

## Key Assumptions

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

Service Pressures (net of any specific grant changes)	Revised Budget 2024/25 £m	Jan 2025 MTFP Position (updated from February 2024)			
		25/26 £m	26/27 £m	27/28 £m	Total £m
Wellbeing Directorate	125.5	14.4	6.0	6.2	26.6
Children's Directorate	92.3	6.5	5.3	5.3	17.0
Operations Directorate	31.7	7.1	(0.1)	2.3	9.3
- Operations Directorate: Waste & Extended Producer Responsibility	29.5	(8.7)	1.9	0.8	(6.0)
Resources Directorate	41.4	2.4	0.2	0.0	2.6
<b>Service Pressures (net of any specific grant changes)</b>	<b>320.4</b>	<b>21.7</b>	<b>13.3</b>	<b>14.5</b>	<b>49.5</b>
Savings, Efficiencies, Fees & Charges					
Wellbeing Directorate		(2.8)	(0.9)	(0.8)	(4.5)
Children's Directorate		0.0	0.0	0.0	0.0
Operations Directorate		(2.7)	(3.3)	(2.0)	(8.0)
Resources Directorate		(0.7)	(0.1)	(0.1)	(0.9)
Transformation		(1.7)	(3.5)	(5.2)	(10.4)
Reversal of one off savings in 2024/25		3.7	0.0	0.0	3.7
		<b>(4.1)</b>	<b>(7.9)</b>	<b>(8.1)</b>	<b>(20.1)</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	6.0	0.5	0.4	0.4	1.2
Debt Interest on Borrowings	4.6	0.0	0.0	0.0	0.0
Treasury Management Income	(1.9)	5.9	1.7	1.8	9.4
Pension - Back funding	3.6	0.2	0.0	0.0	0.2
Provision for the Pay Award	0.8	(0.8)	3.8	3.8	6.8
Pay and Grading Project	1.1	(0.6)	3.0	(0.7)	1.7
Pay and Grading Project - Implementation cost	0.3	1.9	(2.2)	0.0	(0.3)
Benefits	(1.6)	0.3	0.0	0.0	0.3
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	2.2	2.2	0.4	0.6	3.3
Contingency	7.9	(5.3)	(0.0)	0.3	(5.1)
<b>Corporate Items - Cost Pressures</b>	<b>21.7</b>	<b>4.8</b>	<b>7.1</b>	<b>6.2</b>	<b>18.2</b>
Funding - Changes					
	<b>(338.7)</b>	<b>(23.0)</b>	<b>(10.4)</b>	<b>(17.6)</b>	<b>(50.9)</b>
<b>Annual – Net Funding Gap</b>	<b>3.4</b>	<b>(0.6)</b>	<b>2.1</b>	<b>(4.9)</b>	<b>(3.4)</b>
<b>Application of one-off business rates resources to MTFP</b>	<b>(3.4)</b>	<b>0.6</b>	<b>2.8</b>	<b>0.0</b>	<b>3.4</b>
<b>Annual – Net Funding Gap</b>	<b>0.0</b>	<b>0.0</b>	<b>4.9</b>	<b>(4.9)</b>	<b>0.0</b>
<b>Cumulative MTFP – Net Funding Gap</b>		<b>0.0</b>	<b>4.9</b>	<b>0.0</b>	

**Please note:** The MTFP as presented does not provide for two specific known unknowns namely any potential impact of the governments funding reforms and future waste strategy.

The 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 £14.4m for 2025/26 (11.5% increase over the 2024/25 revised budget for demand and inflationary increases including pay related costs)**

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

The MTFP makes provision for an additional gross £33.5m investment in adult social care services over the 3-year period to March 2028 (£17.9m in 2025/26). Grant support towards these pressures has been assumed at the level of £4.7m in 2025-26 and £2m of growth each year afterwards. The pressures, which exclude the impact of the pay award on the services staff, 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 £19.6m 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. Both grants remain in 2025/26 at the same level as in previous year. Discharge Fund is rolled into Improvement Better Care Fund (known from now on as Local Authority Better Care Grant).
- 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 2025 was confirmed at £12.21 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 September 2024 with approximately £1.1m additional cost included in the plan annually.

