

Report subject	<b>Medium Term Financial Plan (MTFP) Update</b>
Meeting date	17 December 2025
Status	Public Report
Executive summary	<p>This report:</p> <ul style="list-style-type: none"> <li>• Aims to ensure the council presents a robust legally balanced 2026/27 budget.</li> <li>• Highlights the significant amount of uncertainty at this time caused by fluctuations in the predicted outcome of the governments Fair Funding Formula review.</li> <li>• Provides an update on the implications of the November local government finance policy statement, alongside the Chancellor's 26 November National Budget.</li> <li>• Presents an update on the latest assumed MTFP position of the council.</li> <li>• Includes updates in respect of the existential threat to the council's financial sustainability caused by the accumulated and growing deficit on the Dedicated Schools Grant (DSG) as pertaining to the high needs block expenditure on Special Educational Needs and Disability (SEND).</li> <li>• Proposes not to change the Local Council Tax Support Scheme (LCTSS) for 2026/27 and therefore to continue with the same scheme the council has operated with since April 2019.</li> </ul>
Recommendations	<p><b>It is RECOMMENDED that Cabinet:</b></p> <ol style="list-style-type: none"> <li><b>a) Acknowledges the ongoing progress being made to address the funding gap for 2026/27.</b></li> <li><b>b) Endorses the latest position regarding the developing 2026/27 Budget and MTFP position.</b></li> <li><b>c) Recognise the significant level of uncertainty at this time due to fluctuations in the predicted outcome of the governments Fair Funding Formula.</b></li> </ol>

	<p><b>d) Approve the implementation of a restricted voluntary redundancy process to enable the delivery of 2026/27 savings from specific service-based restructures.</b></p> <p><b>e) Request Portfolio Holders, Corporate Directors and Budget Holders bring forward the necessary additional savings, efficiencies, additional income proposals and service adjustment proposals to enable the 2026/27 Budget to be legally balanced.</b></p> <p><b>f) Approve the continuation of the current Local Council Tax Support Scheme (LCTSS) for 2026/27.</b></p>
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 provide Cabinet with the latest high-level overview of the 2026/27 Budget and 3-year medium-term financial plan including any updates on the government's proposals to return the SEND system to financial sustainability in 2025.</p>
Portfolio Holder(s):	Cllr. Mike Cox, Portfolio Holder for Finance
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Wards	Council-wide
Classification	For Decision

## Background

1. Cabinet at its meeting on the 29 October 2025 received its latest MTFP Update report. In receiving the report Cabinet acknowledged the ongoing progress with the process to deliver a legally balanced budget position for 2026/27 and MTFP. The report also recognised this work had been undertaken in the context of the February 2025 approved General Fund Budget which had been established based on conventional local government financial management processes and revenue sources. The 2025/26 approved budget was based on a 4.99% Council Tax increase and the delivery of £9.6m in additional annual savings, efficiencies, and additional resources.

2. **Figure 1:** October 2025 Medium Term Financial Plan position

	Oct 2025 MTFP Position			
	26/27 £m	27/28 £m	28/29 £m	Total £m
Service Pressures (net of any specific grant changes)				
Annual – Net Funding Gap	8.2	(4.0)	6.7	10.9
Cumulative MTFP – Net Funding Gap	8.2	4.1	10.9	

