

2026/27 Budget - Financial Strategy

Supporting the 2026/27 Budget & Medium-Term Financial Plan (MTFP)

With a continuing focus on traditional local government financial management processes and revenue sources the Cabinet working with Senior Officers has developed the following financial strategy to support the delivery of a legally balanced 2026/27 Budget and Medium-Term Financial Plan.

a) Delivery of the February 2025 approved Medium Term Financial Plan

Action by Portfolio Holders, Corporate Directors, and all Budget Holders to deliver the assumptions as set out in the February 2025 report to Council. The emphasis will be on the delivery of the £7.9m of assumed, savings, efficiencies, additional fees and charges, or service adjustments programmed for 2026/27.

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

Continue to encourage the Department for Education (DfE) and the Department for Levelling Up, Housing and Communities (DLUHC) to honour their commitment to return the SEND system to financial sustainability during 2025. The council has budgeted to borrow to fund the £57.5m of excess of special educational needs and disability (SEND) expenditure over the government DSG grant in 2025/26. It can only do this on a temporary basis linked to the promise of government to establish a sustainable solution. Failure of government to provide a solution will present an existential threat to the financial viability of the council.

c) Financial Outturn 2024/25

Review of the 2024/25 Financial Outturn to consider the extent to which the council was able to deliver within the parameters of the February 2024 Council approved resources for the year. In addition, and as a matter of principle, it was also previously identified that should resources become available at financial year-end then consideration will be given, as recognised in the councils Treasury Management Strategy, to the voluntary repayment of debt bearing in mind the budget for the year adopted a different strategy to debt repayment from that previously applied.

The opportunity will also be taken to consider if there is any evidence to suggest that the base revenue budget needs to be rebased to reflect income and expenditure patterns in the period since the 2025/26 budget was set. Care will need to be taken to consider the impact of the spend control that operated during the whole of the last financial year.

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

Services have been asked to develop saving plan proposals for 2026/27 based on cash limited budgets. These can be broken down into the current 2025/26 budget less the £7.9m savings services have already committed to deliver in 2026/27. The following activities will be considered in support of this approach.

i. Invest to save proposals

Based on value for money principles and on robust business cases, proposals which demonstrate that a specified upfront invest of either revenue or capital or both, will deliver an ongoing revenue saving to the authority.

ii. Use of AI technology

It is recognised that AI technology could have an impact on a range of council services from business support and customer services to adult social care

and children's services. The cost of the technology including ongoing licensing costs needs to be reflected upon in any business case alongside staff productivity and the ability to actually realise savings.

iii. Level of fees and charges

Ensure all fees and charges are increased in line with the impact of inflation on the service including the impact of the pay award and the pay & reward workstream. In doing so services should continue to ensure application of the full cost recovery principle which requires that all fees and charges are set at a level to guarantee that all costs both revenue and capital, direct and indirect are fully recovered.

iv. Service harmonisation

The intent is to harmonise all services across the conurbation following the 2019 Local Government Reorganisation. Good progress has been made however all outstanding areas of harmonisation will be reviewed to eliminate any areas of difference. This action is underpinned by the assumption of the harmonisation of systems used to underpin the delivery of services

v. Service rationalisations

Consideration of services that the local authority is not required to provide and any expenditure on services that it currently provides above the statutory minimum.

vi. Market analysis

Consider the extent to which services, from a value for money perspective, might be better delivered by the private sector. Besides efficiency, considerations might include the cost differentials between local authorities and private companies. The council may also find it more effective to procure services as and when needed via a contract arrangement rather than retaining capacity in-house.

vii. Voluntary redundancy programmes

Ongoing consideration will be given to the extent to which voluntary redundancy processes can be used to unlock the delivery of savings for 2026/27 onwards. Previously endorsed value for money criteria will be used to assess any such proposals.

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. The use of these receipts to be considered in support of.

- Service specific transformation programmes funded via the Flexible Use of Capital Receipts.
- Debt repayment.
- Improvements to Civic Hubs.
- Capital investment in assets.

f) Minimise capital programme requirements

Limit new capital requirements/bids by only considering fully externally funded schemes or those where there is a legal requirement (such a critical condition schemes to manage health and safety or manage operations). In addition, 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 avoid demand pressures.

g) Generation of additional resources

Develop and consider any proposals which would be able to increase the permanent or temporary resource base of the council. This includes consideration of resurrecting a previous conversation with government around having the flexibility to increase council tax by the additional 2.43% that it could now be charging if it had increased its amounts in line with government policy across the two-year time horizon 2021/22 and 2022/23.

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. An example being the Family First Partnership resources which overtime the government are expecting to significantly reduce the number of looked after children.

i) Review of the council's balance sheet

Ongoing review of the authority'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.