The NLW is assumed at 6.73% increase in 2025/26 and then 2% each year thereafter, and for CPI the assumptions are: 2025-26: 1.7%, then 1.5% and 1.8% for each subsequent year, respectively.

The MTFP recognises The Council's responsibility towards social care providers in relation to changes emerging from Employers National Insurance Contributions (EER NICs) and NICs threshold changes introduced by the government. An estimated provision of £4.9m to meet social care market needs is included in the total 2025/26 investment figure above.

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 have been cancelled with the view to kickstart work on the new, long-term reform to overhaul social care challenges spearheaded by an independent commission launched early 2025. Two phases have been planned for the commission: first phase to identify issues and set out recommendations, reporting in 2026 and second phase: making recommendations, reporting in 2028.

## Housing & Communities

The increased prevalence of homelessness and the need for community support have resulted in a £3.0m growth over the three-year MTFP period. For the 2025/26 year, grants totalling £1.9m have been confirmed to recognise this need. This provides an opportunity to invest in temporary accommodation and the resources required to manage the portfolio in providing safe housing and support.

Annual budget growth has been provided for unavoidable inflation in housing related support and CCTV contracts at £0.4m in 2025/26, with £0.5m across the following two years.

## 2. Children's Services

### **Service Pressures £6.5m for 2025/26 (7% increase over 2024/25 revised budget for demand and inflationary increases including pay related costs)**

The MTFP makes provision for an additional gross £20.8m 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 Pressure reduction £1.6m for 2025/26 (largely driven by inflationary increases, and changes to service provision, offset by the new extended producer responsibility scheme that comes into effect in April 2025.)**

The MTFP provides for additional investment over the 3-year period to March 2028 of £9.3m across operations services, however the grant and future year assumptions associated with the extended producer responsibility scheme offsets these service pressures. It should however be

noted that this scheme will likely see increased pressures in other areas of the waste services in future years.

Included in the overall position is provision for 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.
- 2) Fuel inflation has been allowed for along with reprofiled and additional prudential borrowing repayments in line with the Fleet Replacement Strategy report presented as a separate item on the Cabinet and Council agenda to ensure that the rolling capital programme for fleet vehicles is maintained.
- 3) There is an investment in parking which mitigates the costs of the various income collection methods.
- 4) Inflationary pressures allowed for within sustainable transport for concessionary fares increases following the recent rebase to reflect the current trend of journeys undertaken.
- 5) The Local Plan will receive a base budget of £0.25m ongoing to fund each year's scheduled activities with an increased injection of £0.45m in 2025/26 to fund a peak year with the finalisation of one Local Plan and the start of another in the same year.
- 6) The business support budget has been rebased by £0.4m to reflect on-going needs across the council.

#### **4. Resources**

##### **Service Pressures £2.4m for 2025/26 (5.8% increase over the 2024/25 revised budget for demand and inflationary increases including pay related costs)**

The MTFP identifies several budgetary pressures within the Resources directorate, including contract inflation across multiple service areas, increased bank charges, revenue ICT investment plan costs, and income challenges related to land charges.

Most notably, there are significant difficulties in retaining and recruiting staff within Legal Services. Consequently, £0.4m has been invested in staff resource capacity to avoid the reliance on costly locums and to establish a stable staffing base for the future.

#### **5. 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, 2023/24 and 2024/25.

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. For 2024/25 the agreement was based on a flat rate increase of £1,290 on every grade up to SCP43 and a 2.5% increase above this level. This equates to approximately an average increase of 4% which was 0.5% below the budgeted amount for 2024/25.

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.)

For 2025/26 the budget has been drawn based on a 2.8% provision for the pay award in 2025/26. This is in line with the 2.8% proposed 2025 pay award for public sector workers announced by the government in December 2024. The MTFP makes provision for annual pay awards of 2% from 2026/27 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 ongoing however the indications are some areas, particularly small team with low turnover, find it difficult to achieve this target. In addition, services continue to be expected to manage the impact of any incremental drift in their pay base.