3. As set out in the October Cabinet report the position was challenging. Increases in the provisions for the pay award, the National Living Wage (NLW), and for interest costs on the growing Dedicated Schools Grant (DSG) deficit had caused the funding gap for 2026/27 to increase to £8.2m. This was net of additional savings, efficiencies, and additional resources taken into account which had been increased to £12.2m. Despite this it was clear that significant additional work still needed to be done to ensure that the council can deliver a balanced budget for next year and continue its strategy of maintaining the financial health of the authority. Another key contextual element was that as per the Quarter One budget monitoring report to September Cabinet the council was forecasting an in-year £3.7m overspend and had put in place mitigation measures including expenditure and vacancy management freezes designed bring spend back within the parameters of the approved budget framework for 2025/26.
4. In support of the 2026/27 budget process Overview and Scrutiny members worked with the Leader and Deputy Leader on a series of budget conversations held on the 17 October 2025 in an attempt to support proactive budget engagement and scrutiny. This event provided the opportunity to discuss key areas of council service in greater depth supported by a pack of relevant budget/financial information made available in advance. The five areas covered by the event were.
  - Library Strategy
  - Remaining Play Strategy Phases
  - Enhancing Youth Services
  - Funding to support Regeneration
  - Funding to support and develop a programme of Public Events
5. Feedback from the event was presented by relevant Overview and Scrutiny Chairs to the 29 October 2025 Cabinet meeting as follows:
  - The Overview and Scrutiny Board recommend to Cabinet that as part of the Budget setting process, consideration be given to utilising receipts from the existing surplus asset disposal programme for 2026/27 to address some of the repairs and maintenance of publicly facing assets.
6. In addition, a meeting of the Overview and Scrutiny Chairs in November highlighted that they would appreciate:
  - in support of their consideration of the 2026/27 budget, the Corporate Directors be requested to attend the Overview & Scrutiny Board meeting on the 2 February

2026 to set out the consequences to the community, residents and staff of the key proposals within their areas.

- in support of their consideration of the 2027/28 budget, Cabinet consider a request that the detailed list of savings, efficiencies etc. that are being assumed in each of the MTFP Update reports is included within each of those reports.

### **Policy Statement: 2026/27 Local Government Finance Settlement**

7. Ahead of the National Autumn Budget the Minister of State for Local Government and English Devolution published a policy statement on the 2026/27 to 2028/29 local government finance settlement on 20 November 2025. Pertinent information contained in the statement included:
  - a) Confirmation that the Government will issue a 3-year settlement although Parliament will still be required to pass legislation annually so changes can be made.
  - b) Clarification that the previously announced additional funding will principally be geared towards social care and that the previously referenced £3.4 billion in new funding will be phased in over the 3-year period, rather than all from 2026/27.
  - c) Plethora of data and methodology changes which included the inclusion of housing costs as a measure of deprivation which is expected to spare London from the previously anticipated funding cuts. In addition, the remoteness measure intended to account for higher travel costs will only be applied to social care funding. Both of these changes will have a critical impact on the distribution of resources nationally.
  - d) Four new consolidated specific grants which bring together previous funding streams.
    - a. Homelessness, Rough Sleeping and Domestic Abuse Grant  
*Homelessness prevention grant, rough sleeping funding, DA safe accommodation grant*
    - b. Children, Families and Youth Grant  
*Children's social care prevention grant, supporting families funding within the Children's and families grant, holiday activities and food grant, transformation funding, pupil premium plus post-16 grant*
    - c. Public Health Grant  
*Main public health grant, drug and alcohol treatment and recovery improvement grant, local stop smoking service and support grant, swap to stop scheme funding.*
    - d. Crisis and Resilience Fund  
*Household support fund and discretionary housing payments*
  - e) Confirmation that the council tax principles over the next 3 years will be 4.99% made up of 2.99% basic increase and a 2% social care precept. Government will only consider requests for increases above this level as part of its Exceptional Financial Support arrangements from authorities with below average tax levels. The government have updated their model and are now assuming that the national average council tax will be £2,060 in 2026/27 which will be £112 above

the £1,947.99 level BCP Council would be charging with a 4.99% increase (£1,855.41 \* 1.0499). BCP Council would be generating circa £17m more annually if it was charging at the government assumed average rate in 2026/27.

