Overview and Scrutiny Committee**
    - Demand Management (Adult Social Care)
  - **Environmental and Place Overview and Scrutiny Committee**
    - Climate & ecological emergency budget including costs associated with reaching net zero ambitions
    - Bed and breakfast costs and temporary accommodation
  - **Overview and Scrutiny Board**
    - Car Parking Charges
    - Residents card

7. Following the task and finish groups a series of recommendations were made to the Overview and Scrutiny Board. These recommendations fell into 3 categories.
  - a) Recommendations to Cabinet on budget matters.
  - b) Recommendations to Cabinet on matters not specifically related to the budget.
  - c) Recommendations from the Overview & Scrutiny Board to other Overview & Scrutiny Committees.
8. Regarding (a) the recommendations to Cabinet on budget matters, these are included as a separate item on the 10 December 2024 Cabinet agenda as "Recommendations from the Overview & Scrutiny Committees". The intention is they will be addressed as part of the February 2025 final budget report for 2025/26. For clarity the recommendation from this work is that Cabinet:
  - 1) Supports and promotes inclusion as a key priority for Children's Services enabling more SEND pupils to be educated in mainstream, local schools, therefore reducing the need for school transport provision and associated costs.
  - 2) Be informed that the O&S working group notes that the Children's Social Care Service is working within the MTFP and is assured that the budget for 2025/26 is being built on well informed growth forecasts and that BCP's position was now stabilising in terms of numbers of children entering the care system.
  - 3) Notes that, within a time of financial constraint, the O&S working group finds that protection of non-statutory services (such as Early Help) continues to be vitally important to avoid additional financial impact on statutory services. The working group supports and recommends a continued approach to protecting non-statutory services for this reason.
  - 4) Be informed that the O&S working group was assured by the previous end of year outturn being within approximately £300k of the Quarter 3 projections for the year, which was a minimal variance, demonstrating that the Service has a good handle on the anticipated costs for Children's Services.
  - 5) That in light of the financial and other benefits of block booking beds, funds be made available in the 2025/26 budget to allow the Adult Social Care service to increase the number of block booked beds used by the council for long-term care provision with the aim of reaching 300 block booked beds, followed by a review and a further aim of 500 block booked beds.
  - 6) That funds be made available in the 2025/26 budget to support the Adult Social Care service to work in partnership with health partners to develop a more enhanced offer of intermediate care and reablement care to be able to meet the objective of reducing or delaying long-term residential care need for residents.
  - 7) Put in place as a matter of urgency a corporate approach to financial decision making that would enable it to meet its net zero targets by 2030, to include a gap analysis of the estimated total amount of spend required to reach net zero targets against the work already underway within departments to reach these targets.
  - 8) Following receipt of the Local Area Energy Plan (LAEP) report and the work suggested at recommendation 7 above, Cabinet be recommended to consider a mechanism for including the full costs associated with reaching net zero by 2030 alongside the Medium-Term Financial Plan, by consulting best practice used in other authorities to date for the same purpose.

- 9) That Cabinet notes that the O&S working group members are assured that, within the difficult financial position that the council is in, officers have explored options to maximise budget and to change the direction of travel in relation to temporary accommodation.
  - 10) That the O&S working group members record their concern at the level of Homelessness Prevention Grant and the government subsidy for temporary accommodation placements and request that the Portfolio Holder for Housing & Regulatory Services explore all possible mechanisms to lobby government for increases in this respect.
  - 11) That the principle of an inflationary increase across all parking charges be endorsed for the 2025/26 budget.
  - 12) That Cabinet requests Officers to take into account the suggestion that an assessment be made on using a proportion of surplus income to accelerate the parking charging machine replacement programme prioritising the best value machines in order to reduce future costs (subject to the necessary procurement processes).
  - 13) That Officers be requested to explore options to reduce costs for the Council and make the process easier for the public to pay for car parking, in particular an option to be able to pay in advance/on Council website.
  - 14) That there should be an application process for the Resident's Card with a small financial contribution for the cost of processing and that the card should be a valuable offer that residents are willing to pay a small cost for, so that it can be sustainable in terms of administrative costs.
  - 15) That any charge levied for the Resident's Card should be the same regardless of the format and that consideration should be given to concessions for disadvantaged groups.
9. The intention is that a response to these recommendations will be included in the February 2025 budget report for 2025/26. Prior to Cabinet consideration, this report will be considered by the Overview & Scrutiny Board on the 3 February 2025.