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

A key requirement following the establishment of BCP Council was to create a single new pay and grading structure. As of January 2025, a single pay and grading structure supported by standard terms and conditions applied across all posts is not in place. Potential risks associated with this position 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.

The 2025/26 Budget and MTFP position reflects an updated costing of the potential impact of the Pay and Reward project further to the position as set out in the 10 December 2024 update report to Cabinet. The report reflected on the recent trade union ballot outcome and proposed next steps. The updated costing relates to a significant number of staff who have subsequently been remapped. Consequentially the £1.060m included in the base revenue budget for 2024/25 is being reduced to £0.419m for 2025/26 with the ultimate increase in the pay-bill now an annual additional amount of £2.793m, profiled across the MTFP time-horizon including as to when any pay protection costs need to be funded.

For financial planning purposes, the proposed implementation is now assumed to be 1 March 2026. The council will however endeavour to deliver the outcome 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 pay structure, as with the current arrangements.

An amount of £2.197m in one-off resources has also been set aside to fund the cost of the implementation team in 2025/26. It is proposed to hold the unused £1.060m budget from 2024/25 in an unearmarked reserve to cover the increased risks caused by this delay and support bringing it to a swift conclusion.

## **7. 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 CPI 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

Looking forward towards the 2025 valuation the actuary has emphasised their objective of endeavouring to achieve a level of stability in contribution rates.

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.

## 8. 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 2024, which is applied or factored into several 2024/25 contractual uplifts, was 1.7% as measured by the (CPI) Consumer Price Index.

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

CPI Inflation as December 2024 was 2.5% (November 2.6%).

## 9. Treasury Management Income

The MTFP assumes a £5.9m pressure on the treasury management function. This recognises the assumption that Council, as part of the 2025/26 Budget setting process, will agree to borrow £57.5m to enable the forecast excess high needs expenditure in 2025/26 to be financed. Negotiations with government are ongoing to establish if the council is empowered to borrow this money within the current financial framework or whether it needs a capitalisation direction (borrowing permission). Consideration is also being given as to the merit of a capitalisation direction to cover the associated interest costs. Advice and guidance will be taken from CIPFA and the External Auditor as appropriate. We are assuming this borrowing will be for 1 year only from the Public Works Loan Board with the

assumption that government will have put in place a solution to return the SEND system to financial sustainability nationally by this time next year. The Council also needs to borrow cash to manage its overall cash position with 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 high interest rates payable however this is becoming harder to maintain as interest rates are not falling as quickly as expected. The likelihood is temporary borrowing which has maintained the cash position for a number of years will be switched to longer term borrowing to allow greater security of cash on a daily basis.

## **10. Local Council Tax Support Scheme**

Cabinet at its meeting on the 10 December 2024 agreed that there should be no change to the Local Council Tax Support Scheme for 2025/26. This means that the council has applied a consistent policy now from 1 April 2019 onwards.

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

As of 1 November 2024, BCP Council was providing LCTS to 22,561 claimants a reduction of 3% over the previous 12-month period.

## **11. Government specific grants as related to Adult and Children's Social Care - Assumed £7.8m additional funding for social care funding in 2025/26 (£13.1m over 3-year period of the MTFP)**

Trends analysis shows that the government have made additional grant funding for social care available in every year since 2015/16. Over the years grants have increased inconsistently but average at 30% increase per year. Provisional allocations indicate an increase of around 10% only for BCP Council in 2025/26. Whilst grants have been announced only up until 2025/26, the trends shows that new money has continued over the years, therefore the MTFP assumes that the current social care grants are ongoing.

The Social Care Grant was introduced in 2020/21 and ringfenced to support social care for adults and children and now includes the Independent Living Fund. This grant increases by £5.9m in 2025/26 to a total of £39.5m, an increase of 17% against a 32% increase in 2024/25. In BCP, £29.3m will be used by Adult Social Care and £10.2m will be used by Children Social Care. The Social Care Grant is estimated to increase by £2.3m (8%) in 25/26 and subsequent years due to uncertainties of government funding and the inconsistent increases experienced through the years.