- f) The government, in introducing the policy statement and the new funding formula, claim to be fixing the foundations of local government by introducing a fairer, evidence-based system that targets funding towards areas with high deprivation. It is confusing therefore, having settled on a formula intended to deliver against this ambition, that it has then decided to continue with the £600m Recovery Grant that it paid in 2025/26 which was intended as a one-year grant targeted at authorities it believed suffered most under austerity. This change undermines the purity of the Fair Funding Formula and has a significant distributional impact as it is not in line with earlier proposals. Clearly the new funding formula did not benefit authorities that received this grant last year by as much as the government anticipated and therefore this decision provides a mechanism for continuing to support them above their fair funding assessment.
  - g) A statement that Government recognises local authorities are continuing to face significant pressure from the impact of Dedicated Schools Grant (DSG) deficits on their accounts and that these authorities will need continued support during the transition to a reformed Special Educational Needs and Disabilities (SEND) system. This will include working with local authorities to manage their SEND system and deficits. The statement referenced that the government would set out further details on its plans to support local authorities with historic and accruing deficits in the provisional 2026/27 local government finance settlement.
- 8. At this stage the overall impact of these changes to the Fair Funding Formula cannot be confirmed. That confirmation will only come via the provisional Local Government Finance Settlement for 2026/27 which is expected to be issued in the week of the 15 December 2025. In advance of this the council has used modelling by Pixel Financial Management who are experts in local government finance and funding. Generally, the key decisions in the policy statement appear to have improved the position of London and Metropolitan councils at the expense of County and Unitary authorities
  - 9. However there has to be a significant caveat in the modelling has and continues to fluctuate significantly in line with the development of the understanding of how the new formula will be applied. Consequentially it should be highlighted that the position as set out in Figure 3 could change significantly for either the better or worse once the provisional local government finance settlement is issued in December.
  - 10. It is also important to note that government when they talk about the impact of the new funding formula will reference core spending power which includes the additional amount the council can raise annually via council tax increases.

## **2025 National Autumn Budget announcement**

- 11. On the 26 November 2025 the Chancellor of the Exchequer, Rachel Reeves, delivered her 2025 Autumn Budget statement to parliament accompanied by a set of economic and fiscal outlook forecasts from the Office of Budget Responsibility (OBR). Specific announcements particularly salient to local government and the council's MTFP included:
  - a) A high value council tax surcharge that will be levied on properties from 1 April 2028 onwards. This surcharge will be administered through the council tax framework and

will apply to the owners of the properties whereas council tax is applied to the occupant(s) of a property. The surcharge will apply to properties being valued at over £2 million based on 2026 prices, whereas council tax is based on 1991 values.

**Figure 2:** High Value Council Tax Surcharge bands and charges.

Threshold (£m)	Rate (£)
2.0 – 2.5	2,500
2.5 – 3.5	3,500
3.5 – 5.0	5,000
5.0+	7,500

Properties will be revalued every 5 years, and the rate payable will be increased annually by the consumer price index (CPI). Authorities will be compensated for additional administration costs under the new burdens scheme.

The suggestion is that local authorities will be the billing and collection agent for HM Treasury and will not benefit from this income locally, however one suggestion is that councils will, instead of passing the money to government, retain the money and see a compensating reduction to their Revenue Support Grant (RSG). A public consultation is anticipated early in 2026. Social housing properties will be exempt from the surcharge.

- b) Government are proposing that they will take over the responsibility for day-to-day funding of Special Educational Needs and Disability (SEND) from 1 April 2028 onwards which is when the current statutory override ends. The current accumulated deficit and any further increase in the deficit between now and the 31 March 2028 will be retained by BCP Council with any support for these elements announced as part of the December 2025 provisional local government finance settlement for 2026/27.
- c) Confirmation of the changes to business rates which were anticipated, with the introduction of two lower multipliers for Retail, Hospitality & Leisure (RHL), to be funded by a new High-Value Multiplier (HVM).
- d) Confirmation that from 1 April 2026, the National Living Wage will increase by 4.1% to £12.71 per hour.
- e) Revision to future years' inflationary forecasts to 2.2% in 2026/27, 2% in 2027/28, 2.1% in 2028/29, and 2% in 2029/30. For 2026/27 this is slightly higher than the 1.9% estimated in the 2025 Spring Statement and will consequentially increase some of the previously assumed service pressures.
- f) The detail of the introduction of an inflation linked Electric Vehicle Excise Duty (eVED) of 3p per mile from April 2028 and changes to salary sacrifice arrangements for pension contributions from April 2029 will need to be considered carefully.
- g) Government will adjust how earnings are treated for Housing Benefit and Universal Credit claimants in supported housing and temporary accommodation, so that most claimants will not be subject to reductions in income for working more hours. The

