

Report subject	Medium Term Financial Plan (MTFP) Update
Meeting date	13 May 2025
Status	Public Report
Executive summary	<p>This report:</p> <ul style="list-style-type: none"> • Presents an update on Local Government Funding Reforms and the government Spring Statement. • Aims to ensure the council presents a legally balanced 2026/27 budget. • Proposes a budget planning process and timeline for key financial reports. • Proposes a financial strategy to support the delivery of a robust and financially sustainable budget for 2026/27.
Recommendations	<p>It is RECOMMENDED that Cabinet:</p> <ol style="list-style-type: none"> Approve the budget timetable and process as set out in Appendix B. Endorse the scenario planning exercise that guides the potential level of activity that may now be needed to present a legally balance budget for 2026/27. Approve the financial strategy designed to support the ongoing delivery of a balanced 2026/27 Budget and MTFP as set out in Appendix C.
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 comply with the Councils Constitution and the requirement to have as a minimum a 3-year Medium Term Financial Plan</p> <p>To provide Cabinet with the latest high-level overview of the medium-term financial plan.</p>

	To present a proposed financial strategy to support the ongoing delivery of a balanced budget for 2026/27.
Portfolio Holder(s):	Cllr. Mike Cox, Portfolio Holder for Finance
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Adam Richens, Director of Finance and Chief Finance Officer adam.richens@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Decision

Background

1. Council in February 2025 approved a budget for 2025/26 and Medium-Term Financial Plan (MTFP) with the following key features.
 - a) A balanced MTFP over the 3-year period to 31 March 2028 based on conventional local government financial management processes and revenue sources.
 - b) A 4.99% council tax increase for 2025/26 with a financial planning assumption of the same increase in each of the following years consistent with the projections from the Office Budget Responsibility.
 - c) Assumed delivery of £9.6m in annual savings, efficiencies, and additional resources to balance the 2025/26 budget as itemised and supported with individual delivery plans. This was a significant reduction from the £38m assumed in support of the 2024/25 Budget.
 - d) A target of £19m in capital receipts from the disposal of assets to fund the council's transformation programmes over the 2-year period 2024/25 and 2025/26.
 - e) An ongoing request to government to honour their pledge to provide full compensation in respect of their Employers National Insurance increases on staff directly employed by the Council. Since the budget was published analysis by the Local Government Association suggests that over 60% of council tax increases nationally will be consumed by the rise in employers' National Insurance through direct or indirect effects.
2. The approved budget for 2025/26 also managed numerous financial risks. Principle amongst these is the existential threat to the financial viability and sustainability of the Council caused by the accumulated deficit on the Dedicated Schools Grant (DSG). The 2025/26 budget assumed additional temporary borrowing through the Council's Treasury Management powers to fund the excess Special Educational Needs and Disability (SEND) High Needs revenue expenditure above the grant made available by government via the DSG. This shortfall was budgeted to be £57.5m in 2025/26 with the consequential impact that the cumulative DSG deficit is increased from £108m on 31 March 2025 to a predicted £165.5m on 31 March 2026.

This Treasury Management mechanism is only being made available as a temporary solution on the pretext that the government have committed to returning the SEND system to financial sustainability during 2025.

Update: Dedicated Schools Grant – High Needs Expenditure

3. The government have confirmed that they will address the £6bn national special educational needs and disability deficit later this year, with details of the announcement being made as part of the Spending Review in June and the local government finance settlement which they aim to publish in late November. Appearing before the Public Accounts Committee (PAC) on the 3 April 2025, MHCLG's director of local government finance Nico Heslop said 'all options are on the table' but the aim is to increase mainstream delivery for children with SEND and that 'as part of that transition we are working on plans around the DSG deficits.

