CABINET

Report subject	**Budget 2026/27 and Medium-Term Financial Plan**
Meeting date	11 February 2026
Status	Public Report

Executive summary	To set out for Cabinet's consideration and recommendation to Council the proposed 2026/27 budget and council tax based on.
	• Increasing council tax by 4.99% in 2026/27 in line with the government's annual referendum threshold which can be broken down into a 2.99% basic increase and a 2% uplift by way of the Adult Social Care (ASC) precept.
	• Implementation of the approved financial strategy including £14m of further savings, efficiencies, and additional income generation.
	• Borrowing a further £95.7m to fund the Special Educational Needs and Disability services revenue expenditure above the level of the Dedicated Schools Grant (DSG) High Needs grant.
	• Recognition that the council has technically been insolvent from the 1 April 2025 onwards as the accumulated deficit on the DSG is now greater than the total reserves held by the council, with a negative overall general fund position and is only protected by the legislative statutory override that allows the council to ignore this issue to 31 March 2028.
	This report also provides the latest Medium Term Financial Plan (MTFP) covering the 3-year period to 31 March 2029.
	It is also important to recognise that in the absence of government support for historic and accruing DSG deficits, the proposed 2026/27 budget has been drawn up based on the use of £4.8m of previously unearmarked reserves to present a legally balanced budget. This reduces unearmarked to be around 6% which is still above 5% which is widely regarded as a statutory minimum. The Council's Director of Finance advises that although the estimates used for the purposes of this budget are robust, subject to the list assumptions, the reserves should be considered inadequate based on the level of the DSG deficit and the ongoing risks faced by the council. His advice is to apply any resources announced by government as part of the final 2026/27 local government finance settlement to improve the financial health and sustainability of the council. Specifically, this may or may not include any of the following matters all designed to support the councils forecast £379m DSG deficit on the 31 March 2028.
	• In response to a 6 January 2026 application by the Council for Exceptional Financial Support from the government.
	    o Government permission to increase council tax by more than the 4.99% threshold limit.
	    o Government permission to capitalise the £10.5m cost of borrowing to finance the DSG deficit in 2026/27.
	• Any government support for historic or accruing DSG deficits.

Recommendations	**It is RECOMMENDED that Cabinet recommends that Council:** **a) Undertakes a recorded vote in relation to the following items as required by the Local Authorities (Standing Orders) (England) (Amendments) Regulations 2014.** i) Agrees that a net budget requirement of £452m, resulting in a total council tax requirement of £297.033m, is set for 2026/27 based on the draft local government financial settlement figures published by government in December 2025. ii) Agrees an increase in council tax of 2.99% for 2026/27 in respect of the basic annual threshold and the collection of the additional social care precept of 2%. iii) Confirms the key assumptions and provisions made in the budget as proposed and as set out in Appendix 3. iv) Agrees the allocations to service areas in the budget as set out in Appendix 5. v) Agrees the implementation of £14m of savings as set out in Appendix 5a. vi) Approve that the current Council Tax discount for Beach Chalets on Mudeford Sandspit and Hengistbury Head is removed from 1 April 2026 onwards see appendix 5b. vii) Approves the flexible use of capital receipts efficiency strategy as the mechanism for funding the council's transformation related and invest to save expenditure as set out in Appendix 6 and potentially a capitalisation direction from government to cover the 2026/27 DSG borrowing costs should it be granted. viii) Approves the capital investment programme (CIP) as set out in paragraphs 66 to 82 and Appendix 7. ix) Approves the asset management plan as set out in Appendix 8. x) Agrees the treasury management strategy (TMS) and prudential indicators as set out in paragraphs 84 to 87 and Appendix 9. xi) Accepts and supports the formal advice of the chief finance officer on the robustness of the budget and the adequacy of the reserves as set out in paragraphs 102 to 109 and Appendix 10. **b) Agree to borrow £95.7m to fund the 2026/27 excess Special Educational Needs and Disability (SEND) High Needs DSG revenue expenditure above the government grant being made available. This is also based on previous assurance from government that the council can exceed its borrowing thresholds temporarily based on their commitment to return the SEND system to financial sustainability.** **c) Delegate to the Chief Executive, in consultation with the Director of Finance, Leader, and Portfolio Holder for Finance, the allocation of any additional resources that become available through the final 2026/27 local government finance settlement or any other means.** **d) Approves the chief officers' pay policy statement 2026/2027 for consideration and approval by the council in accordance with the provisions of the Localism Act 2011 as set out in paragraphs 111 to 113 and Appendix 12.** **e) Note amendments to the Council's Shared Vision (Appendix 1b), updated to reflect changes to political and officer leadership, the list of milestones to reflect progress made in the last two years and**

	areas of focus for 2025 to 27. The vision, ambitions and priorities remain unchanged.
Reason for recommendations	The council is required to set an annual balanced budget presenting how its financial resources, both income and expenditure, are to be allocated and utilised.
Portfolio Holder(s):	Cllr. Mike Cox, Portfolio Holder for Finance
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Wards	Council-wide
Classification	For Recommendation

Overview of the proposed 2026/27 budget

1. The establishment of a legally balanced budget for 2026/27 has been a turbulent process. The introduction of the governments Fair Funding Formula has caused significant uncertainty which recognises that it was the biggest change in the funding formula for 25 years and also coincided with a full business rates reset. The enormity of the challenge was made more acute by the critical changes introduced in the November Local Government Finance Policy Statement. These followed the resignation of the previous Secretary of State for Housing, Communities and Local Government and lead to a less severe impact on London authorities and a reinstatement of the £600m 2025/26 Recovery Grant which the government claim is supporting those authorities most impacted by austerity and from which BCP Council receives a zero allocation. Ultimately when the provisional local government finance settlement was received on the 17 December 2025, the day before the parliamentary Christmas break, it set out that the council will receive less cash resources in each of the next three years than it actual received in 2025/26 as set out below. On the basis that it would have been fair to assume the 2025/26 funding would have increased by at least the government's 2% inflationary target the indication is the council will be losing around £15m annually by the 3rd year (2028/29) of the settlement.

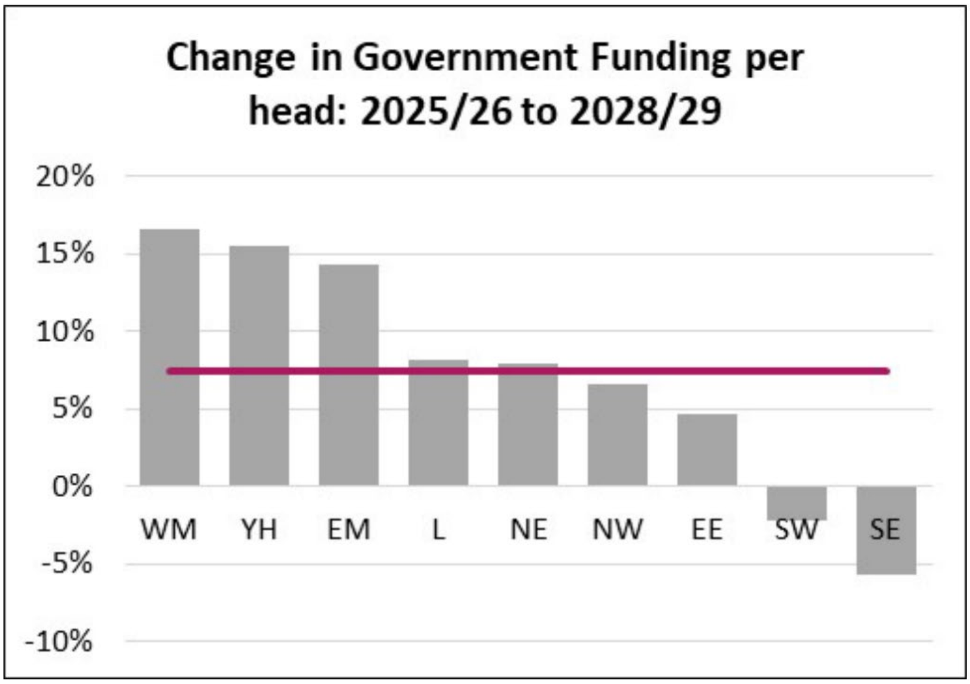
2. **Figure 1.** Comparison of the 3-year provisional LG Finance Settlement to 2025/26

Comparison of 3-year Provisional 2026/27 Local Government Finance Settlement to 2025/26