administration of pensioner Housing Benefit and Pension Credit will be brought together from the Autumn of 2026.

12. The Chancellor also announced a 0.5% cut to all Department Expenditure Limits (DEL) will be applied across Government budgets in 2028/29, 2029/30 and 2030/31. For Local Government DEL, this applies to local government grant funding only and excludes council tax and business rates. This is therefore equivalent to around 0.1% of Core Spending Power in 2028/29. The impact of this has not been included in the tables set out as Figure 1 and 2 above and are expected to be detailed in the December provisional local government finance settlement.

#### **Latest draft 2026/27 budget and MTFP position**

13. Figure 3 below sets out the latest MTFP position 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, savings 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.

14. **Figure 3:** Latest updated MTFP position

	Updated Budget 2025/26 £m	Nov 2025 MTFP Position			
		26/27 £m	27/28 £m	28/29 £m	Total £m
<b>Service Pressures (net of any specific grant changes)</b>					
Wellbeing Directorate	175.0	11.8	7.9	8.2	27.9
Children's Directorate	110.3	9.2	8.2	8.2	25.5
Operations Directorate	59.7	1.3	2.8	3.0	7.1
Resources Directorate	49.8	(0.0)	0.3	1.6	1.8
<b>Service Pressures (net of any specific grant changes)</b>	<b>394.9</b>	<b>22.3</b>	<b>19.2</b>	<b>20.9</b>	<b>62.4</b>
<b>Savings, Efficiencies, Fees &amp; Charges</b>					
Wellbeing Directorate		(3.5)	(1.1)	(0.9)	(5.5)
Children's Directorate		(1.4)	0.0	0.0	(1.4)
Operations Directorate		(4.4)	(2.0)	(1.3)	(7.7)
Resources Directorate		(1.1)	(0.5)	(0.1)	(1.7)
Transformation		(4.4)	(7.4)	(1.2)	(13.0)
<b>Savings, Efficiencies, Fees and Charges</b>		<b>(14.7)</b>	<b>(11.0)</b>	<b>(3.6)</b>	<b>(29.2)</b>
<b>Corporate Items - Cost Pressures</b>	<b>16.7</b>	<b>8.8</b>	<b>4.4</b>	<b>6.3</b>	<b>19.6</b>
<b>Funding - Changes</b>	<b>(408.9)</b>	<b>(12.1)</b>	<b>(12.2)</b>	<b>(7.6)</b>	<b>(31.9)</b>
<b>Debt interest due to accumulated SEND deficit</b>	<b>8.1</b>	<b>1.8</b>	<b>1.9</b>	<b>1.2</b>	<b>4.9</b>
<b>Annual – Net Funding Gap</b>	<b>2.8</b>	<b>6.1</b>	<b>2.4</b>	<b>17.3</b>	<b>25.8</b>
<b>Application of one-off business rates resources to MTFP</b>	<b>(2.8)</b>	<b>2.8</b>	<b>0.0</b>	<b>0.0</b>	<b>2.8</b>
<b>Annual – Net Funding Gap</b>	<b>0.0</b>	<b>8.9</b>	<b>2.4</b>	<b>17.3</b>	<b>28.6</b>
<b>Cumulative MTFP – Net Funding Gap</b>		<b>8.9</b>	<b>11.3</b>	<b>28.6</b>	

**Please note:** The MTFP as presented does not provide for any potential impact of the governments future waste strategy

15. The position as set out above continues to be underpinned by numerous key assumptions which have been informed by many factors such as government announcements, economic forecasts or targets, and professional judgements. The key assumptions currently being used in building the 2026/27 Budget and MTFP are summarised in Figure 4 below.