### **Budget Announcement**

10. On the 30 October 2024, the Chancellor of the Exchequer, Rachel Reeves delivered her 2024 Autumn Budget and Spending Review to Parliament accompanied by a set of economic and fiscal outlook forecasts from the Office of Budget Responsibility (OBR). As part of this statement the Chancellor set out a new fiscal mandate with two rules.
  - i. *The stability rule.*  
Day to day spending including interest payments will be matched by revenue
  - ii. *The investment rule.*  
Changes the way debt and investment are measured via a new public sector net financial liabilities (PSNFL, or 'net financial debt') which must be falling as a share of Gross Domestic Product by 2029/30. It is considered that this change gives capacity for additional government borrowing.
11. In addition, the government reiterated its commitment to a single fiscal event each year and to hold a Spending Review every 2-years, setting departmental budgets for a minimum of 3-years.

12. The Autumn Budget made several specific announcements particularly salient to local government and the councils MTFP which includes.
- a) National headline figure of a 3.2% increase in the core spending power in 2025/26. This includes an extra £600m specific grants for social care, of which a share of an extra £500m was previously included in the MTFP. The increase in core spending power also includes specific grant resources for homelessness prevention, household support fund, and disabled facilities grants.
  - b) Employers National Insurance contributions will increase from 13.8% to 15% with a reduction to the per-employee threshold at which employers become liable from £9,100 down to £5,000. The OBR suggests that the Treasury will compensate public sector employers for this higher tax cost, but it is unclear as to whether this through (a) or a separate arrangement. It is anticipated that this compensation arrangement will not extend to the providers of care services. Consequentially the impact on the private sector care costs commissioned from the private sector is estimated to be circa £4.5m which would be equivalent to the extra resources the council could generate from a 1.7% council tax increase.
  - c) An increase in the National Living Wage by 6.7% or to £12.21 from April 2025. Just for Adult Social Care and Children's Social Care alone this will mean a total £11.1m growth pressure for 2025/26 which is equivalent to the extra resources the council could generate via a 4.3% council tax increase.
  - d) A £2.3bn increase in the core schools' budget of which £1bn will go towards supporting the special educational needs and disability system. There is also a stated aim to reform England's SEND provision to improve outcomes and return the system to financial sustainability.
  - e) Government consulting on a five-year social housing rent settlement of CPI + 1%, Right to Buy discounts will be reduced and councils will be able to keep 100% of receipts.
  - f) Implementation of the Extended Producer Responsibility scheme to improve recycling outcomes from January 2025. Exceptionally for 2025/26 only, the Treasury will guarantee that if local authorities do not receive Extended Producer Responsibility income in line with the central estimate there will be an in-year top up.
  - g) Changes to the business rates system, with new multipliers for the Retail, Hospitality and Leisure sector and larger sites
13. A local government finance policy statement is expected in November 2024 prior to the provisional local government finance settlement for 2025/26 predicted to be released on the 19 December 2024. It is anticipated these documents will provide clarity on current points of current uncertainty and translate national resource announcements into local grant allocations. Regarding future years government is committed to reforming the approach to local government funding allocations by redistributing funding to ensure that it reflects an up-to-date assessment of need and local revenues.

## Latest draft 2025/26 budget and MTFP position

14. Figure 2 below sets out the current MTFP to 2028. As a reminder, the table sets out changes in the revenue budgets, on an annual basis, either positive numbers which represent additional costs to be met, or negative numbers which represent forecast cost reductions or additional income. The variances are shown in the year in which they are expected to be first seen and are then assumed to recur on an ongoing basis in each of the following years. One-off changes will be seen as an entry in one year and will then be reversed out in a following year. For example, there is currently a £3.7m pressure in 2025/26 in respect of one-off savings that were approved for 2024/25.