	Actual 2025/26 £m	Provisional 2026/27 £m	% Variance from 2025/26	Provisional 2027/28 £m	% Variance from 2025/26	Provisional 2028/29 £m	% Variance from 2025/26
Business Rates (including section 31 grants in 25/26)	**60.075**	**62.117**	**3.4%**	**63.542**	**5.8%**	**64.824**	**7.9%**
Business Rates - Section 31 Grants - rolled into RSG	**10.061**	**0.000**	**-100.0%**	**0.000**	**-100.0%**	**0.000**	**-100.0%**
Revenue Support Grant (Unringfenced grants)	4.416	65.308	1378.9%	77.997	1666.2%	74.682	1591.2%
Local Authority Better Care Fund	16.579	16.579	0.0%				
Social Care Grants	39.573						
ASC Market Sustainability & Improvement Fund	7.656						
Employers National Insurance Contribution Grant	3.152						
New Homes Bonus	0.246						
Grants rolled in to RSG	3.679						
Rebased Revenue Support Grant	75.301	81.887	8.7%	77.997	3.6%	74.682	-0.8%
Rebased Settlement Funding Assessment (SFA)	**145.437**	**144.003**	**-1.0%**	**141.539**	**-2.7%**	**139.505**	**-4.1%**

3. This reduction in resources can then be considered in a national context which highlights that authorities in the Southeast and Southwest have fared particularly badly under the new "Fair" funding formula.

4. **Figure 2.** Changes in government funding per head 2025/26 to 2028/29



5. However perhaps even more important to the council financial health is the accumulated and growing deficit on the Dedicated Schools Grant (DSG) as pertaining to our expenditure on Special Educational Needs and Disability (SEND). In setting the 2025/26 budget the council was promised that the government would return the SEND system to financial sustainability in 2025. Anxiety on this matter has grown throughout the year and it was not until the Chancellors 26 November 2025 Budget announcement that it was set out that the government will take over the responsibility for day-to-day funding of SEND from 1 April 2028 onwards which is when they also propose to end the current statutory override, which is the mechanism which allows BCP to ignore the accumulated deficit as part of its test of solvency. They also set out that the current accumulated deficit and any further increase in the deficit between now and the 31 March 2028 will be retained by BCP Council and that support for historic and accruing deficits would be announced as part of the December 2025 provisional local government finance settlement for 2026/27. This did not happen, instead the provisional settlement was accompanied with a further statement that further details, and the conditions for accessing such support would be provided later in the settlement process. That said it became clear that any such support would be linked to the submission and quality of a Local SEND Reform Plan to be completed within the 2 months after the release of the school's white paper early in 2026 and based on five principles.

- **Early**. Children should receive the support they need as soon as possible. Intervening upstream, including earlier in children's lives when this can have most impact, will start to break the cycle of needs going unmet and getting worse.
- **Local**. Children and young people with SEND should be able to learn at a school or college close to their home, alongside their peers, rather than travelling long distances from their family and community. Special schools should continue to play a vital role supporting those with the most complex needs.
- **Fair.** Every school education setting should be resourced and able to meet common and predictable needs, including as they change over time, without parents having to fight to get support for their children. Where specialist provision is needed for children and young people in mainstream, special or alternative provision, the government will ensure it is there, with clear legal requirements and safeguards for children and parents.

- **Effective.** Reforms should be grounded in evidence, ensuring all education settings know where to go to find effective practice that has excellent long-term outcomes for children and young people.
- **Shared.** Education, health and care services should work in partnership with local government, families, teachers, experts and representative bodies to deliver better experiences and outcomes for all our children and young people

6. The council will be supported in its development of Local SEND Reform Plans by SEND and financial advisers in a similar vein as to the support received from the Department for Education DfE as part the Delivery Better Value in SEND programme (DBV in SEND) and as part of its subsequent SEND Safety conversation.

7. Reflecting on the consequences of the provisional local government finance settlement, it increased the 2026/27 funding gap even further than the £8.9m assumed in the December Medium Term Financial Plan Update report to the 16 December Cabinet. Therefore to enable a balanced budget to be set the council had draw on the last outstanding elements of its financial strategy including.
   - The application of the 2024/25 collection fund surplus (business rates surplus net of a council tax deficit). It should though be noted that this support would have been higher had the council not had to also apply it to cover the £4.6m 2025/26 in-year deficit based on a quarter three forecast.
   - Future savings including those from transformation and invest to save programmes. Also includes additional efficiencies, income generation and service rationalisation.
   - Challenge of the Dorset County Pension Funds initial future contribution rates following the April 2025 tri-annual revaluation.
   - Confirmation of the amount the council will actually be able to retain from the reset of business rates, rather than the amount assumed in the governments LG finance settlement.

8. Recognising the above were insufficient, the council has then had to drawdown £4.8m in reserves which takes the councils unearmarked reserves down to around 6% of Net Revenue Expenditure which is still above the 5% which is widely regarded as the statutory minimum.

9. It is important to contextualize the councils position in respect of the overall national position. The UK's national debt has almost tripled between 2005 and 2025 and now stands around £2.9 trillion. Over £100 billion a year is being spent nationally on interest payments. The rate of increase in the debt burden is faster than any other advanced economy with only the US and Spain coming close. The extent to which UK debt has increased is part of the cause of high UK gilt yields which in turn significant influences the rate the council is required to pay to fund its debt including the significant and growing DSG debt.

10. The readers of this report should be under no illusions. The council is in a perilous financial position due principally from both the historic and accruing DSG deficit alongside the government's diversion of resources away from southern local authorities. Additionally, this budget has had to recognise the acute pressures caused by previous years of austerity on this council, inflation uncertainty, current high borrowing rates and the exceptional demand pressures faced by all local authorities, and other public services, at this time. Setting these statements to one-side, the general approach being taken as part of the 2026/27 budget and medium-term financial plan is one of an ongoing commitment to value for money and adopting traditional and conventional approach to local government finance.

11. In respect of the proposed 2026/27 budget, other key additional salient points include.
   a) In line with the government thresholds, to increase council tax by 2.99% for the basic element and 2% for the social care precept.
   b) A £22m direct investment into services even before consideration of the pay related costs including.
      a. Provision of £9.2m (8.2%) in extra resources to cover demand and inflationary pressures in the council's highest priority area, Children's Services.

b. Provision of £11.5m (6.5%) in extra resources to cover demand and inflationary pressures to the most vulnerable members of our community via investment in Wellbeing Services be that adult social care or housing services.

c. Provision of £1.3m (2.1%) in extra resources to cover demand and inflationary pressures within the councils Operations directorate including £0.3m to harmonise food waste collections services across the conurbation with the provision of a service to Poole residents.

d. Assumes the delivery of £14m in savings, efficiencies, and additional resources for 2026/27 with each services holding delivery plans for their implementation.

Corporate Strategy

12. Consideration of the development of the 2026/27 budget for BCP Council will be within the context of the Council having been formed in 2019 as the most complex piece of Local Government Reorganisation in a generation. It will also be in the context of a unitary authority which is currently in its seventh year of existence, with annual gross turnover of around £766m, and an annual net revenue budget which for 2026/27 is £452m. Consideration should also be given to the legacy impact on the organisation's financial and non-financial resources of the global Covid-19 public health emergency, the cost of living crisis, and a financial environment which saw the council enter the governments Exceptional Financial Support programme in 2022.

13. In setting the budget for 2026/27, it is also critical that consideration is given to the vision and ambitions of the council, ensuring that the organisation commits its limited resources in accordance with its stated priorities.

14. In support of this, a new BCP Corporate Strategy was developed following a change in administration after local elections in May 2023. This was adopted by the Council in January 2024. This 'A Shared Vision for Bournemouth, Christchurch and Poole' replaced the Big Plan and previous Corporate Strategy and provides a simplified strategic framework, establishing a single set of key priorities and ambitions for the area.

15. The Shared Vision creates a vital component for policy development, service planning and performance management, enhancing good governance and transparency in decision-making.

16. As set out in this corporate strategy, the vision for the area is "**where people, nature, coast and towns come together in sustainable, safe and healthy communities**" with two key priorities and a set of ambitions for each:

a) Our People and Communities – everyone leads a fulfilled life, maximising opportunity for all.

b) Our Place and Environment – vibrant places where people and nature flourish, with a thriving economy in a healthy, natural environment.

17. These priorities are underpinned by our approach as a council, to be "an open, transparent and accountable council, putting our people at the heart of our services" with a set of guiding principles by which the council will work. This is shown in figure 3 below and the full version in Appendix 1a.