Local Government Funding Reforms

4. The local government finance policy statement 2025 to 2026 published in November 2024 outlined the intention of the government to progress with funding reforms across local government with a phased implementation beginning with the first year of the multi-year settlement in 2026/27. In advance of this the government published an initial consultation on the objectives and principles of their proposed approach alongside the provisional Local Government Finance Settlement for 2025/26. The council's response to this consultation is included as **Appendix A**.
5. In essence the government are looking to use what they refer to use the best available evidence to assess differences for local government services, including deprivation and resources available to local authorities. It is the last part of this statement that is of most concern as it appears that BCP Council being highly council tax and business rates geared (generates the majority of its net budget funding from these sources) could be a disadvantaged under these reforms. As an example, the government used a very similar approach in distributing the £600m Recovery Grant for 2025/26 and BCP Council received a zero allocation.
6. The reforms were also reflected upon by The Rt Hon Angela Rayner MP in a keynote speech on the 28 February 2025 when in reflecting on the 2025/26 Local Government Finance Settlement she said *"This government is only giving the North what it's owed, and what it deserves. For too long, our outdated system of council funding has been stacked against the north. The days of Ministers expecting the North to go cap in hand ends now. That's why with Jim McMahon, our Minister for English Devolution and Local Government, we are making simpler and clearer structures and will fix the foundations of local government. He is already beginning to replace the funding formula to give the North nearly £840 million more this year. That brings the North's total increase to just over 8 per cent - the biggest rise of all regions in England, by a good distance". "All councils are facing pressures, but it's particularly hard for those that bore the brunt of austerity. And this year's settlement marks a clear direction of travel for the rest of the Parliament"*. This is considered to give a clear statement of intent in respect of the outcome of the LG funding reforms.
7. Early work by a national modelling organisation suggests that BCP Council could see up to a £7.4m per annum reduction in funding from this process. At this stage the MTFP makes no financial planning assumptions relating to the assumed outcome from this process. This is on the grounds that the work remains at an early stage and the council will be lobbying to encourage government not to implement a funding formula that takes local resources, predominately those raised from council tax and

business rates, and redistributes them nationally to authorities with lower council tax levels.

Spring Statement (March 2025)

8. On 25 March 2025 the Chancellor of the Exchequer delivered her Spring Statement which responded to the latest set of forecasts for the economy and public finances from the Office for Budget Responsibility (OBR). The intent of the government is to have only one major fiscal event each year, in the Autumn, followed by a Spring update from the OBR. However, worsening fiscal projections meant the Chancellor had to widen the scope of the spring statement ahead of the June Spending Review. Generally, this was due to increased interest rates, lower growth than anticipated and increased uncertainty. The focus of the statement was on macroeconomic issues, defence, spending reductions in welfare and benefit payments, alongside cuts in Whitehall back-office services.
9. For the council it was disappointing that the Spring Statement did not include anything in respect of the governments previous commitment to return the SEND system to financial sustainability in 2025. It should also be highlighted that although none of the proposed cuts directly affected local government, there is concern about their knock-on impact, particularly where we work in partnership with other public sector agencies, such as NHS trusts. There is also a concern that the reduction in medium-term spending allocations to be detailed in the forthcoming spending review will impact on the sector, either directly, or indirectly.
10. The government is due to present its Spending Review on 11 June 2025.

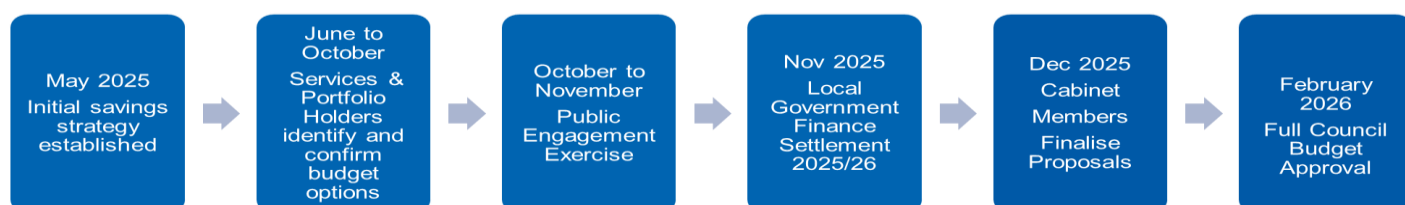
2026/27 Budget Planning Process

11. The budget for 2026/27 and the MTFP should be seen in the context of a rolling, evolving process structured to enable the ongoing proactive management and prioritisation of the council's resources. As a sector local authorities have been grappling with sustained financial pressures since 2010. Recently councils have had to become more efficient in navigating the uncertainty and volatility caused by global macro-economic factors, the legacy and long-term consequences of the Covid-19 pandemic, alongside those caused by the recent cost-of-living crisis, and changes in public policy. Stability in financial planning is impacted by a current financial framework characterised by one-year local government funding settlements. To improve its financial resilience the council does continue to encourage the government to move to multi-year financial settlements. It also looks to continually reflect on the robustness of its strategic and financial risk management to embed and improve arrangements moving forward.
12. Full details of the budget planning process and timetable to support the 2026/27 budget are set out in **Appendix B** attached. Key features include.
 - Consideration of the vision, ambitions and aspirations of the council to ensure the organisation commits its limited resources in accordance with its stated priorities and Corporate Strategy.
 - A scenario planning and financial forecasting led approach.
 - Constant refinement of assumptions based on government announcements, economic forecasts, trend analysis, and professional judgement.