The Improved Better Care Fund (iBCF) is frozen at £13.44m for the third consecutive year and this grant, along with Adult Social Care Discharge Grant, £3.14m also remaining at the same level, is being rolled into single Local Authority Better Care Grant.

The increase for the Better Care Fund of 5.66% in 2025/26 is in line with NHS Dorset expectations. The MTFP assumes an increase of just over 2.5% for subsequent MTFP years due to lower inflation forecasts.

The Market Sustainability Fund initial allocation for 2024/25 was £7.66m. This allocation to BCP Council remains the same for 2025/26. This lack of fund growth is the basis to assume no planned increases for subsequent years of the MTFP.

Children Services specific grants – Supporting Families, New Burdens, Staying Put, Virtual Schools Heads Extension, Leaving Care Allowance and Personal Advisors – are being

rolled into a Children & Families grant with estimated increase of £0.4m for 2025/26. No further increases are planned for this in subsequent years.

The Government announced new Children Social Care Prevention Grant of £250 million nationwide for 2025/26 to invest into a national rollout of Family Help initiative. BCP Children Services will receive £0.97m of that total sum. Currently it is unknown if subsequent years will see an increase of this grant, hence no growth assumed beyond 2025/26.

## **12. 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 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 (separate 7 February 2024 Cabinet report)</b> £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			
Further one-off contingency to underwrite the 2024/25 event (£54k of £100k used)	54	54			
<b>f) Poole Events</b> Application of unused Air Festival contingency - in light of ABID decision	46		46		
<b>g) Christmas Events</b> £200k One-off funding for 2024/25 only.	200	200			
<b>h) Pay and Reward</b> One-off implementation costs for 2024/25.	269	269			
One-off implementation costs for 2025/26.	2,197		2,197		
<b>i) Transitional implementation of specified savings proposals</b> Resources to enable specific savings proposals to be implemented over a transitional period.	1,805	1,705	100		
<b>j) Poole Civic Centre</b> Holding costs for 2025/26 only	228		228		
<b>k) Contingency</b> Resources set aside in support of the potential for optimism bias in the £38m of 2024/25 proposed savings.	5,654	5,654			
<b>l) Miscellaneous</b> ICT Investment Plan expenditure which cannot be capitalised	215		215		
Redhill Paddling Pool consumables support - one year extension to secure sponsorship	10		10		
<b>m) Resources to support the balancing of the 2024/25 Budget &amp; MTFP</b> Based on Q2 2024/25 Budget Monitoring reduced flexibility to carry forward contingency resources into future years	6,165	3,375	2,790		
<b>Balance Carried Forward</b>	<b>25,281</b>	<b>14,107</b>	<b>9,174</b>	<b>1,000</b>	<b>1,000</b>

### 13. Council Tax – Taxbase

Cabinet at its meeting on 15 January 2025 agreed to the determination of 151,574.2 as its council taxbase for 2025/26 which is the number of Band D equivalent properties over which the council's council tax for the year will be charged. It is based on the principle that every domestic property is valued by the Valuation Office Agency and placed in one of the eight valuation bands, based on its value as of 1 April 1991 (houses built after this date have their value as of April 1991 estimated at the time of their first sale). The amount of council tax paid varies according to the valuation band as follows:

**Figure 4: Council Tax Valuation Bands on 1 April 1991 and calculation**

Band	Value at 1 April 1991	Ratio	Ratio as a percentage
<b>A</b>	Up to £40,000	6/9	67%
<b>B</b>	£40,001 to £52,000	7/9	78%
<b>C</b>	£52,001 to £68,000	8/9	89%
<b>D</b>	£68,001 to £88,000	9/9	100%
<b>E</b>	£88,001 to £120,000	11/9	122%
<b>F</b>	£120,001 to £160,000	13/9	144%
<b>G</b>	£160,001 to £320,000	15/9	167%
<b>H</b>	More than £320,000	18/9	200%

A comparison of the BCP Council Taxbase between years is set out in figure 5 below.