Figure 3: **:** A Shared Vision for Bournemouth, Christchurch and Poole

18. The Shared Vision is supported by delivery plans which set out high level actions and SMART objectives to work towards the ambitions. Key performance indicators, published in a delivery plan, will help the council to monitor progress and identify trends.

19. Despite facing a persistently challenging economic climate, the council has advanced key priorities aimed at positively impacting residents, businesses and the local area. For instance:

- We have transformed Children’s Services from ‘Inadequate’ to ‘Good’ in just three years when rated by Ofsted, keeping children safe and supported.
- The council continues efforts to reduce the number of families temporarily housed in Bed and Breakfasts (B&Bs). The number of children in B&Bs over Christmas was reduced by 90% compared with last year, thanks to Bournemouth, Christchurch and Poole (BCP) Council’s partnership efforts to address homelessness and the need for emergency accommodation. Additionally, despite an increase in demand, the council is on track to meet end-of-year targets.
- Targeted initiatives continue to focus on reducing the number of people rough sleeping across Bournemouth, Christchurch and Poole, with particular attention given to those who have been living on the streets long-term.
- Support remains consistent for individuals with learning disabilities and mental health conditions to ensure they are able to live independently, and where possible, are supported into employment. The Supported Employment Review has been recognised as one of six priorities in the co-produced Day Opportunities Strategy. Furthermore, the BCP Council-led Shared Lives scheme, which matches adults and young people with care and support needs

with skilled carers to become part of their home and local community, was rated as 'Good' by the Care Quality Commission (CQC).

- The council has also collaborated with partners to deliver a new vision to support carers, outlining a commitment to improving the future for nearly 69,000 unpaid carers across Dorset, coordinated by the Pan Dorset Carers Steering Group. This group includes BCP Council, Dorset Council, carers across Dorset, and NHS Dorset.
- The council's School Attendance Team has been working closely with all schools across Bournemouth, Christchurch and Poole to identify priority pupils who are missing out on education.
- The council continues to invite the input of communities on local matters, seeking views from neighbourhood groups, community organisations, and individuals as part of a Community Governance Review. This review supports the establishment of elected parish and town councils, which can make decisions about their own communities, invest in facilities, manage local assets such as recreation grounds, play parks, and community buildings, and organise events and festivals.
- The council was also given a clean bill of health by the Government in August 2024 following the removal of the 'Best Value Notice' meaning it had met all standards for delivering best value for residents. The Ministry of Housing, Communities and Local Government noted the council's work since the notice was given to update its transformation plan, work to improve its budget position, provide direction by delivering a corporate strategy, strengthen its leadership team and undertake governance reviews of subsidiary companies.
- The council also continues to prioritise its commitment to improve local highstreets and town centres, becoming one of only four areas across the UK to trial the High Street Rental Auctions scheme, leading the way and setting an example for other local authorities in filling empty shops.
- The unique heritage of Bournemouth, Christchurch and Poole has been a focus, with the restored Scaplen's Court and Garden, and renovated and reopened Poole Museum, preserving culture and history in Poole Town Centre and providing residents and visitors with a free destination. Upton Country Park has successfully completed the first phase of a £2.3 million Discovery Project, which celebrates the heritage of Upton Country Park by restoring, conserving, and interpreting its historical features and landscapes. This initiative has been made possible by the Parks for People Programme supported by The National Lottery Heritage Fund and The National Lottery Community Fund, alongside additional funding from BCP Council and the Friends of Upton Country Park. It aims to create a more accessible, sustainable, and vibrant attraction that will engage visitors through opportunities for learning, participation, and inclusive interpretation. Public access to the historic Hamworthy Lake Pier was also returned, securing its future towards its 100th year.
- Work to protect the areas coastline from erosion and flooding continues, with upgrades to the Hengistbury Head Long Groyne completed in October 2024, protecting up to 6,000 homes and providing new and improved habitats for our local wildlife.
- 2024/5 saw an acceleration in our reduction in the council's carbon emissions, achieving an overall 21% reduction in CO_2 emissions since declaring a Climate Emergency in 2019, with 14% in 2024/25.

20. An updated Shared Vision is attached at Appendix 1b. The foreword has been updated to reflect the new political and officer leadership, and the list of milestones has been updated to reflect progress made in the last two years. The vision, ambitions and priorities remain unchanged.

Financial Strategy

21. A financial strategy designed to support the setting of a legal and robust budget for 2026/27 focused on a prudent approach to the council's financial management was approved by Cabinet in May 2025. Developed by Senior Officers working with Cabinet Members, the strategy was focused on the following summarised workstreams.

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

Emphasis on delivering the £7.9m of transformation and service specific savings proposals assumed for 2026/27 as part of the February 2025 Council approved budget for 2025/26 and MTFP.

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

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

c) Financial outturn 2024/25

Was the council able to deliver its 2024/25 financial outturn within the parameters of the February 2024 Council approved budget for 2024/25.

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

Working with Portfolio Holders services were 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.

a. *Invest to save proposals*
b. *Use of AI technology*
c. *Level of fees and charges*
d. *Service harmonisation*
e. *Service rationalisations*
f. *Market analysis*
g. *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 were 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

Ongoing monitoring of 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 a 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.

22. In essence, the financial strategy has been designed to improve the overall financial resilience of the council, to provide more overall financial stability, and to ensure that the Council can set a balanced budget and manage the medium-term financial strategy, and to avoid what is referred to as a s114 report being issued. A brief explanation of a s114 report is provided in Appendix 1c.

Public Consultation

23. In support of the process for setting a budget for 2026/27, and as part of its commitment to being open and transparent, the council undertook a consultation asking residents and stakeholders for their views on the importance of council services, the level of council tax increase and priorities for spending. An open consultation document was produced and available online and in paper format. The consultation was widely promoted through a press release and social media channels. The consultation was sent to residents and stakeholders signed up to the council's consultation register. The consultation ran from 18 November through to 14 December 2025.

24. In total we received 869 responses to the consultation survey. A summary of the consultation and sample survey findings and the full analysis report can be found in Appendix 1d.

Key Issue: Quarter 3 Budget Monitoring Report – 2025/26

25. The December projection for the current 2025/26 financial year is that the council is currently forecasting that it will overspend its 2025/26 approved budget by £4.6m (1.3% of its net service budget) after the release of the budgeted contingencies. Overall, the position has deteriorated by £0.4m compared to the quarter two reported position and reflects the ongoing challenges facing local government from children's social care.

26. As the overspend has grown through the year Cabinet implemented a freeze on all non-essential expenditure and vacancies (Quarter One, October) and requested the council's senior leadership team and portfolio holders to consider what further action can be taken including the extent to which any previously agreed savings for 2026/27 can be brought forward (Quarter Two, November). It should be borne in mind that no officer has approval to incur expenditure outside the approved budget framework for 2025/26.

27. It is intended to fund this forecast overspend from the one-off additional business rates resources being made available in 2026/27 following the fundamental review of councils collection funds in accordance with the approved financial strategy. This approach also recognises that some of the previously assumed use of these funds are now profiled into 2026/27 later years.

28. As a matter of principle should any improvement be delivered in the final quarter then consideration with be given to.

    a. Further supporting unearmarked reserves and improving the financial health of the council which has been impeded by the 2025/26 forecast overspend.

    b. Ensuring that the council can continue to fund its regeneration service after 31 March 2027.

    c. As recognised in the Treasury Management Strategy, to the voluntary repayment of debt.

29. Full details of the quarter three Budget Monitoring report and latest forecast for 2025/26 were presented as a separate report to Cabinet as part of its 4 February 2026 agenda.

Key Issue: Provisional Local Government Finance Settlement for 2026/27

30. On 17 December 2025, Alison McGovern, the Minister of State for Local Government and Homelessness, announced the 2026/27 provisional local government finance settlement. Alongside the information for 2026/27 illustrations were provided for 2027/28 and 2028/29 which is the first time in a decade the government have provided multiple years information and should assist future financial planning and commissioning although it should be emphasised that future year's allocations will be subject to change as part of the annual process. The main headlines of the provisional settlement can be set out as follows.

    a. **Introduction of the new fair funding formula.**

    The overall enormity of the change in approach cannot be understated with the impact on BCP Council of the new formula is set out in figure 1 above. It should also be borne in mind that the first time the council saw its formal funding allocation from MHCLG was a little over 5 weeks before it was due to issue the budget report, and this huge uncertainty has caused significant issues in formally balancing the 2026/27 budget. In regard to the position as presented to Cabinet in December 2025 the funding gap for 2026/27 which was £8.9m, was worsened as a result of the settlement by a further £2.5m, in year 2 (2027/28) it was marginally unchanged, and in year 3 (2028/29) there was an improvement.

b. Introduction of a complete business rates reset, revaluations and multiplier reforms.