- Public participation in the budget via an engagement process in October/November 2025.
- Two budget workshops, one in November 2025 and then one in January 2026 setting out the final budget proposals.
- Cabinet members working with Corporate Management Board colleagues to shape the proposals via bi-weekly Strategy Planning sessions throughout 2025/26.
- Further to last years enhanced process, it should be highlighted that the process for scrutiny committees' input into the budget remains under consideration.

13. A high-level summary can be shown as set out in Figure 1 below.

Figure 1: High level summary of the 2026/27 budget planning process



Currently approved and rolled Medium Term Financial Plan (MTFP)

14. Figure 2 below sets out the current approved and balanced MTFP to 2028. As a reminder to Cabinet, 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:** February 2025 Council approved MTFP position

	Revised Budget 2024/25 £m	Jan 2025 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	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
Service Pressures (net of any specific grant changes)	320.4	21.7	13.3	14.5	49.5
Savings, Efficiencies, Fees & Charges		£m	£m	£m	£m
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
		(4.1)	(7.9)	(8.1)	(20.1)
Corporate Items - Cost Pressures	21.7	4.8	7.1	6.2	18.2
Funding - Changes	(338.7)	(23.0)	(10.4)	(17.6)	(50.9)
Annual – Net Funding Gap	3.4	(0.6)	2.1	(4.9)	(3.4)
Application of one-off business rates resources to MTFP	(3.4)	0.6	2.8	0.0	3.4
Annual – Net Funding Gap	0.0	0.0	4.9	(4.9)	0.0
Cumulative MTFP – Net Funding Gap		0.0	4.9	0.0	

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.

16. The position as set out above has now been updated for several potential adjustments to previously identified cost pressures as well as the inclusion of a starting position 2028/29. These matters, as underpinned, by several key assumptions as set out below in Figure 3, are being kept under continual review and constantly refined based on the latest trend analysis, economic forecasts, government announcements, and professional judgements.

17. Figure 3: Medium Term Financial Plan - Key assumptions

	2026/27	2027/28	2028/29
Council Tax (Includes 2% Social Care Precept)	4.99%	4.99%	4.99%
Pay Award	2.0%	2.0%	2.0%
Minimum Increase in Fees & Charges	2%	2%	2%
National Living Wage (NLW) % Increase in the National Living Wage	2%	2%	2%
Bank of England - Base Rate	Dec-25 4.00%	Dec-26 3.50%	Dec-27 3.50%
Current BoE Base Rate: March 2025 4.5%			

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 based on the specific cost profile of the service.

18. Figure 4: Updated and rolled MTFP

	Original Budget 2025/26 £m	April 2025 MTFP Position			
Service Pressures (net of any specific grant changes)		26/27 £m	27/28 £m	28/29 £m	Total £m
Wellbeing Directorate	137.9	6.0	6.2	6.5	18.7
Children's Directorate	99.4	5.3	5.3	5.3	15.8
Operations Directorate	36.1	(0.1)	2.3	2.5	4.7
- Operations Directorate: Waste & Extended Producer Responsibility	22.0	1.9	0.8	6.0	8.6
Resources Directorate	42.5	0.2	0.0	1.6	1.8
Service Pressures (net of any specific grant changes)	337.9	13.3	14.5	21.8	49.6
Savings, Efficiencies, Fees & Charges					
Wellbeing Directorate		(0.9)	(0.8)	(0.8)	(2.6)
Children's Directorate		0.0	0.0	0.0	0.0
Operations Directorate		(3.3)	(2.0)	(1.3)	(6.6)
Resources Directorate		(0.1)	(0.1)	(0.1)	(0.3)
Transformation		(3.5)	(5.2)	0.0	(8.8)
		(7.9)	(8.1)	(2.3)	(18.2)
Corporate Items - Cost Pressures	26.5	10.0	6.1	6.8	22.9
Funding - Changes	(361.6)	(10.4)	(17.6)	(20.1)	(48.1)
Annual – Net Funding Gap	2.8	5.0	(5.1)	6.3	6.2
Application of one-off business rates resources to MTFP	(2.8)	2.8	0.0	0.0	2.8
Annual – Net Funding Gap	0.0	7.7	(5.1)	6.3	8.9
Cumulative MTFP – Net Funding Gap		7.7	2.7	8.9	

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.