## 16. Figure 4: Latest key assumptions

	2026/27	2027/28	2028/29
Council Tax (Includes 2% Social Care Precept)	4.99%	4.99%	4.99%
Pay Award	2.5%	2.0%	2.0%
Minimum Increase in Fees & Charges	2%	2%	2%
National Living Wage (NLW) % Increase in the National Living Wage	4.1%	2%	2%
	Dec-25	Dec-26	Dec-27
Bank of England - Base Rate	4.00%	3.50%	3.50%
<i>Current BoE Base Rate: March 2025 4.5%</i>			

### 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.

## Financial Strategy to support maintaining a balance budget for 2026/27.

17. Overall, the funding gap for 2026/27 has increased since the October 2025 Cabinet MTFP update report with the funding gap over the 3-year period increasing significantly. The main changes not set out elsewhere in this report are as set out below.

### Quarter Two Budget Monitoring

- a) As set out in a report to Cabinet on the 26 November 2025 the council is currently forecasting that it will overspend its 2025/26 approved budget by £4.2m (1.2% of its net budget) after the release of the budgeted contingencies. Overall, the position has deteriorated by £0.5m compared to the Quarter One reported position and reflects the ongoing challenges facing local government from social care demand within both adults' and children's services.
- b) The report requests the council's senior leadership team and portfolio holders consider what further action can be taken over and above the freeze on non-essential expenditure and vacancies agreed in October, to bring expenditure back within the parameters of the approved budget framework for 2025/26. This will include consideration as to whether any previously agreed savings for 2026/27 can be brought forward.
- c) No resources have currently been set aside to cover this forecast overspend and all things being equal, if it materialised, it would impact on the previous work of the administration to rebuild the council's level of reserves.

### Pension Fund

- d) BCP Council is a member of the Dorset Local Government Pension Scheme administered by Dorset Council. The funds actuary Barnett Waddingham are required to revalue the fund every three years (tri-annual revaluation) to determine both the value of its assets and liabilities and the contribution rates for each employer

in the fund. The latest revaluation was undertaken as of April 2025 and the preliminary results provided to the employers in November 2025.

- e) The March 2025 position for BCP Council was a funding deficit of £53.1m with a resulting funding level of 96.4% compared to a funding deficit of £53.9m of 31 March 2022 equating to a funding level of 95.8%. Generally, the back-funding payments over the last 3 years, improved market conditions and changes to life expectancy have acted to reduce the deficit (increase the funding level) whereas assumptions of higher inflation and salary costs have acted to leave the overall position unchanged as set out below.

**Figure 5: BCP Council Pension Fund – Funding levels**

Local Authority	Funding Level			
	31-Mar-16	31-Mar-19	31-Mar-22	31-Mar-25
Bournemouth Council	79%			
Christchurch Council	88%			
Dorset County Council	80%			
Poole Council	86%			
<b>BCP Council</b>	<b>82%</b>	<b>92%</b>	<b>96%</b>	<b>96%</b>

- f) In respect of the ongoing (primary) and secondary (back funding) contribution rates requested by the actuary these are set out below with key variables being the assumptions around future inflation, salary increases and the discount rate. BCP Council is required to satisfy itself as to the reasonableness of these contribution rates and is now actively considering its response. That discussion/challenge may alter the proposals as set out.

**Figure 6: BCP Pension Fund contributions proposed by the actuary**

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Ongoing (Primary) Rate	15.6%	16.2%	16.8%	17.4%	19.0%	19.0%	19.0%	16.3%	16.3%	16.3%
Secondary (Backfunding) Rate	£9.43m	£5.89m	£6.10m	£6.32m	£3.97m	£4.13m	£4.29m	£7.27m	£5.83m	£5.49m

- g) At this stage the consequential impact on the General Fund base revenue budget as included in Figure 3 was an annual positive impact of £3.2m from the reduced ongoing (primary) rate. This positive impact is then diminished by the increase in the secondary (back funding) element.

