

Leader's Office
BCP Civic Centre
Bourne Avenue
Bournemouth
BH2 6DY



Rt Hon Bridget Phillipson MP
Secretary of State for Education
House of Commons
London SW1A 0AA

Date: 6th September 2024
Contact: Councillor Millie Earl
Email: millie.earl@bcpcouncil.gov.uk

(sent by email to bridget.phillipson.mp@parliament.uk)

Dear Secretary of State,

Re: Bournemouth, Christchurch, and Poole Council – imminent cashflow crisis due to the Council having to cash flow the DSG deficit

I am writing to draw your attention to the huge expense that BCP Council is incurring on SEND services for children and young people in the BCP area, and the massive impact this is having on the council's budgets and our ability to provide services to our communities.

The Council is now facing an immediate cashflow crisis, which is being discussed with civil servants from MHCLG and DfE, but progress is slow, and the options are very limited. I believe that this will need ministerial intervention, urgently, to ensure that it can be brought to a satisfactory conclusion before we can set a budget for 2025-26, in the next three months.

Our new cross-party administration, which took over from the previous Conservative administration in 2023, has been responsive to the continuing budget pressures and the increased demands on many public services, leading to huge budget pressures on all of our services. After some very difficult decision-making, we set a balanced budget and Medium Term Financial Plan for both the General Fund and Housing Revenue Accounts.

However, we are increasingly concerned about the council's growing annual deficit in grant funding from the Department for Education (DfE) to meet the cost of the council's High Needs expenditure. The accumulated deficit which is being held in an off-balance-sheet reserve was £64m on 31 March 2024, which almost matches the total available reserves of £65m and is now forecast to rise to over £100m by 31 March 2025. This will exceed the forecast reserves of £64m in March 2025, and will continue to increase while reserves are forecast to reduce, all of which makes the Council technically insolvent should the current statutory override finish on 31 March 2026 and if the outstanding cost were to fall to the Council.

The council has previously taken part in the Delivering Better Value in SEND programme and in 2023 started a Safety Valve conversation with DfE. An agreement was not possible as the council's 15-year recovery programme, which was endorsed by the DfE SEND and finance advisors as robust, was not within the normal 5-to-7-year timeframe to enable an agreement to be reached. The Safety Valve conversations appear to have stalled because of the huge scale of BCP Council's financial challenges in this area.

Of even greater concern than this accumulated deficit potentially crystallising from 1 April 2026, the Council is now facing a severe shortage of cash which is running ahead of that timescale, and which looks likely to create a financial emergency for the council before and irrespective of when the statutory override finishes. The Council will not be able to provide enough cash to cashflow the

deficit for the 2025/26 financial year. We must fully resolve this issue in the next three months as we work to set a budget for 2025-26, otherwise we will be unable to set a balanced budget caused by the cashflow challenges.

Although there is statutory override in terms of the deficit the Council still needs to fund the deficit from its cash reserves. We are currently able to use normal treasury management activity to avoid the need to externally borrow. Borrowing to fund this as you will know is not allowed. However, from Q2 2025/26 the council's external debt will reach its Capital Financing Requirement (CFR), at which point the Council will run out of cash and will be unable to provide services or pay salaries.

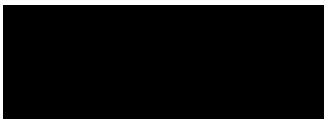
This cashflow crisis could be resolved very simply by DfE or MLUHC providing the cash to fund the accumulated deficit until an alternative solution is provided. This would not affect the budget position, or the long-term challenge for government, but provides a short-term solution to the imminent cashflow crisis we are now facing.

I am therefore writing, to draw these figures to your attention and to request that you give urgent consideration to the support that government can give BCP Council to manage this shortfall in funding and to consider solutions that would prevent the imminent cashflow crisis that I have outlined above. Without government support it is likely that we will be unable to continue to support either the accumulated deficit, or the annual deficit on our DSG and will be unable to set a legal and balanced budget for 2025/26 because of the forecast cash shortage.

I am sure that government will be able to find a solution to the short-term problem, but this is becoming increasingly urgent and will need urgent ministerial attention to resolve before our budget-setting process concludes.

I would welcome an urgent opportunity to meet with you, with our Chief Executive, to discuss options at your earliest convenience.

Yours sincerely,



Cllr Millie Earl
Leader
BCP Council (Bournemouth, Christchurch and Poole)

cc Rt Hon Angela Rayner MP, Deputy Prime Minister and Secretary of State for MHCLG
Graham Farrant, Chief Executive BCP Council