19. The key changes since February relate to a slightly higher interest rate assumption and an assumption that further resources will need to be invested in the authority's pay base due to the ongoing negotiations associated with pay and reward and pay inflation in 2025/26.

Scenario Planning: Potential Variations

20. In support of the financial planning approach to enable delivery of a balanced budget for 2026/27 the council has considered the level of uncertainty and therefore risk that will apply to the current assumptions. In line with good practice these assumptions have been tested via a process of sensitivity analysis and several different models developed that highlight their impact. At the extremes they indicate there could be an improvement in the position or alternatively a deterioration which would lead to significant widening of the funding gap for 2026/27. These models consider the impact of various changes such as.

- Lower threshold increases in council tax levels.
- Lower or higher levels of change to the council's tax base.
- Lower or higher levels of base government grant funding including the impact of the government funding reforms.
- Lower or higher annual pay awards.
- Lower or higher borrowing costs.
- Alternative approaches that could be taken by government to address the accumulated DSG deficit.
- Changes to service demands including those impacted by the national living wage.

21. It should be highlighted that no tolerance has been made as part of this modelling in respect of the 2025/26 budgeted savings or those included in the MTFP for 2026/27 and 2027/28 on the basis that services are expected to ensure their delivery.

22. Figure 5: Sensitivity Analysis 2026/27 Budget Models

	Original Budget 2025/26 £m	Base Case 26/27 £m	Better Case 2026/27 £m	Middle Case 2026/27 £m	Worse Case 2026/27 £m
Service Pressures (net of any specific grant changes)	337.9	13.3	13.1	17.5	21.2
Savings, Efficiencies, Fees & Charges		(7.9)	(7.9)	(7.9)	(7.9)
Corporate Items - Cost Pressures	26.5	10.0	2.2	14.0	24.9
Funding - Changes	(361.6)	(10.4)	(18.3)	(7.4)	3.2
Annual – Net Funding Gap	2.8	5.0	(11.0)	16.2	41.4
Application of one-off business rates resources to MTFP	(2.8)	2.8	2.8	2.8	2.8
Annual – Net Funding Gap	0.0	7.7	(8.2)	19.0	44.2
Cumulative MTFP – Net Funding Gap		7.7	(8.2)	19.0	44.2

23. To ensure the council has considered and planned for all eventualities the intent is for services to produce savings plans based on cash limited budgets for 2026/27. These limits can be broken down into the net £337.9m cost of service total in the current 2025/26 financial year less the £7.9m in savings services have already committed to deliver in 2026/27 as approved by the savings schedule supporting the approved 2025/26 Budget and MTFP.
24. Therefore, services have been asked to develop savings proposals of circa £13.3m in support of the financial planning process.
25. Working with their Portfolio Holders, Corporate Directors, Service Directors, and Budget Holders will have until initially September 2025 to prepare these potential additional proposals for balancing the 2026/27 budget should they be required. As such these proposals will be considered at Bi-weekly Cabinet/Corporate Management Board meetings for further consideration as to whether they should be taken forward.

Financial Strategy to support maintaining a balance budget for 2025/26.

26. A financial strategy designed to support the delivery of a legally balanced budget for 2026/27 is attached in **Appendix C**. This focuses on a prudent approach to the council's financial management by considering the actions that now need to be developed and implemented. The approach continues to be one focused on conventional local government financial management processes and revenue sources. Developed by Cabinet working with Senior Officers, the strategy is focused on the following summarised workstreams which are detailed in the relevant appendix.

a) Delivering the February 2025 approved MTFP

Emphasis on the £7.9m of transformation and service specific savings proposals already approved for 2026/27.

b) Special Educational Needs & Disability (SEND) & Dedicated Schools Grant

Encourage government to honour commitment to return SEND to financial sustainability and set out how any such expenditure is to be funded moving forward.

c) Financial Outturn 2024/25.