#### *Extended Producer Responsibility Payments*

- h) This policy was introduced by the government to help achieve environmental goals such as recycling by making producers responsible for their products along their entire lifecycle including the post-consumer stage. In 2025/26 the council was guaranteed an allocation of £9.447m to help offset costs associated with waste collection and disposal.
- i) During November 2025 the Council was notified of a £9.703m allocation for 2026/27 however it is worth stressing that this amount is not guaranteed and therefore there will be a high degree of uncertainty in regard to the final amount

eventually receivable. That said the amount is a £256k increase between years which has a particularly positive impact on the MTFP as the council has been assuming it would decrease by 20% in 2026/27 with a further decrease in future years.

#### *Service Pressures*

- j) Future years' forecasts have been updated to reflect the latest predictions of service costs with particular reference to the relentless ongoing demand for, and cost of, social care. These forecasts also recognise the ongoing impact of the pressures in the current financial year and the slight change to future year inflationary factors announced by the Office for Budget Responsibility in their paper issued to accompany the Chancellor's Autumn Budget. Not included at this stage is the announcement of an eVED of 3p per mile from April 2028 with work ongoing to quantify this cost.

#### *Savings, efficiencies and additional income*

- k) The financial strategy agreed as part of the May 2025 Cabinet MTFP Update report requested Corporate Directors, Service Directors and Budget Holders, working with their Portfolio Holders, to develop savings proposals in support of the financial planning process. Figure 3 includes further progress from this workstream with ongoing consideration of the necessary further proposals via the Bi-weekly Cabinet/Corporate Management Board meetings.
  - l) These savings also now reflect the transformation/invest to save proposal being considered by Cabinet in late November and being presented to December Council around home to school transport.
18. Clearly there is still work to be done to ensure that the council can continue its strategy of maintaining the financial health of the authority through a balanced 2026/27 budget and MTFP. In support of this process, it is being recommended that a restricted voluntary redundancy process is established to specifically enable the delivery of service-based restructure proposals. Value for money criteria referenced in the 2025/26 financial strategy will continue to be used to assess any such proposals. In essence this approach is not to make any individual redundant unless the payback in savings from their post is less than 2-years and for individuals to work their notice periods and take any outstanding leave entitlements.
19. Work will now focus on further refining the MTFP as presented and as the current financial planning assumptions are tested further. Any changes will be reviewed alongside the potential for bringing forward additional proposals for balancing the 2026/27 budget.

#### **Financial Benchmarking - Debt**

20. The 29 October 2025 Cabinet MTFP Update report included benchmarking information in respect of unearmarked reserves, council tax, and the council taxbase. At that time the data set for debt had not been released. Appendix A1 and A2 attached now provides an analysis of the council's debt levels in comparison with other unitary authorities on both an absolute (A1) and a net revenue expenditure (NRE) basis (A2). The NRE basis is a common approach to factor in the different size of each of the unitary authorities. This benchmarking demonstrates that based on the Consolidated Financing Requirement (CFR) as at the 31 March 2025, which is the measure of a council's indebtedness, BCP Council on both an absolute and NRE expenditure basis is below the median for unitary councils. Our debt is 88% of our

NRE whereas the median position is 111% of NRE. However, it should be emphasised that:

- a) this position excludes any debt associated with the Dedicated Schools Grant High Needs accumulated deficit which, in line with a Statutory Instrument, local authorities are required to ignore.
- b) over 25% of BCP Council's debt relates to its Housing Revenue Account (HRA) which some other unitary councils may not have on the basis that they may have previously transferred the stock of council homes to a Housing Association.