15. **Figure 2:** Latest MTFP

	Revised Budget 2024/25 £m	Nov MTFP Position (updated from February 2024)			
		25/26 £m	26/27 £m	27/28 £m	Total £m
<b>Service Pressures (net of any specific grant changes)</b>					
Wellbeing Directorate	125.5	14.5	6.0	6.2	26.7
Children's Directorate	91.0	6.0	5.3	5.3	16.5
Operations Directorate	57.8	3.5	(1.2)	1.6	3.8
Resources Directorate	40.4	2.6	(1.8)	0.0	0.9
<b>Service Pressures (net of any specific grant changes)</b>	<b>314.6</b>	<b>26.5</b>	<b>8.3</b>	<b>13.0</b>	<b>47.9</b>
<b>Savings, Efficiencies, Fees &amp; Charges</b>					
Wellbeing Directorate		(2.6)	(0.9)	(0.8)	(4.4)
Children's Directorate		0.0	0.0	0.0	0.0
Operations Directorate		(5.4)	(3.8)	(2.0)	(11.2)
Resources Directorate		(0.6)	(0.1)	(0.1)	(0.8)
Transformation		(4.1)	(2.6)	(3.6)	(10.4)
Reversal of one off savings in 2024/25		3.7	0.0	0.0	3.7
		<b>(9.1)</b>	<b>(7.5)</b>	<b>(6.5)</b>	<b>(23.1)</b>
<b>Corporate Items - Cost Pressures</b>	<b>27.4</b>	<b>4.0</b>	<b>8.1</b>	<b>6.1</b>	<b>18.2</b>
<b>Funding - Changes</b>	<b>(338.7)</b>	<b>(14.7)</b>	<b>(12.5)</b>	<b>(17.1)</b>	<b>(44.3)</b>
<b>Annual – Net Funding Gap</b>	<b>3.4</b>	<b>6.7</b>	<b>(3.6)</b>	<b>(4.5)</b>	<b>(1.4)</b>
<b>Application of one-off business rates resources to MTFP</b>	<b>(3.4)</b>	<b>(1.1)</b>	<b>4.5</b>	<b>0.0</b>	<b>3.4</b>
<b>Annual – Net Funding Gap</b>	<b>0.0</b>	<b>5.6</b>	<b>0.9</b>	<b>(4.5)</b>	<b>2.0</b>
<b>Cumulative MTFP – Net Funding Gap</b>		<b>5.6</b>	<b>6.5</b>	<b>2.0</b>	

16. The main changes to the position as set out in the October report is as set out below.

*National 30 October Budget: Increase in Employers National Insurance*

- a) The announced increase in Employers National Insurance is estimated to cost the council an additional £5.2m in 2025/26 in regard to directly employed staff. At this stage the working assumption is that Government will compensate local authorities for this cost pressure although any detail will need to be scrutinised carefully to confirm it covers the full additional cost being incurred and extends to local authority owned companies. There will however be an impact on commissioned private sector care costs where such organisations look to passport this cost onto the council. At this stage £4.5m has been provided for this element which is equivalent to the resources that could be generated by a 1.7% Council Tax increase.

*National 30 October Budget: National Living Wage (NLW) Uplift for 2025/26*

- b) The latest MTFP position, in line with the Chancellors 30 October 2024 national budget announcement, reflects the 6.7% increase in National Living Wage from 1 April 2025 to £12.21 per hour. This is a further 2.8% increase from the 3.9% increase included in the previous October 2024 reiteration of the MTFP which in itself was a 1.9% increase from the 2% included in the February 2024 draft position for 2025/26. The overall cost pressure asserted by the NLW in 2025/26 is now assessed at £11.1m.

*National 30 October Budget: Additional Social Care Funding*

- c) The February 2024 reiteration of the MTFP assumes an extra £2.3m in social care grant funding for 2025/26 based on the estimate that the council will get a share of an extra £500m nationally in line with previous year experiences. This grant is allocated locally 70:30 between Adults and Children's Services. The October announcement by the Chancellor sets out that the 2025/26 amount will be £600m which will increase the estimate of the amount receivable by £460k.

*Corporate Item: Provision for the Pay Award 2024/25*

- d) Following a ballot of members, in late October 2024 the Trade Unions decided not to move forward with industrial action and to settle the 2024 pay dispute in line with the National Employers offer of a £1,290 increase on all grades up to spinal column point 43 and 2.5% over this amount. For the lowest paid in the council this means a 5.77% increase however compared to the overall provision of 4.5% made in the 2024/25 budget this means the council will save £1m from its base.

