

Key Assumptions

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

	Revised Budget 2025/26 £m	Fairer Funding Adjustment	Updated Budget 2025/26 £m	Oct 2025 MTFP Position			
Service Pressures (net of any specific grant changes)				26/27 £m	27/28 £m	28/29 £m	Total £m
Wellbeing Directorate	138.1	37.9	176.0	11.1	7.7	8.1	26.9
Children's Directorate	100.0	10.3	110.3	6.0	6.0	6.0	17.9
Operations Directorate	37.7	0.0	37.7	0.6	3.0	3.1	6.7
- Operations Directorate: Waste & Extended Producer Responsibility	22.0	0.0	22.0	1.9	0.8	6.0	8.6
Resources Directorate	49.8	0.0	49.8	(0.0)	0.1	1.6	1.6
Service Pressures (net of any specific grant changes)	347.6	48.2	395.8	19.5	17.5	24.8	61.8
Savings, Efficiencies, Fees & Charges							
Wellbeing Directorate				(2.8)	(0.9)	(0.8)	(4.5)
Children's Directorate				(0.5)	0.0	0.0	(0.5)
Operations Directorate				(4.5)	(2.0)	(1.3)	(7.8)
Resources Directorate				(0.9)	(0.4)	(0.1)	(1.5)
Transformation				(3.5)	(5.6)	(0.7)	(9.7)
Savings, Efficiencies, Fees and Charges				(12.2)	(8.9)	(2.9)	(24.0)
Corporate Items - Cost Pressures							
Transformation Base Revenue Cost	0.0		0.0	0.0	0.0	0.0	0.0
Debt Capital Repayment - Minimum Revenue Provision	8.7		8.7	0.4	0.4	0.4	1.2
Debt Interest on Borrowings	1.3		1.3	0.8	0.3	0.9	2.0
Treasury Management Income	(0.7)		(0.7)	0.0	0.0	0.0	0.0
Pension - Back funding	3.7		3.7	0.0	0.0	0.0	0.0
Provision for the Pay Award	(0.3)		(0.3)	5.3	4.2	4.3	13.8
Pay and Grading Project	0.4		0.4	5.3	(1.0)	(0.2)	4.1
Pay and Grading Project - Implementation cost	2.2		2.2	(1.8)	(0.4)	0.0	(2.2)
Benefits	(1.3)		(1.3)	0.0	0.0	0.0	0.0
Investment Properties Income	(4.7)		(4.7)	0.0	0.0	0.0	0.0
Miscellaneous including levies	(3.0)		(3.0)	0.4	0.7	0.7	1.8
Contingency	2.5		2.5	(0.0)	(0.0)	0.0	(0.1)
Corporate Items - Cost Pressures	8.7	0.0	16.7	10.4	4.2	6.1	20.7
Funding - Changes	(361.7)	(48.2)	(409.9)	(14.1)	(18.7)	(22.4)	(55.2)
Debt interest due to accumulated SEND deficit	8.1	0.0	8.1	1.8	1.9	1.2	4.9
Annual – Net Funding Gap	2.8	0.0	2.8	5.4	(4.0)	6.7	8.1
Application of one-off business rates resources to MTFP	(2.8)		(2.8)	2.8	0.0	0.0	2.8
Annual – Net Funding Gap	0.0	0.0	0.0	8.2	(4.0)	6.7	10.9
Cumulative MTFP – Net Funding Gap				8.2	4.1	10.9	

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.

The developing 2026/27 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 £11.1m for 2026/27 (6.3% increase over the 2025/26 budget as adjusted for the government fair funding review) for demand and inflationary increases.

Adult Social Care and Commissioning

The MTFP makes provision for an additional gross £27m investment in adult social care services over the 3-year period to March 2029 (£11m in 2026/27). Grant support towards these pressures has been assumed at the level of £2m in 2026/27 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 £15.8m over the 3 years.

2) It is worth noting that ringfenced grants (market sustainability and Improvement fund and the social care support grant) currently built into the adult service are being rolled into the non-ringfenced revenue support grant (RSG) in the government's fair funding review process from 2026/27. The full extent of these changes remains unknown but currently assumed for specific government funding supporting Adult Social Care is growth of £6m over the MTFP horizon, spread evenly throughout the years: £2m in 2026/27 and subsequent years.

3) Demographic growth for all client groups is provided for at £11.5m 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 Low Pay Commission suggested NLW hourly rate is to grow to £12.71 from April 2026, which translates into a 4.1% increase. 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 2026/27 by £1m and by a further £1.2m and £1.4m in 2027/28 and 2028/29, respectively.

The Health Secretary has announced plans to improve care workers pay along with the introduction of a new sector-wide negotiation body to lead on pay conditions between employers, trade unions and employees. These changes are to come into force in 2028 with £500m of new funding from government for the sector. The current MTFP does not yet factor in these changes.