Includes a calculation of the minimum amount of business rates the council will be able to retain.

c. Council tax

A referendum limit for unitary councils in each of the next 3-years will be 4.99% made up of a 2% basic increase plus 2% as a social care authority. There will continue to be no referendum limit for Town and Parish councils. The Government also confirmed it will consider local requests for council tax flexibility where a local authority is facing significant financial difficulty and views council tax increases as critical to managing financial risk. In considering these requests the Government will consider a local authority's specific circumstances and will take account of an authority's Band D council tax level in relation to the average council tax levels. The Government will "not agree to requests for additional flexibilities from authorities where council taxpayers are already paying more than average which they believe will be £2,060 in 2026/27. BCP Councils average council tax with a 4.99% increase will be £1,947.99 in 2026/27, 5.4% below the assumed national average.

d. Adult social care funding

All funding for social care authorities has been redistributed as unringfenced funding under the fair funding formula. The Department of Health and Social Care will though publish "notional" adult social care amounts which will be their expectation of how much council funding should be spent on adult social care. It is unclear how this approach reconciles with the unringfenced nature of the revenue support grant and what level of pressure they will apply to any disparities.

e. Consolidation grants

Four new consolidated grant streams have been created to simplify funding from a range of previous funding streams.

- Homelessness, Rough Sleeping and Domestic Abuse Grant

Homelessness prevention grant, rough sleeping funding, DA safe accommodation grant

- 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

- 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.

- Crisis and Resilience Fund

Household support fun and discretionary housing payments

31. In presenting the provisional settlement government reference was made to providing for a 23% increase in "spending power" which is an extra £93.4m in the years leading up to 2029. This indicator captures the main streams of government funding to local authorities but can be confusing as it also includes.

a. 100% of the extra resources that the council would generate by increasing council tax by the maximum permitted 4.99% in each of the next 3-years 2026/27, 2027/28 and 2028/29.

b. 100% of the extra resources that the council generated by increasing council tax by 4.99% in 2025/26.

c. 100% of extra resources we will generate by future assumed increases in the number of properties within the BCP area in the 3-years to 2028/29.

d. 100% of the extra resources that the council generated from extra properties in 2025/26 and the implementation of the 100% second homes premium from 1 April 2025 onwards.

It should be unquestionable therefore that the analysis of the settlement indicates that BCP local council taxpayers' resources is being redistributed and used to fund services in other parts of the country.

Key Issue: Dedicated Schools Grant (DSG)

32. As set out earlier in this report the most significant risk to the council's financial sustainability continues to be the current and growing deficit on the Dedicated Schools Grant (DSG) specifically regarding the annual revenue expenditure on the high needs block which, year on year, is more than the annual grant being made available by the government. The predicted £73.5m annual funding gap for 2025/26 (114%) is forecast to grow to an annual funding gap of £95.7m (148%) in 2026/27.

Figure 4 Forecast High Needs Revenue Expenditure 2024/25 to 2027/28

Revenue Expenditure	Original Budget 2024/25 £m	Actual Outturn 2024/25 £m	Original Budget 2025/26 £m	Q3 Forecast Estimate 2025/26 £m	Original Budget 2026/27 £m	Initial Estimate 2027/28 £m
DSG - Grant Funded Expenditure	62.3	62.0	65.7	64.5	64.5	64.5
Additional Budgeted Expenditure	28.0	28.0	57.5	57.5	95.7	100.0
Further Additional Expenditure		21.8		16.0		
Total Estimated Expenditure	**90.3**	**111.8**	**123.2**	**138.0**	**160.2**	**164.5**
Dedicated Schools Grant (DSG) Funding	-62.3	-62.0	-65.7	-64.5	-64.5	-64.5
Total DSG Grant Funding	**-62.3**	**-62.0**	**-65.7**	**-64.5**	**-64.5**	**-64.5**
Net Overspend / Unfunded	**28.0**	**49.8**	**57.5**	**73.5**	**95.7**	**100.0**
Prior Year Adjustment non High Needs Related				**-1.9**		
Other elements of the DSG				**-1.3**		

Accumulated DSG Deficit	**31.3.24**	**31.3.25**	**31.3.26**	**31.3.27**	**31.3.28**
	63.5	**113.3**	**183.6**	**279.3**	**379.3**

33. Although government have announced that they will take over the responsibility for day-to-day funding of SEND from 1 April 2028 onwards it is clear the council will retain the current £113.3m deficit (as at the 31/3/25) and the additional £266m estimated deficit that will accumulate over the 3-years to 31 March 2028. It is anticipated that there will be support for these accruing deficits however the only certainty at the time of writing this report is that they will come with strings attached including the production of a Local SEND Reform Plan.

34. Consequentially what is known is that from 31 March 2025 the council was technically insolvent as the DSG deficit was greater than the councils total general fund reserves. Ordinarily any council in this position would be required to issue what is referred to as a s114 report which would put the council into effective administration and in turn lead to government intervention. However, this action is currently not necessary as the government have put in place, to 31 March 2028, a statutory override which enables the council to ignore the DSG deficit for the purposes of a s114 assessment. The issue is what the government intends to happen on 1 April 2028 when the statutory override falls away. As it stands the deficit will remain greater than the councils general fund reserves and a s114 will need to be issued.

35. Previously the council has also acknowledged that despite not having the government grant to fund these SEND bills they still need to be paid, and all councils are prohibited from borrowing to fund the day-to-day operational/revenue expenditure. Currently the council is using what is referred to as its “treasury management headroom” to enable the relevant invoices to be settled. Generally, this headroom is the timing difference between receipts for council tax or business rates arriving and the date when the actual bills they fund are paid, alongside any cash-backed balance sheet items such as reserves and provisions.

36. Forecasting indicates that we will come into close proximity to the threshold in 2026/27, but it is unlikely that it will be fully exhausted until the 2027/28 financial year. Robust management of, and slippage within, the capital programme has deferred this position from the end of the 2025/26 financial year. As part of the original 2025/26 budget process government provided the view that councils can exceed its borrowing limits provided it is only temporary. They were also clear they would advise Ministers that they believed the council would not be breeching the Prudential Code while the government works with councils on a long-term resolution. Council will need to keep this issue on its agenda and reflect as to how it will be impacted by any support for historic and accruing DSG deficits once the government make any announcements on this issue.

37. It should also be recognised that if the council did not have to cover this deficit this cash would be earning interest or would enable a lower level of external debt to be held. Therefore, cash flowing the DSG deficit is estimated to cost the council in the region of £8.1m in 2025/26 increasing to £10.5m in 2026/27, a cost incurred due to mostly external factors beyond the council’s control and one that the council has had limited power to tackle. It has consistently been raised with government that the councils general fund bearing these implications does not appear consistent with the spirit and intent of the Children’s and Families Act 2014 which introduced the Education, Health and Care Plans (EHCPs).

38. Focusing on the service aspects, the number of Education, Health and Care Plans (EHCPs) continues to rise to 4,921 in November 2025 compared to 4,343 in November 2024 (3,683 in November 2023), representing a percentage increase of 13.3% since November 2024 (17.9% increase from November 2023 to November 2024). This is having an impact on our ability to maintain timeliness and service the annual requirements of the volume of plans in the system due to the available budget. Improvement work continues to focus on the process and pathways in use to streamline processes and make efficiencies where possible.

39. When comparing to the demand in the South West region (95.9) and England nationally (88.1), BCP is slightly above comparators with rates of 99.4 per 10k and new assessment request levels.

40. 20-week timeliness for new assessments (ECHNA) has declined since last year with a year to date performance of 52.8% at the end of November 2025. This remains above the national average of 46.4%, South West region (25.5%) and statistical neighbours (31.0%). The increase in service demand means that there is an increased pressure on timeliness with a risk of further decline. Arrangements will be made to prioritise and protect the most vulnerable children i.e. those with an elective home education or known to social care. It should be noted that the SEND service’s caseload is now 13% higher than this point last year. This creates pressure on the ability to manage new requests and service the plans already in the service; this is the case for the SEND assessment and review service and the SEND strategic service area; particularly the educational psychology service and appeals and mediation processes and service area.