*Corporate Item: Provision for the Pay Award 2025/26*

- e) The Chancellor of the Exchequer has acknowledged that the increases in employers' national insurance contributions she announced in her October 2024 Budget could affect wage growth as businesses look to absorb this cost. This pay-restraint supports the current 2% overall pay award provision for 2025/26. However, the 6.7% increase in the national living wage indicates that a higher increase will be needed at the lower end of the pay spine in a similar fashion to that agreed for both 2024/25 and 2023/24. At this stage it is proposed to increase the 2025/26 provision overall to 2.25% to provide for this differential.



*Corporate Item: Pay and Reward Project*

- f) *Update in line with the financial implications set out in a separate report to Cabinet on the 10 December.*

*Corporate Item: Treasury Management: Interest costs on debt*

- g) The latest MTFP position provides an extra £2.9m cost pressure to reflect the consequential additional borrowing costs to the council as a consequence of lower levels of cash than anticipated due to a combination of.
- The accumulated deficit on the Dedicated Schools Grant as pertaining to the High Needs Budget.
  - The ongoing increases to this deficit as the annual expenditure on the Special Educational Needs and Disability service continues to significantly exceed the government grant available.
  - Reprofile of capital programme spend including that associated with the CNHAS purchase programme.
  - Interest rates remaining higher than previously anticipated some of which reflects the market reaction to the October 2024 national budget announcement and the subsequent US election.

*Funding Change: Council Tax – Taxbase Changes*

- h) The February 2024 budget included within the draft position for 2025/26 assumptions of a 0.5% (£1.356m) forecast growth in the taxbase for actual and forecast additional homes. In addition, an extra £5.915m was included for the application of the 100% premium on second homes from 1 April 2025 alongside the ongoing review of single person discounts. Following an exercise undertaken with assumed second homeowners during the summer of 2024 and the annual October review of the underlying taxbase it is proposed to increase the overall estimate by £2.7m.

*Funding Change: Unringfenced Government Grants*

- i) Based on the 30 October Nation Budget announcement the estimates for Revenue Support Grant (4.3m), New Homes Bonus (0.1m), and the Services Grant (0.4m) have been very slightly increased from the previously reported position.

*Extended Producer Responsibility*

- j) Provision has been made for £0.7m as the amount the council will receive in 2025/26 under this policy designed to help achieve environmental goals such as recycling by making producers responsible for their products along their entire lifecycle including the post-consumer stage. This amount is still very much an estimate and subject to confirmation via the local government financial settlement for 2025/26.

*Service Savings, efficiencies and additional income*

- k) Ongoing work to ensure the robustness of any savings proposals which will formally be put forward for approval as part of the February 2025 final budget report. This includes the work by services to develop savings proposals further to the scenario planning and sensitivity analysis work included in the July 2024 MTFP Update report to Cabinet. It also now includes the estimate of savings from

the Transforming Urgent and Emergency Care Services project as set out elsewhere on this agenda.

17. Consequentially the updated key assumptions made in presenting the latest MTFP position can be summarised in Figure 3 below.

**Figure 3: Key Budget & MTFP Assumptions**

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Council Tax: Core	2.99%	2.99%	2.99%
Council Tax: Social Care Precept	2.00%	2.00%	2.00%
Pay Award	2.25%	2.00%	2.00%
Increase in Fees and Charges	2%	2%	2%
National Living Wage (NLW) <i>% Increase in the National Living Wage</i>	6.7%	2%	2%
Bank of England - Base Rate	Dec-24 4.75%	Dec-25 4.00%	Dec-26 3.50%

**Please note:**

- a) The increase in fees and charges should be regarded as a minimum increase to those not set by statute. The principle of full cost recovery may mean increases above these levels for example where costs are likely to rise by the National Living Wage which the government have confirmed will be £12.21 per hour in 2025/26 an increase of 6.7% over the £11.89 amount for 2024/25.
- b) Current November 2024 Bank of England Base Rate is 4.75%.

18. Work will now be focused on three main areas.

- 1) Considering the advice from government as to how the council can set a legally balanced budget for 2025/26 bearing in mind the serious cashflow issue caused by ever-increasing demand and cost outstripping High Needs Dedicated Schools Grant government funding.
- 2) Testing the current financial planning assumptions with information to be released by government either via local government finance policy statement expected in November or the provisional local government finance settlement anticipated in December.
- 3) Portfolio Holders and budget holders bringing forward the additional savings, efficiencies, and additional income proposals now needed to balance the MTFP the value of which will depend on the responses to (1) and (2).