Housing & Public Protection

The Housing & Public Protection service continues to face challenges across the 3-year MTFP, with £0.5m of growth included in 2026/27 and recurring pressures forecast through to 2028/29. These pressures reflect the ongoing impact of inflation on housing related support and community safety contracts, alongside the need to meet statutory obligations and maintain essential services.

The future funding position for key grants such as the homelessness prevention grant (HPG) and the rough sleeping prevention and recovery grant (RSPARG) remains uncertain. There are ongoing discussions at a national level regarding the potential consolidation of elements of these grants into the RSG. Until the outcome of these proposals is confirmed, the full financial impact on the housing service is unclear.

2. Children's Services

Service Pressures of £6.0m for 2026/27 (5.4% increase over the 2025/26 budget as adjusted for the government fair funding review) for demand and inflationary increases)

The MTFP makes provision for an additional gross £17.9m investment in children's services over the 3-year period to March 2029 (after additional specific grants). This pressure, which excludes the impact of future pay awards on the services staff, is a combination of:

1) Care:

- a. The service has seen a rise in the numbers and average cost of children in care since the budget was set for 2025/26 with resources released from other budgets and reserves in mitigation. 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 the cost of placements, and a range of market options is being explored.
- d. The NLW is a key driver for the cost of care services and the increase by 4% is expected to impact the cost of care in the coming year.

2) School Transport for pupils with special educational needs and disabilities (SEND):

SEND transport costs are 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). The growth allowed of £2m annually is before considering the impact of the transformation project planned to deliver savings.

3) Grants

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 Pressures of £2.5m for 2026/27 representing an increase of 4.2% on the 2025/26 budget (largely driven by inflationary increases, changes to service provision, and the increased costs associated with the extended producer responsibility scheme that came into effect in April 2025.)

The MTFP provides for additional investment over the 3-year period to March 2029 of £15.3m across operations services. It should be noted that £8.6m of the total £15.3m pressure is related to the increased costs associated with the extended producer responsibility scheme.

The figures are still being carefully worked through as more information is received with a specialist consultant appointed to work on the accuracy of these assumptions.

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 to ensure that the rolling capital programme for fleet vehicles is maintained.
- 3) Inflationary pressures allowed for within sustainable transport for concessionary fares increases following the recent rebase to reflect the current trend of journeys undertaken.
- 4) Additional energy and inflationary pressures within utilities and street lighting.
- 5) Other inflationary increases added to contracts across Operations including cleaning, RNLI, seafront, intelligent traffic systems and abandoned & untaxed vehicles.

4. Resources

There are no net service pressures identified for 2026/27.

The Resources directorate continues to face a range of financial pressures across the 3-year MTFP, most notably £1.5m in 2028/29 due to increased Microsoft licenses costs.

Other pressures span multiple service areas and reflect the impact of inflation on contracts, member's allowances, and income challenges in areas such as marketing.

The directorate remains focused on managing these pressures through service efficiencies, ensuring continued support for corporate functions and statutory responsibilities.

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 £2m 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 was in line with the 2.8% proposed 2025 pay award for public sector workers announced by the government in December 2024. The February 2025 MTFP then made provision for annual pay awards of 2% from 2026/27 onwards.

On the 23 July 2025 the National Employers Organisation agreed a 3.2% pay award for the financial year 2025/26. This, alongside the fact that inflation currently remains stubbornly above

both 3% and the government's 2% inflationary target, has meant that the pay award provision for 2026/27 has now been increased to 2.5%.

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 teams 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 services 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. In setting a 2025/26 Budget a single pay and grading structure supported by standard terms and conditions applied across all posts was not in place. Potential risks associated with this position increased the longer it took to achieve this outcome however officers were committed to achieving a single pay and grading and terms and conditions outcome.

The position was resolved when Council on 16 July 2025 agreed to the enhanced Pay and Reward offer post a further ballot of trade union members and agreement to move towards a collective agreement. The report set out the intent to increase the permanent pay bill of the authority by £4.545m (2.44% increase on the pay base) which was a further £1.752m above the amount included in the 2025/26 Budget and Medium-Term Financial Plan as agreed by Council in February 2025. These calculations related to the individual appointments and salaries of colleagues as they were known as of 21 April 2025 and related to filled paid permanent posts and excluded any provision for vacant posts, casual employees, apprentices, agency staff or as a result of any future re-mapping outcomes. The report also emphasised that the annual incremental drift exposure of the council, which the financial planning assumption continues to be that it will be managed by services, has increased from £1.5m to £4m per annum due to the additional head room within grades from the revised structure. The report included and Council approved a list of savings proposals to cover the further additional £1.752m cost.