**Figure 5: Analysis of the council tax taxbase between Towns.**

Town	Council Tax - Taxbase				
	2023/24	2024/25	% Variance	2025/26	% Variance
Bournemouth	64,842	65,603	1.2%	68,076	3.8%
Christchurch	20,975	20,976	0.0%	21,665	3.3%
Poole	59,022	59,763	1.3%	61,834	3.5%
<b>Total</b>	<b>144,839</b>	<b>146,342</b>	<b>1.0%</b>	<b>151,574</b>	<b>3.6%</b>

The council tax, taxbase growth reflects.

- 1) Implementation of a 100% second homes premium from 1 April 2025 onwards.
- 2) A 43% reduction in long term empty properties (826 from 1,444) following the implementation of a 100% premium after 1 rather than 2 years from 1 April 2024 onwards.
- 3) Reduction in the number of residents eligible to claim a single person discount.
- 4) Lower levels of additional properties compared to those estimated as part of the previous year's taxbase calculation.

Overall, the increase in taxbase is anticipated to generate £9.7m additional revenue in 2025/26.

## 14. Schools Forum

Schools Forum is a statutory body of the council and must be consulted on all school funding budget allocations. It also has a range of decision-making powers regarding the level of budgets held centrally and whether any funding provided for mainstream schools can be transferred to other budget areas.

The BCP Schools Forum has a complement of twenty-four members with representation from all categories of schools. Two meetings were held over the autumn and one in early January 2025, with recommendations and decisions made for the BCP Council budget regarding school funding through the ring-fenced DSG.

## 15. Dedicated Schools Grant (DSG)

The gross DSG of £405m provides funding for mainstream schools for pre 16 pupils, private, voluntary, and independent nursery providers, a small range of central school services (for example, school admissions) and specialist provision for children and young people with high needs. High needs budgets include funding for mainstream schools and specialist providers to support pupils with education, health, and care plans (EHCPs) aged 0-25, and those educated out of school, for example due to permanent exclusion or medical needs. Academies are funded from the gross DSG allocation but with amounts subsequently recouped by the DfE to enable the budget share for pre 16 pupils to be paid directly by government.

The DSG is allocated to the council through four funding blocks, each with its own national formula methodology: early years, mainstream schools, high needs, and central school services. Distribution to councils linked to historic allocations has now largely ended, with some funding protection mechanisms in place to reflect that expenditure patterns once well-established cannot be changed quickly.

The council brought forward a DSG accumulated deficit of £63.5m in April 2024 due to the now recognised national underfunding of the high needs budget. The deficit was budgeted to grow by £28m during 2024/25 with the quarter three forecast an overspend of £16.5m as reported to Cabinet in December. The deficit arises from the restrictions in how funding can be moved between blocks with it not possible to reduce expenditure to balance the account as well as meet the statutory education entitlements of pupils identified with high needs. The projected accumulated deficit is as follows:

**Figure 6: Summary position for dedicated schools grant at March 2025 and 2026**

	£m
<b>Accumulated deficit 1 April 2024</b>	<b>63.5</b>
Budgeted shortfall 2024/25	28.0
Projected overspend	16.5
<b>Projected deficit 31 March 2025</b>	<b>108.0</b>
Projected high needs funding shortfall 2025/26	57.5
<b>Projected deficit 31 March 2025</b>	<b>165.5</b>

The recent DfE strategy for tackling the national problem of accumulating deficits on the DSG due to the expenditure on the high needs block has been through the delivering better value (DBV) and safety valve (SV) programmes. The council has engaged in both programmes and secured £1m in 2023 to support improvements in the local SEND system. The improvements were delivered but these programmes found no solution to the rising

funding gap. The council was unable to secure an SV deal to provide additional funding and the DfE has confirmed that no further deals will now be made nationally.

The Commons Education Committee has launched an inquiry into the crisis in provision for children with SEND, with chair Helen Hayes saying MPs are seeking to find practical solutions to the problems in the sector, rather than just identify problems. It was noted that while there has been a great deal of analysis of the issue, the committee will focus on where reform is needed, what good practice could look like and what lessons can be learned.