**Local Council Tax Support Scheme (LCTSS)**

19. No changes are proposed to the Local Council Tax Support Scheme for 2025/26 which will mean a consistent policy has been applied by the Council from 1 April 2019 onwards.
20. Ongoing consideration will be given to changing the existing LCTSS to a 'banded scheme' reflecting evolving best practice to reduce the burden of administration for both claimants and the council. Any changes proposed would not be designed to reduce expenditure on LCTSS but to deliver operational and administration efficiencies and better meet the needs of residents.
21. As of 1 November 2024, BCP Council was providing LCTS to 22,561 claimants a reduction of 3% over the previous 12-month period.

## **Financial Benchmarking - Debt**

22. The 2 October 2024 Cabinet, MTFP Update report, included benchmarking information in respect of unearmarked reserves, council tax, and council taxbase. At that time the data set for debt had not been released. Appendix B1 and B2 attached now provides an analysis of the council's debt levels in comparison with other Unitary Authorities on both an absolute (B1) and a net revenue expenditure (NRE) basis (B2). The NRE basis is a common approach to factor in the different size of each of the unitary authorities. This benchmarking demonstrates that based on the Consolidated Financing Requirement (CFR) as at the 31 March 2024, which is the measure of a council's indebtedness, BCP Council on both an absolute and NRE expenditure basis is below the median for unitary councils. However, it should be emphasised that this position excludes any debt associated with the Dedicated Schools Grant High Needs accumulated deficit which in line with a Statutory Instrument local authorities are required to ignore.

## **Local Council Tax Support Scheme**

23. Numerous alternative LCTSS are possible however the viability of any proposal that would increase the cost met locally would need careful consideration especially in the current financially challenging environment. Public consultation is required to consider any change with engagement not just limited to claimants but also council taxpayers who cover the cost of the scheme.

## **Options Appraisal**

24. Ultimately the budget process results in a consideration of alternative savings, efficiency, income generation and service rationalisation proposals. This may include consideration of alternative council tax strategies.

## **Summary of financial implications**

25. Any financial implications of the report's recommendations are considered, alongside alternative options, elsewhere within this report.

## **Summary of legal implications**

26. The council has a fiduciary duty to its taxpayers to be prudent in the administration of the funds on their behalf and an equal duty to consider the interests of the community which benefit from the services it provides.
27. It is the responsibility of councillors to ensure the council sets a balanced budget for the forthcoming year. In setting, such a budget councillors and officers of the council have a legal requirement to ensure it is balanced in a manner which reflects the needs of both current and future taxpayers in discharging these responsibilities, which will include the need to ensure there is sufficient cash to fund the commitments at the time they fall due. In essence, this is a direct reference to ensure that Council sets a financially sustainable budget which is mindful of the long-term consequences of any short-term decisions.
28. As a billing authority, failure to set a legal budget by 11 March each year may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999. It should however be noted that the deadline is, in reality, 1 March each year to allow sufficient time for the council tax direct debit process to be adhered to.

### Summary of human resources implications

29. The establishment of a voluntary redundancy process will have direct human resources implications on the authority. In turn it is likely to have a direct impact on the level of services delivered by the council, the mechanism by which those services are delivered and the associated staffing establishment.

### Summary of sustainability impact

30. The 2024/25 approved budget protected the staffing resources associated with climate change and ecological emergency activity. In respect of support to projects £1.239m was available in an earmarked reserve on 31 March 2024.

### Summary of public health implications

31. The Department of Health and Social Care allocated BCP Council £21.77m, a 2.3% increase from 2023/24, to deliver its public health service in 2024/25. This will be combined with the £15.44m allocated to Dorset Council as part of the joint pan Dorset service.
32. There is an additional package of investment nationally from 2024/25 of £70 million per year to support local authority led smoking services in support of delivering smoke free generation. (BCP allocation for 2024/25 is £422,313)

### Summary of equality implications

33. Officers are expected to deliver the services they are responsible for with due regard to the equality's implications. A full equalities impact assessment will be undertaken as part of the final February 2025 report to members as part of the annual budget process.