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%		
BCP Council	82%	92%	96%

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 at the 2025 valuation, the actuary has previously emphasised their objective of endeavouring to achieve a level of stability in contribution rates. That said the council has an obligation to ensure that any payments are robust and the underlying assumptions challenged as appropriate. The results of the 2025 valuation are anticipated to be announced in November 2025.

In comparing pay rates with those of other employers, it is important that everyone recognises 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 each year is applied or factored into several 2026/27 contractual uplifts as measured by the (CPI) Consumer Price Index.

CPI Inflation as of August 2025 was 3.8% (July 3.8%).

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

9. Treasury Management – Interest Cost

The MTFP assumes an additional £3m pressure on the treasury management function related to the increasing need to borrow. Of the additional pressure, £1.8m is in relation to the accumulated SEND deficit forecast to be over £180m by March 2026. In total the Council will be servicing debt in relation to the deficit of £9.9m per annum by 2026/27.

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. Previous government specific grants as related to Adult and Children's Social Care transferred to non-ringfenced RSG from 2026/27 - Assumed £2.3m additional funding for social care funding in 2026/27 (£6.9 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.

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. The allocation to BCP Council in 2025/26 amounted to £39.6m and locally split between Adult Social Care: £29.3m and Children Social Care: £10.3m. The current MTFP assumes growth of this allocation within the RSG over the MTFP timeframe.

The Local Authority Better Care Grant, comprising former Improved Better Care Grant and Adult Social Discharge Grant, allocated to BCP Council Adult Social Care is assumed to remain frozen in 2026/27 at the level £16.6m.

The increase for the Better Care Fund of £0.4 million in 2026/27 is yet to be confirmed by NHS Dorset ICB. Work is being undertaken by both partners within Better Care Fund to establish envelope for this pool in 2026/27 and estimate NHS minimum contribution to local authority commissioned care.

The Market Sustainability Fund initial allocation for 2025/26 was £7.7m. The Adult services MTFP does not include any changes to this allocation, as the grant is being rolled into the RSG with the impact uncertain.

Children Services specific grants

The consolidated Children and Families Grant allocation to BCP in 2025/26 amounted to £2.6m. No increase is yet announced for 2026/27 and future years.

The newly introduced Children Social Care Prevention Grant allocated £1m to BCP in 2025/26. Currently it is unknown if 2026/27 will see an increase of this grant, hence no growth assumed for 2026/27.

11. 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
Resources Available - Business Rates Collection Fund (Surplus)	(25,281)				
Application of Resources					
a) Resources set aside to support regeneration ambitions Includes resources to fund the staff transferred by BCP FuturePlaces Ltd over a 4-year period.	4,000	959	1,041	1,000	1,000
b) Russell Cotes Museum (separate 7 February 2024 Cabinet report) £2m One-off dowry payment + £250k one-off maintenance dowry payment. £626k Base budget removed from 1 April 2024 but do not become self sufficient until 1 October 2025. £50k Base budget for corporate maintenance removed from 1 April 2024 therefore £75k provision 1/10/25.	2,250 939 75	626 50	2,250 313 25		
c) Climate Change and Ecological Emergency Resources to top up the project budget, via an Earmarked Reserve, to £1m.	452	452			
d) Children's Services - Improvement Expenditure One-off investment in the Children's Services, Building Stronger Foundations Programme, December Cabinet.	522	522			
e) Bournemouth Air Festival £200k One-off funding for 2024/25 only. Further one-off contingency to underwrite the 2024/25 event (£54k of £100k used)	200 54	200 54			
f) Poole Events Application of unused Air Festival contingency - in light of ABID decision	46		46		
g) Christmas Events £200k One-off funding for 2024/25 only.	200	200			
h) Pay and Reward One-off implementation costs for 2024/25. One-off implementation costs for 2025/26 and 2026/27 Additional costs following 2025 ballot in 2025/26	269 1,082 1,115	269	1,061 1,115	21	
i) Transitional implementation of specified savings proposals Resources to enable specific savings proposals to be implemented over a transitional period.	1,805	1,705	100		
j) Poole Civic Centre Holding costs for 2025/26 only	228		228		
k) Contingency Resources set aside in support of the potential for optimism bias in the £38m of 2024/25 proposed savings.	5,654	5,654			
l) Miscellaneous ICT Investment Plan expenditure which cannot be capitalised Redhill Paddling Pool consumables support - one year extension to secure sponsorship	215 10		215 10		
m) Resources to support the balancing of the 2024/25 Budget & MTFP Based on Q2 2024/25 Budget Monitoring reduced flexibility to carry forward contingency resources into future years	6,165	3,375	2,790		
Balance Carried Forward	25,281	14,066	9,194	1,021	1,000