Key Issue: Extended Producer Responsibility (EPR)

41. This government policy is designed 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 BCP council were given a guaranteed allocation of £9.447m to help offset costs associated with waste collection and disposal.

42. 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. It is clear that the Scheme Administrator (PACK UK) will be required to assess the effectiveness of the council’s waste management services via an audit process. If it is deemed that we are not compliant then the council can be fined part of our ERP payment (up to 20% i.e. £1.941m) and also instructed in what we need to do to become efficient and effective. For example, this could involve PACK UK

deciding, at the council's cost, that we should introduce a separate paper/cardboard collection process.

Key Issues: Council Tax

43. In proposing a Council Tax for 2026/27 the Cabinet has reflected on the fact that it is government policy to fund cost pressures in local government principally through the ability to raise council tax, including the social care precept. Recognition has also been made of the need to ensure that every step is being taken to align the council's expenditure with the resources at its disposal.

44. The proposal is to increase council tax by 4.99% in 2026/27. This increase can be broken down into a 2.99% increase in relation to general inflationary pressures and an additional 2% relating to the social care precept.

45. The financial planning assumption for future years continues to be that council tax will be increased by 4.99% per annum in line with the information provided as part of the provisional local government finance settlement for 2026/27 including the illustrations for future year alongside the June 2025 Comprehensive Spending Review which set out the medium-term path for public finances and included departmental settlements to 2028/29.

46. The strategic approach taken by government since the 2015 spending review is that local councils can increase council tax as a mechanism for funding cost and demand pressures in local services. For the last 11 years in a row (since 2016/17), this has included the use of the Adult Social Care council tax precept as a means of asserting national direction on how such resources should be applied. From 2025/26 the social care precept is not shown separately on the actual council tax bills.

47. As a reminder the table below sets out the levels that government legislated for BCP Council to increase its council tax by in comparison to the actual levels of council tax set over the last 6-year period. Note, the 2021/22 Social Care precept was identified as being available to be taken in either 2021/22 or 2022/23. BCP Council chose to defer the full increase to 2022/23.

Figure 5: BCP Actual Council Tax Increases compared to Government Thresholds

	Government Assumed Increases (thresholds)			BCP Council Actual Increases		
	Basic %	Social Care	Total	Basic %	Social Care	Total
2021/22 Financial Year	1.99%	3.00%	**4.99%**	1.55%	0.00%	**1.55%**
2022/23 Financial Year	1.99%	1.00%	**2.99%**	0.00%	4.00%	**4.00%**
2023/24 Financial Year	2.99%	2.00%	**4.99%**	2.99%	2.00%	**4.99%**
2024/25 Financial Year	2.99%	2.00%	**4.99%**	2.99%	2.00%	**4.99%**
2025/26 Financial Year	2.99%	2.00%	**4.99%**	2.99%	2.00%	**4.99%**
2026/27 Financial Year	2.99%	2.00%	**4.99%**	2.99%	2.00%	**4.99%**

- Please note social care precept for 2021/22 could be carried forward into 2022/23

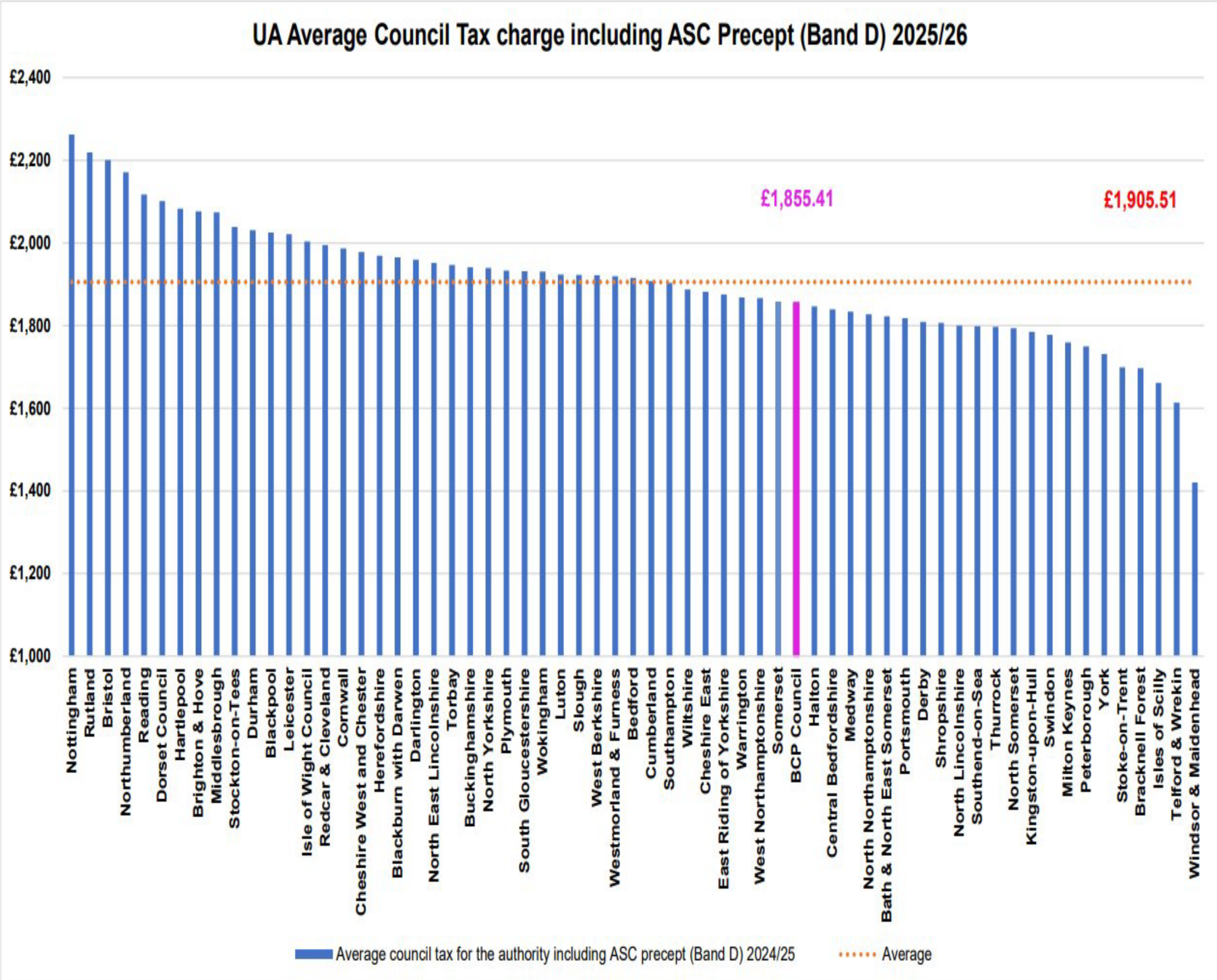
48. Previously the council has requested, but not been granted, the flexibility to increase council tax by the additional 2.43% that it could now be charging if it had increased its amounts in line with government policy across the two-year time horizon 2021/22 and 2022/23. If government had sanctioned this adjustment, it means the council would have been able to avoid approximately **£6.9m per annum** of the service reductions that it has otherwise had to put forward over the last few years.

49. As part of the a January 2026 Exceptional Financial Support application designed to support the council with its 2026/27 budget and specially the historic and accruing deficits on its Dedicated Schools Grant, the council has reiterated its desire to be granted the flexibility to increase council tax by the 2.43% it has previously decided not to increase council tax by.