21. It may also be worth emphasising that that the data set used in this benchmarking excludes Thurrock, Slough and Cumberland Councils.

### **Local Council Tax Support Scheme (LCTSS)**

22. No changes are proposed to the Local Council Tax Support Scheme for 2026/27 which will mean a consistent policy has been applied by the Council from 1 April 2019 onwards.

23. 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.

24. As of 1 November 2025, BCP Council was providing LCTS to 21,598 claimants: a reduction of 4.3% over the previous 12-month period.

### **Options Appraisal: Budget Related**

25. 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.

### **Options Appraisal: Local Council Tax Support Related**

26. Numerous alternative LCTSS are possible however the viability of any proposal that would increase the cost met locally would need careful consideration, especially in the current financially challenging environment. Public consultation is required to consider any change with engagement not just limited to claimants but also council taxpayers who cover the cost of the scheme.

### **Summary of financial implications**

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

### **Summary of legal implications**

28. 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.

29. 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.

30. 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, 1 March each year to allow sufficient time for the council tax direct debit process to be adhered to.

### **Summary of human resources implications**

31. 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**

32. The 2025/26 approved budget protected the staffing resources associated with climate change and ecological emergency activity. In addition, as at the 31 March 2025, £0.962m was available in an earmarked reserve to support project activity.

### **Summary of public health implications**

33. The Department of Health and Social Care public health grant allocation for 2025/26 is £23.379m for BCP Council which is an increase of 5.87% from the 2024/25 allocation. It has been agreed that £10.988m will contribute towards shared contracted services with Dorset Council as part of the phased transition away from a shared public health service.
34. 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**

35. 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**

36. 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 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.

37. These risks will continue to be monitored and, where possible, any appropriate mitigation strategies considered. At the time of writing this report, particular developing financial risks which will continue to be closely monitored with any mitigations being explored include.

- There is significant risk associated with the current assumptions around the resources the council will receive as a consequence of the Fair Funding Formula. The outcome will not be known before the provisional 2026/27 local government finance settlement is announced in late December. Until such time it should be highlighted that the outcome of various national models vary significantly and therefore the outcome could be a large last-minute change. Pixel Financial Management, on whose modelling our current estimates are based, highlight that their modelling is very sensitive to the amount in the quantum, the distribution of any growth, and the interaction with the damping floors.
- Ongoing concern about the existential challenge to the council's financial sustainability caused by the historic and accumulating DSG deficit. The government have signalled the end of the DSG Statutory Override from 1 April 2028 onwards, but it is this mechanism that currently allows us to ignore the fact that the accumulated deficit is greater than our general fund reserves (both unearmarked and earmarked).
- Uncertainty caused by global macroeconomic factors.
- 2025/26 in-year financial performance with a £4.2m forecast overspend predicted for the year based on the Quarter Two report to Cabinet on 1 October 2025.
- The current funding gap for 2026/27 net of the current progress in developing the necessary savings strategies required to deliver a legally balanced budget.

- Government's agenda for the NHS and particularly Integrated Care Boards (ICBs) and their consequential impact on council operations and funding arrangements.

### **Background papers**

38. December 2024: Assessing the serious cashflow issue caused by ever-increasing demand and cost outstripping High Needs Dedicated Schools Grant government funding.  
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=5906&Ver=4>
39. February 2025: Budget 2025/26 and Medium-Term Financial Plan report.  
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=284&MId=6294&Ver=4>
40. May 2025: Medium Term Financial Plan (MTFP) Update report.  
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6062&Ver=4>
41. July 2025: Medium Term Financial Plan (MTFP) Update report  
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6064&Ver=4>
42. October 2025: Quarter One Budget Monitoring Report 2025/26  
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6066&Ver=4>
43. October 2025: Medium Term Financial Plan (MTFP) Update report  
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6067&Ver=4>
44. November 2025: Quarter Two Budget Monitoring Report 2025/26  
<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6068&Ver=4>

### **Appendices**

Appendix A: Debt Benchmarking