### Summary of risk assessment

34. The risks inherent in the financial position of the council include.
- **Accumulating DSG Deficit.** Expenditure by BCP Council of c£44.5m more annually than the government grant available to fund the Special Educational Needs and Disability service is not sustainable. The accumulating deficit is predicted to mean the council will technically be insolvent as of 31 March 2025.
  - **Legal Claims.** Covering various matters such as planning, highway, car parking, social care, or staffing, numerous legal claims have been logged against the council. As an example, recently the council was one of 23 named in a legal claim by Thurrock Council seeking to mitigate its failed Solar Farm investments. This relates to the council's membership of the Association for Public Service Excellence (APE) which it is claimed provided Thurrock with valuation advice upon which it relied. Ultimately this could end up affecting all 256 councils in the UK.
  - **Uncertainty.** High levels of financial planning uncertainty at this time caused principally by the ongoing implications of various inflationary factors on the costs of goods and services procured by the council alongside the uncertainty associated with the impact of the 30 October National Budget. Principle amongst these is the current financial planning assumption that the council will be compensate in some form for the increases in employer national insurance costs for its employed staff which are forecast to increase the councils cost base by

£5.2m which is equivalent to the resources generated by a 2% council tax increase.

- **Loss or disruption to IT systems and Networks from a cyber-attack.** Such actions can incapacitate essential networks by encrypting or destroying data on which vital services depend. Financial loss is common through both direct loss of funds as well as recovery costs and reputational damage. Recent ransomware attacks are reported to have cost councils between £10m and £12m in damage. The industry adage is when, not if, an attack will happen.
- **Companies.** BCP operates several companies and third-party arrangements with these organisations are exposed to their own set of financial and operational risks. As such the council would only provide for its share of such risks in circumstances where the risk is likely to materialise
- **Intervention.** Children's Services is on a journey of improvement since the inadequate Ofsted judgement in February 2022. Additionally, the external auditor concluded as part of their latest annual report (Audit & Governance Committee July 2024) that despite good progress against previous recommendations especially governance, a more robust financial strategy covering the MTFP period, and the administration's clear focus on financial rigour the council still has significant weaknesses due to the assessment of Children's Services and the DSG deficit.
- **Children's Services.** Ongoing costs and demands on the service including the impact on the cost of commissioned care due to the announced increases in national insurance and the national living wage as well as the delivery of approved savings at a time when they are focused on their improvement journey.
- **Wellbeing Services.** Ongoing costs and demands on the service including the impact on the cost of commissioned care due to the announced increases in national insurance and the national living wage as well as the capacity in the care market and demand in supporting homelessness.
- **Delivering savings, efficiencies, and additional income generation.** Combination of delivering the £38m of additional savings, efficiencies and additional income assumed in approving the 2024/25 budget with the relentless requirement to identify further potential proposals to support the ongoing need to balance the 2025/26 Budget and MTFP.
- **Realisation of capital receipts to fund the council's transformation programme.** £18.6m of capital receipts from the disposal of assets needs to be delivered across the two-year period 2024/25 and 2025/26 to fund the approved spend on transformation programmes (including the service specific programmes in Children's and Adult services). Based on currently approved asset disposals the indication is that there would be a £950k shortfall across this time horizon. However, some of the receipts estimates are hopefully prudent and work on the pipeline of assets indicates there is scope for a couple of others to come forward subject to relevant governance approvals. There is also the possibility for the expenditure on the transformation programme to be further reprofiled.
- **New Pay and Grading Structure.** The council does not have a single pay and grading structure, and terms and conditions applied across all posts. The potential risks increase the longer it takes to achieve this outcome. This risk has further increased based on the recent Trade Union ballot outcome however

officers remain committed to achieving the single pay and grading and terms and conditions outcome.

- **Carters Quay.** Payments of £15.3m have been made towards the development of the agreed 161 new homes with ancillary ground floor amenity and commercial space scheme. Inland Partnership the contractor entered administration late in 2023. Officers are currently in negotiation with the Administrators for the developers to recover the land at Carters Quay. BCP Council have a registered charge on the land to cover the monies paid but are negotiating a release fee to obtain the freehold title and take possession of the land. A further update is anticipated once the land is recovered and build costs to complete are known

### **Background papers**

35. February 2024 Budget and Medium-Term Financial Plan 2024/25 2024

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=284&MId=5386&Ver=4>

36. July 2024 MTFP Update Report

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5901&Ver=4>

37. September 2024 Quarter One Budget Monitoring Report 2024/25

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5902&Ver=4>

38. October 2024 MTFP Update Report

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5903&Ver=4>

### **Appendices**

Appendix A Detailed MTFP Summary

Appendix B Debt Benchmarking