50. The BCP Band D council tax for 2025/26 is £1,855.41. The equivalent council tax for our nearest neighbour Dorset Council was over 13% higher at £2,001.15. This equates to approximately

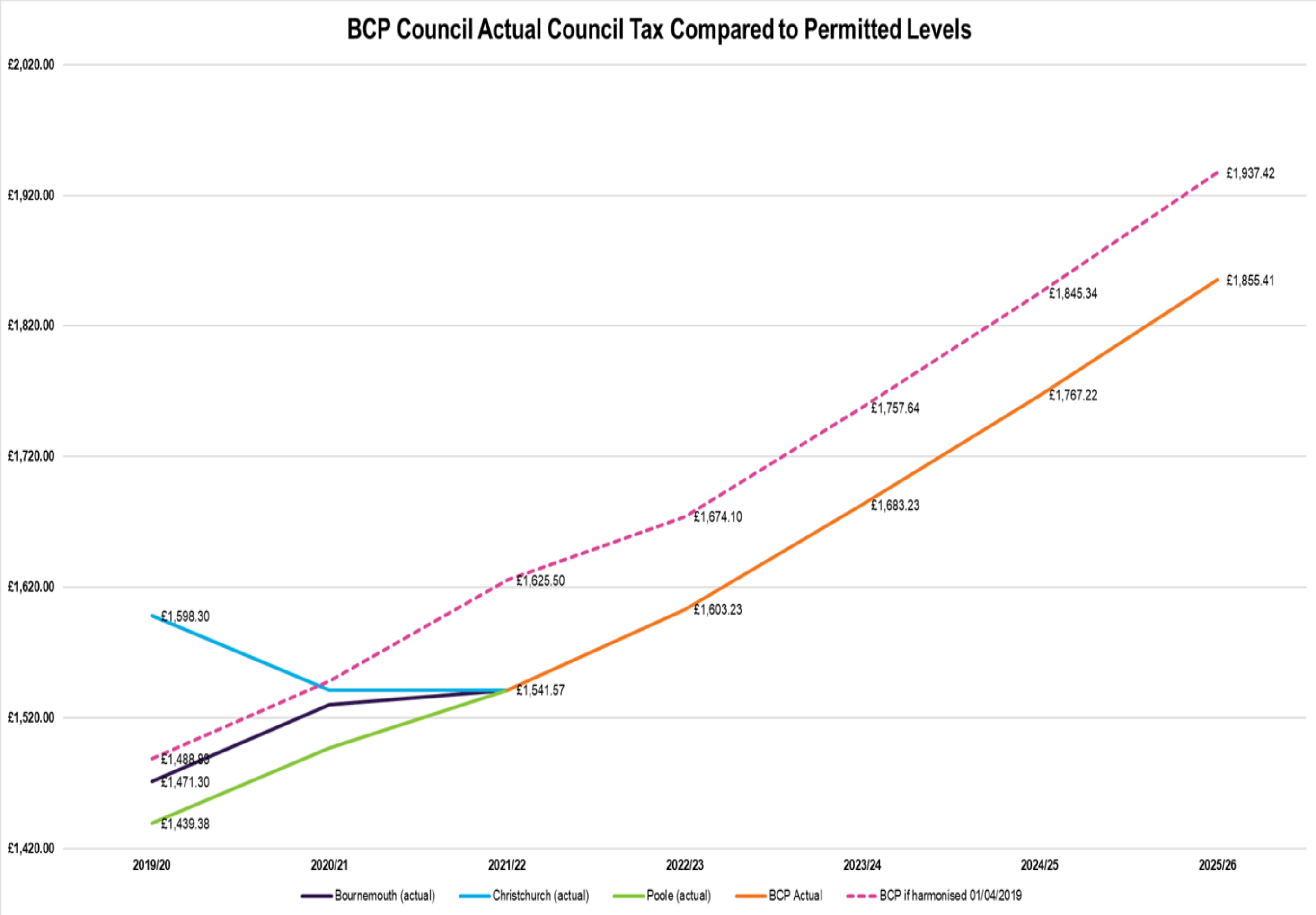
£22m per annum in additional resources BCP Council could be generating based on the BCP 2025/26 tax base (151,574.2) if it had Dorset Council's level of Council Tax. It should be recognised that in comparison to other unitary councils BCP Council has a council tax level which is also below the average and would have still been below the average if it had increased its Council Tax by the 2.43%. For 2025/26 BCP Councils council tax is 2.6% below the average which in resources terms is equivalent to **£7.6m per annum**.

Figure 6: Unitary Authorities 2025/26 Average Council Tax Levels



51. Figure 7 below demonstrates that if the council tax had been harmonised in April 2019, as the new Dorset Council did, and followed government guidelines and applied the maximum increases since then, then cumulatively our council tax would have been £1,937.42 in 2025/26 which is 4.4% higher than the cumulative £1,855.41 actual rate set. We are therefore clear that this council has locally decided not to generate and therefore forfeit the **£12.4m per annum** extra revenue that we could have been generating. While this is an annual benefit to our local council taxpayers it will have had a direct impact on the level of services the council has been able to provide.

Figure 7: BCP actual council tax levels compared to permitted levels.



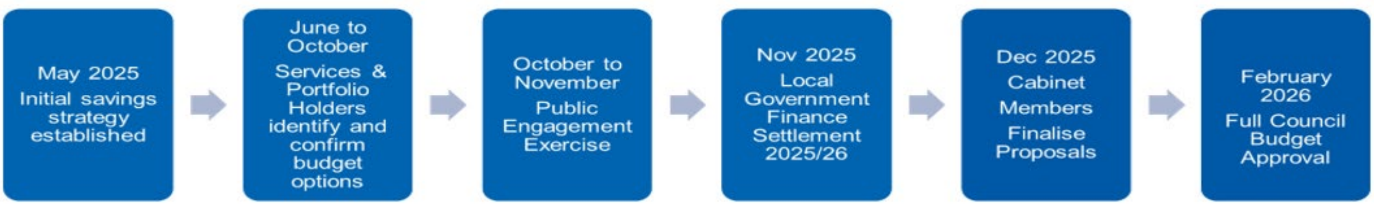
2026/27 Proposed Budget

52. Council has a legal responsibility to set an annual balanced budget (Local Government Finance Act 1992) presenting the plan for how its financial resources are to be allocated and utilised. In that context the budget for 2026/27, and the MTFP, it 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. It is therefore a developing document which will be constantly changing, and which will require regular monitoring with actions taken to mitigate variations as they occur. As such Cabinet have been clear that work will remain ongoing in relation to efforts to materially improve the council's financial sustainability and resilience.

53. 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 has been impacted by a financial framework historically characterised by one-year local government funding settlements.

54. The budget planning process and timetable in support of the 2026/27 budget were approved by Cabinet in May 2024. A high-level summary can be shown as follows.

Figure 8: High level summary of the budget planning process



55. The key dates in the 2026/27 budget setting process can be set out as follows.

May 2025	Cabinet - MTFP update report (including financial strategy).
July 2025	Cabinet – MTFP update report
July 2025	Cabinet - Quarter 4 / Financial Outturn 2024/25.
October 2025	Cabinet - Quarter 1 - 2025/26 budget monitoring.
October 2025	Cabinet - MTFP update report
October 2025	All Members – Budget Conversations
November 2025	Budget Consultation Exercise Opens
November 2025	Cabinet – Quarter 2 – 2025/26 budget monitoring
December 2025	Budget Consultation Exercise Closes
December 2025	All Members – Draft developing 2026/27 Budget Presentation
December 2025	Cabinet - MTFP update report
January 2026	Cabinet – Council Tax 2026/27 taxbase report
January 2026	Audit & Governance Committee (Treasury Management Strategy)
February 2026	All Member – Final proposed 2026/27 Budget Presentation
February 2026	Presentation to representatives from Commerce and Industry
February 2026	Cabinet – Quarter 3 – 2025/26 budget monitoring
February 2026	Cabinet – 2026/27 proposed budget and MTFP
February 2026	Council – 2026/27 proposed budget and MTFP

56. In support of the 2026/27 budget process Overview and Scrutiny Board 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

57. Feedback from the event was presented by relevant Overview and Scrutiny Chairs to the 29 October 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.

58. In addition, a meeting of the Overview and Scrutiny Chairs in November highlighted that they would appreciate.

- In support the Overview & Scrutiny Board consideration of the 2026/27 budget a request that the Corporate Directors attend the meeting on the 9 February 2026 to set out the consequences to the community, residents and staff of the key proposals within their areas.
- In support of the Overview & Scrutiny Boards consideration of the 2027/28 budget a request that the detailed list of savings, efficiencies etc that are being assumed in each of the MTFP Update reports is included which each of those reports.

59. Figure 3 below sets out the current Medium-Term Financial Plan (MTFP) to 2029. 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.