Has the Council been able to deliver within the parameters of the February 2024 Council approved budget for 2024/25. Is there headroom to consider a voluntary repayment of debt contribution.

d) Savings plans based on cash limited budget targets for 2026/27

Working with Portfolio Holders services have been requested to develop saving plans based on a cash limited budget for 2026/27 which also recognises savings already committed to. The following activities will be considered in support of this approach.

- i) Invest to save proposals*
- ii) Use of AI technology*
- iii) Level of fees and charges*
- iv) Service harmonisation*

- v) *Service rationalisations*
- vi) *Market analysis*
- vii) *Voluntary redundancy programme*

e) Deliver a pipeline of capital receipts from asset disposals

Continue with the development of an ongoing programme of sales from assets no longer needed for service or strategic reasons.

f) Generation of additional resources

Develop and consider any proposals which would be able to increase the permanent or temporary resource base of the council.

g) Minimise capital programme requirements

Limit new capital requirements/bids by only considering fully externally funded schemes or those where there is a legal requirement. Additionally, consideration will be given to robust self-financing business cases that use the council's ability to borrow to invest in capital infrastructure which in turn drives down operational costs or avoids demand pressures.

h) Government policy reforms

Continue to monitor the impact of various government proposals which will have a direct impact on either the cost base or income sources available to the council.

i) Review of the council's balance sheet

To include a fundamental review of Earmarked Reserves and to benchmark items such as bad debts provisions to compare with the levels and policies of other local authorities.

j) Comparisons with other local authorities

Reflecting on best practice and the responses of other local authorities to the overall financial challenge and specifically any learning that BCP Council might want to consider implementing.

27. In summary, the financial strategy continues to be designed to improve the overall financial resilience of the council, to enhance financial stability, and to ensure that the Council can set a legally balanced budget for 2026/27.

Options Appraisal

28. 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

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

Summary of legal implications

30. 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.

31. 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. 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.
32. 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, the 1 March each year to allow sufficient time for the council tax direct debit process to be adhered to.

Summary of human resources implications

33. There are no direct human resources implications associated with this report. However, the 2026/27 budget 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

34. The 2025/26 approved budget protected the staffing resources associated with climate change and ecological emergency activity. In addition, as at the 31 March 2024 £1.239m was available in an earmarked reserve to support project activity.

Summary of public health implications

35. The Department of Health and Social Care have announced the council's public health grant allocations for 2025/26 is £23.261m which was an increase of 5.33% from the 2024/25 allocation. It has been agreed that £10.988m will be contributed towards shared contracted services with Dorset Council as part of the phased transition away from shared public health service.
36. In addition to the basic allocation, we have also received the following additional allocations.
- £3.023m drug & alcohol treatment and recovery improvement grant (DATRIG)
 - £429.9k for the local stop smoking and support grant (LSSSASG)

Summary of equality implications

37. 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 2026 report to members as part of the annual budget process.

Summary of risk assessment

38. The risks inherent in the financial position of the council include the following issues set out in detail as part of the 11 February 2025 report to full council in relating to the 2025/26 budget and medium-term financial plan.
- Accumulating DSG Deficit.
 - Cashflow Crisis

- New Pay and Grading Structure.
- Council Tax – Taxbase
- Financial Outturn 2024/25
- Legal Claims.
- Uncertainty.
- Pay Award
- Local Government Funding Reforms.
- Extended Producer Responsibility
- Loss or disruption to IT systems and Networks from a cyber-attack.
- Council Owned Companies and Joint Ventures.
- Intervention.
- Children's Services.
- Wellbeing Services.
- Housing: Temporary Accommodation including Bed and Breakfast
- Delivering savings, efficiencies, and additional income generation.
- Realisation of capital receipts to fund the council's transformation programme.
- Carters Quay.

39. These risks will continue to be monitored and where possible and appropriate mitigation strategies considered. At the time of writing this report a particular risk which will continue to be considered is in regard to the uncertainty caused by global macroeconomic factors.

Background papers

40. February 2025: Budget 2025/26 and Medium-Term Financial Plan report

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=284&MId=6294&Ver=4>

Appendices

Appendix A Local Government Funding Reform: Consultation Response

Appendix B Budget Planning process and timetable.

Appendix C Financial strategy supporting the delivery of the 2026/27 budget.