The council's December 2023 DSG management plan prepared as part of the SV process included proposed additional expenditure of £2.8m as an invest-to-save initiative (innovation fund). The use of this fund was developed with schools over 2024/25 with its aim to increase support for SEND pupils in mainstream schools and reduce reliance on high-cost specialist places. Schools Forum considered the final proposals for the innovation fund on 13 January 2025 and confirmed the initiatives would help them become more inclusive. However, the Schools Forum could agree to transfer only surplus school block funding of £1.1m to support the scheme over 2025/26.

The DfE was approached by their 18 November deadline to request a 1% funding transfer from mainstream schools to fully fund the scheme as urgent system change with the full support of schools is necessary to reduce the trajectory of the growing accumulated deficit. The innovation fund will be implemented only to the extent that funding has been secured.

The report to Cabinet in October 2024 set out the projected course of the accumulated DSG deficit over the period March 2024 to 2029. The estimated accumulated deficit, in the absence of DfE action to reset the high needs system, is shown in table 7 below. This shows a further increase in the deficit of £71m in 2026/27 with the increase then slowing over the following two years with an annual funding gap of £75m projected for 2028/29. This assumes the innovation fund will be implemented and successful in reducing the predicted growth in specialist placements. The cumulative deficit at the end of March 2029 is projected to be £385m.

**Figure 7: Accumulating deficit on the Dedicated Schools Grant**

	Balance Actual 31/3/23 £m	Balance Estimate 31/3/24 £m	Balance Estimate 31/3/25 £m	Balance Estimate 31/3/26 £m	Balance Estimate 31/3/27 £m	Balance Estimate 31/3/28 £m	Balance Estimate 31/3/29 £m
Dedicated Schools Grant	(36)	(63)	(108)	(165)	(236)	(309)	(385)

## 16. High needs block - £64.5m

The issue of local authorities incurring expenditure greater than the resources made available by government for the high needs block of their Dedicated Schools Grant has been an issue ever since the introduction of Education, Health, and Care Plans (EHCPs) under the Children's and Families Act 2014. These EHCPs are legal documents which set out a child or young person's special educational needs and the support that is required to meet those needs. It is widely acknowledged that Local Authorities have all the responsibility for maintaining high needs expenditure within budget and yet have almost no hard levers within which to affect this.

## 17. Early years block - £53.5 million

The early years block funds the local early years single funding formula (EYSFF) as well as a range of council services supporting the early years free entitlements.

The previous government-initiated plans for a major expansion of childcare support aiming to remove barriers to work for parents with children under three in a bid to help more parents return to work. The phased implementation is continuing in 2025/26 with working parents entitled to up to 30 hours childcare support for every child over the age of 9 months from September 2025.

### **18. School's block - £285 million**

The national funding formula (NFF) for mainstream schools funding provided a £5.1m (1.8%) increase for 2025/26 due to uplifted national formula values, updated local school data and reflecting a net reduction in pupil numbers.

A separate paper on this meeting agenda includes proposals for Council decisions regarding the early years and mainstream school's formulae.

### **19. Central school services block - £2.2 million**

The funding is provided largely through a national formula for on-going functions with the per pupil rate increasing annually. There is also funding for local historic commitments. Funding in this block supports specific central services for all schools and the DSG budgeting system. The School's Forum agreed in January that the council budgets can be set at the level of funding.

### **20. Maintained schools**

BCP will have 13 maintained schools (out of 96 in total) on 1 April 2025. Funding to continue statutory services for maintained schools is to be provided from central retention of maintained school budget shares through agreement of maintained schools representatives at School's Forum. Consultation on the proposed retention of £0.2m is in progress at the time of writing this report. A separate decision regarding de-delegation of mainstream school funding to support school improvement functions, which remain the responsibility of schools, is also in progress. Budgets and activities supporting mainstream schools will need to reduce where possible if funding is not secured.

### **21. Academies**

Academies are independent organisations. Their funding and expenditures are not contained within the council's budget, but the overall DSG budget reported to the DfE is set inclusive of their funding allocations.