60. Key features of the 2026/27 proposed budget as presented include.

- £22m planned increase in council spending across all service areas excluding pay related costs, this includes including.
  - £11.5m (6.5% increase) to cover demand and inflationary cost pressures in wellbeing services including adult social care and homelessness services.
  - £9.2m (8.2% increase) to cover demand and inflationary cost pressures in children's services.
- £14m of savings, efficiencies, service reductions, and additional fees and charges across services including £4.4m which has been established as transformation and invest to save related.
- 2.8% assumed pay award for 2026/27.
- 4.99% increase in council tax for 2026/27 made up off 2.99% for the basic amount and 2% for the social care precept. Please note from April 2025 onwards the social care precept is no longer shown as a separate line on the council tax bills. The financial planning assumption for future years is also 4.99% in line with the assumptions with the governments 3 years local government financial settlement.
- Continuation of the utilisation of the one-off business rates collection fund surplus as per the 2024/25 approved budget. In 2025/26 these resources are being used to continue to facilitate the delivery of council regeneration activity and the externalisation of the Russell Cotes Museum ambitions, as well as assisting with the one-off costs associated with Pay and Reward, fund the in-year forecast overspend, and steps to improve the robustness of the budget proposal. Additional resources are also being applied to support the 2026/27 budget and MTFP.
- Drawndown of £4.8m from unearmarked reserves.
- Significant funding gaps in future financial years amounting to £30m over the two year period 2027/28 and 2028/29. This is after £15m of assumed future savings over this same time period.

Figure 9: Medium Term Financial Plan to 31 March 2029

Service Pressures (net of any specific grant changes)	Updated Budget 2025/26 £m	February 2026 MTFP Position 26/27 £m	27/28 £m	28/29 £m	Total £m
Wellbeing Directorate	194.6	11.5	7.9	8.2	**27.6**
Children's Directorate	111.8	9.2	8.2	8.2	**25.5**
Operations Directorate	60.3	1.3	4.1	5.6	**11.0**
Resources Directorate	50.2	(0.0)	0.3	1.6	**1.9**
Service Pressures (net of any specific grant changes)	**416.8**	**22.0**	**20.5**	**23.5**	**66.0**
Savings, Efficiencies, Fees & Charges					
Wellbeing Directorate		(3.1)	(1.1)	(0.9)	**(5.1)**
Children's Directorate		(1.4)	0.0	0.0	**(1.4)**
Operations Directorate		(4.0)	(2.2)	(1.3)	**(7.5)**
Resources Directorate		(1.0)	(0.5)	(0.1)	**(1.6)**
Transformation		(4.4)	(7.5)	(1.2)	**(13.1)**
Savings, Efficiencies, Fees and Charges		**(13.9)**	**(11.1)**	**(3.6)**	**(28.6)**
Corporate Items - Cost Pressures	**10.6**	**10.0**	**4.6**	**6.6**	**21.2**
Funding - Changes	**(432.8)**	**(16.5)**	**(4.6)**	**(16.7)**	**(37.8)**
Debt interest due to accumulated SEND deficit	**8.1**	**2.4**	**2.5**	**1.7**	**6.5**
Annual – Net Funding Gap	**2.8**	**4.0**	**11.8**	**11.5**	**27.3**
Application of one-off business rates resources to MTFP	**(2.8)**	**(4.0)**	**6.8**	**0.0**	**2.8**
Annual – Net Funding Gap	**0.0**	**(0.0)**	**18.7**	**11.5**	**30.1**
Cumulative MTFP – Net Funding Gap		**(0.0)**	**18.7**	**30.1**	

61. Full details of the service pressures, corporate costs pressures and funding changes, where not referenced elsewhere in this report, are as set out in Appendix 3. A summary of the key assumptions can be set out as follows.

Figure 10: Key Budget & MTFP Assumptions

	2026/27	2027/28	2028/29
Council Tax (Includes 2% Social Care Precept)	4.99%	4.99%	4.99%
Pay Award	2.8%	2.0%	2.0%
Mininum 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	3.75%	3.25%	3.25%

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.

Savings and Efficiencies

62. Across the first eight years of BCP Council the savings have flowed from reduced staffing, lower operational costs, from creating common and consistent charging policies or from reduced service levels. A detailed schedule of all the assumed savings supporting the proposed budget for 2026/27 is presented as appendix 5a, which includes those savings previously outlined in in the 2026/27 budget report or the July 2025 Pay and Reward council report. It also includes those savings attributed to the council's various transformation and invest to save programmes.

63. The scale of the ongoing challenge faced by BCP and all other local authorities means that difficult choices concerning service changes must be made by the Council to ensure a legally balanced budget for 2026/27 can be set. Although focused primarily on discretionary services, consideration has also been given to statutory services and reducing service levels towards the statutory minimum.

64. It should also be highlighted that as a matter of policy, the budget assumes that all locally set fees and charges will be increased at least in line with inflation and/or be adjusted to ensure they are set at a level which guarantees full cost recovery including the impact of the National Living Wage increase and any impact from the councils pay and reward project.

65. The table below sets out the level of savings which have been put forward since 2019 as part of the process of balancing the annual budgets. This demonstrates that the savings have been particularly focused on the 2023/24 and 2024/25 financial years as the council strove to manage its way out of the government Exceptional Financial Support programme as well as the Administration's attempt to improve the council's financial health.

Figure 11: Annual Service based savings since 2019 (shown on an incremental basis)

	Budgeted 2019/20 £m	Budgeted 2020/21 £m	Budgeted 2021/22 £m	Budgeted 2022/23 £m	Budgeted 2023/24 £m	Budgeted 2024/25 £m	Budgeted 2025/26 £m	Estimate 2026/27 £m	Total £m
Total	(11.2)	(9.4)	(20.7)	(6.6)	(34.0)	(38.0)	(7.8)	(14.0)	(141.7)

Capital Investment Programme (CIP) - Overview

66. The capital strategy is based on the following core principles:

- Capital projects are supported by appropriate business cases, that clearly identify funding sources and are approved in accordance with the council's financial regulations. No project that relies on government grant, external funding (including third party contributions) or capital receipts can commence until the council has complete assurance the funding will be / has been received or has otherwise explicitly agreed to accept the risk.

67. The use of prudential borrowing for capital projects where no alternative source of funding is identified must comply with published HM Treasury PWLB borrowing restrictions. Business cases must demonstrate the debt is affordable, prudent, and sustainable and that the council is able to meet annual borrowing repayments. The council's overall borrowing capacity is set out in its treasury management strategy.

68. Audit and Governance Committee places an extra layer of governance between Cabinet and Council consideration, to test the robustness of borrowing proposals to ensure that debt repayments can be met.

- Interest rates from the council's invest-to-save framework (which provides a framework through which to recognise an appropriate level of risk for each project) are applied to all business cases that rely on future income streams from which to meet annual borrowing repayment costs. Such business cases are required to show the impact on affordability by reference to the current prevailing and the invest to save interest rates.

- BCP Council's capital resources (community infrastructure levy (CIL), developer s106 contributions, capital reserves, capital receipts) are prioritised towards:
  - commitments under the council's flexible use of capital receipts strategy (FUCR).

- schemes which require a local contribution to leverage in capital grants or external capital contributions.
- schemes which enable delivery of the savings assumed within the MTFP.
- schemes which enable the council to exploit its assets.
- schemes which protect key infrastructure.
- schemes considered a corporate priority.

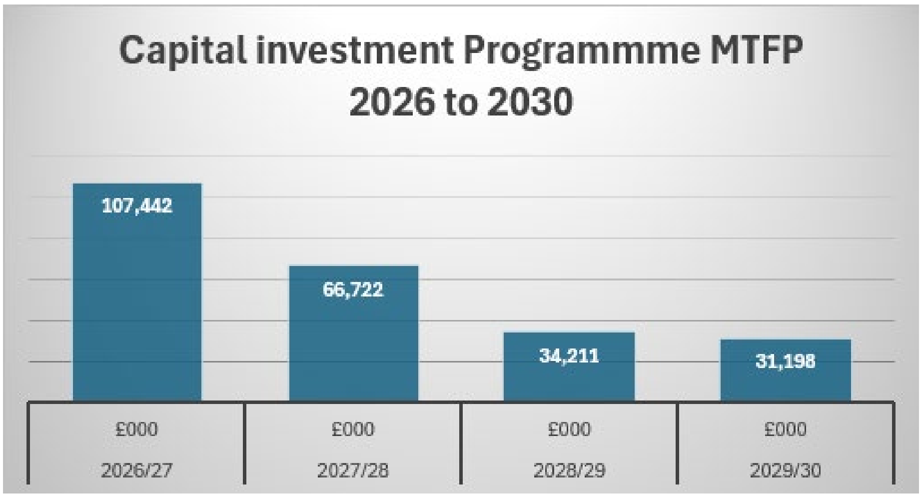
- Capital receipts from the disposal of any of the council's general fund lodges will be earmarked for the provision of additional affordable housing.
- No resources are earmarked within the capital strategy for the consequential impacts of capital investment on the council's revenue budget (for example programmed maintenance). These must be identified and managed within revenue budgets set as part of the MTFP.
- Funding earmarked for delivery of the capital strategy (including external government grant and new borrowing facilities) is only recognised within the capital programme as these funds are used / allocated to approved capital projects.

69. Capital receipts, besides the funding of the council's various transformation programmes and invest to saves via the FUCR strategy will also be considered for application as part of the Treasury Management Strategy towards the voluntary repayment of debt.

70. Capital project approved by predecessor authorities or over 5 years old but not yet commenced have been removed from the capital investment programme. New updated business cases should follow the normal investment approval process.

71. Figure 12 below presents a high-level summary capital spend over the next 4 years. It is forecast that £107.5 million will be spent in 2026/27 and a further £132 million in the following 3 years making a total 4-year programme of £239.6 million spend on assets and infrastructure across the conurbation.

Figure 12: Capital investment programme MTFP



72. In line with the Council Financial Regulations which allow capital budgets to be reprofiled between years following activity slippage, £74 million has been reprofiled and carried forward from 2025/26 to 2026/27 based on forecast expenditure in December 2025. Further reprofiling may be necessary at year end depending on actual expenditure incurred to that point. In the event that more expenditure than anticipated is incurred for reprofiled projects, the budget will be taken back to cover the 2025/26 spend in full.

73. The Department for Transport has announced a new local transport funding system for Local Transport Authorities and confirmed the capital funding allocations for the next spending review period (2026/27 to 2029/30). Figure 13 below shows the £77.7 million to be spent on local transport delivery. This represents 32% of the current capital programme over the next 4 years. The funding comes with a new accountability and reporting system. The settlement letter

commissions each local transport authority to produce a local transport delivery plan (LTDP) with details of schemes and interventions or programmes and packages of spend to be submitted in draft by 20 March 2026 with the final LTDP submitted by 18 September 2026.

Figure 13: Local Transport capital consolidated funding settlement

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Active Travel	2,249.7	2,249.7	2,249.7	2,249.7	**8,998.8**
Highways Maintenance	7,763.0	9,144.0	9,860.0	11,273.0	**38,040.0**
LA Bus Grant (LABG)	3,018.8	3,079.5	3,140.2	3,200.9	**12,439.4**
Loca transport Grant (LTG)	3,345.9	3,620.3	4,961.2	6,302.0	**18,229.4**
Total	**16,377.4**	**18,093.5**	**20,211.1**	**23,025.6**	**77,707.6**

74. For Children Services the Department for Education has indicated that BCP Council will receive in the region of £9 million over the next 3 years for Special Education Needs and Disabilities (SEND) above the normal annual allocation. Estimating the normal annual allocation is not easy as there is no real trend in prior years allocations. For the purpose of the MTFP we have assumed £4 million SEND grant for the first 3 years and £1million normal annual allocation for 2029/30. The Education capital programme will be updated in the spring when the grants allocations will be announced.

75. The MTFP also includes over £11 million High Needs grant reprofiled from prior years bringing the estimated total funding available for SEND to approximately £25m over the next 4 years. The estimated profile for children services capital expenditure can be seen in Figure 14 below for a total of nearly £33 million including the schools conditions grant. This represents 14% of the capital investment MTFP.

76. Commercial Operations has approximately 18% of the capital programme. Over £27 million is planned to be spent on seafront and flood and coastal erosion activity in 2026/27 and 27/28 mainly on Poole Bay beach management and Poole Bridge to Hunger Hill flood defence funded from environment agency grant, CIL contributions and prudential borrowing. Further £15 million is planned for expenditure on the seafront and cliff management mainly funded from government grant.

77. The IT infrastructure underpinning the council services requires replacement including critical hardware and core wide areas networking equipment which will reach its end of life in 2026/27. Additional funding of £764,000 is required for this equipment. **It is recommended that Cabinet approve the additional £195,000 borrowing per annum over the next 5 years included in the MTFP for this purpose** ahead of a 4-year IT infrastructure replacement plan which will come forward for approval in due course. The MTFP also shows the estimated next 3 year desktop replacement requirement of £3.7 million. Council approval for this investment will also be sought in due course.

78. The 2026/27 totals include grants carried forward from previous years but not yet committed. Services will bring forward strategies to utilise these in due course.

Figure 14: Capital Investment Programme Expenditure profile to 31 March 2030

Capital Investment Programme General Fund	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total 2026/30 £000
OPERATIONS					
Customer Arts and Property *(Museums; Engineering: Assets, Road Maintenance, Highway, bridges, TCF*; Estates)*	18,333	4,344	1,774	1,591	**26,042**
Commercial Operations *(Flood & coastal erosion risk management, Seafront, Culture, Leisure)*	26,964	15,622	-	-	**42,586**
Environment *(Waste & recycling, green spaces & coservation, parks, fleet)*	18,923	7,832	410	410	**27,575**
Investment and Development *(Housing Delivery, Regeneration)*	3,300	2,697	-	-	**5,997**
Planning and Transport *(Sustainable travel, Network management, Transport Improvement)*	18,653	19,651	20,383	23,026	**81,713**
Total Operations Directorate	**86,173**	**50,146**	**22,567**	**25,027**	**183,913**
CHILDREN SERVICES					
Basic needs, schools conditions, Special Education needs and disabilities	14,414	10,895	5,922	1,746	**32,977**
Total Children Services Direc	**14,414**	**10,895**	**5,922**	**1,746**	**32,977**
WELLBEING					
Housing and Community	1,775	1,775	1,775	1,775	**7,100**
Adults Social Care	2,672	2,684	2,701	2,650	**10,707**
Total Wellbeing Directorate	**4,447**	**4,459**	**4,476**	**4,425**	**17,807**
EXECUTIVE					
IT and Programmes	2,408	1,222	1,246	-	**4,876**
Total Executive Directorare	**2,408**	**1,222**	**1,246**	**-**	**4,876**
	107,442	**66,722**	**34,211**	**31,198**	**239,573**

*Transforming Cities Fund

79. The capital investment programme (CIP) consists of capital schemes that have either already been approved or that are progressing through the approval process in accordance with the council's financial regulations and governance framework including some rightsizing of schemes funded from the Transforming Cities fund and other transport funding ICT hardware and networking equipment replacement. It also includes expenditure funded from government grants announced or estimated that has yet to be allocated to specific scheme. Service areas will report on specific allocations in their individual capital strategies in due course in line with the financial regulations approval framework. It excludes potential new projects that have not yet progressed to a stage where they have been fully costed. Full details of the Capital Investment Programme are presented in Appendix 7 and 7a.

80. The CIP continues to be funded from a combination of government grant and other external funding sources (s106 contributions, CIL, and third-party contributions) and prudential borrowing. 75% of the funding to support capital expenditure is from Government grants. 16% is funded from prudential borrowing.

Figure 15: Capital Investment Programme Funding profile to 31 March 2030

Capital Investment Programme General Fund Funding Profile	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total 2025/30 £000
Prudential Borrowing	(15,960)	(17,682)	(3,022)	(1,543)	(38,207)
Revenue Reserve Funding	(1,291)	(518)	(518)	(518)	(2,845)
Capital Receipts (General Fund	-	-	-	-	0
Revenue Contribution to Capital	-	-	-	-	0
BCP Funding Requirement	**(17,251)**	**(18,200)**	**(3,540)**	**(2,061)**	**(41,052)**
Government Grants	(74,267)	(45,952)	(30,671)	(29,137)	(180,027)
CIL	(13,416)	(2,508)	-	-	(15,924)
Non-government grants	(1,353)	-	-	-	(1,353)
S106	(648)	-	-	-	(648)
Third party contributions	(507)	(62)	-	-	(569)
External Funding Contributio	**(90,191)**	**(48,522)**	**(30,671)**	**(29,137)**	**(198,521)**
	(107,442)	**(66,722)**	**(34,211)**	**(31,198)**	**(239,573)**

81. The main financial risks associated with the CIP are associated with inflation and continuing high interest rates which may affect the assumptions made for the schemes funded from prudential borrowing. Senior Responsible Officers (SROs) for all projects are required to review their projects and assess their viability considering the current cost of material and labour and to allow appropriate contingencies for uncertainty moving forward. As a result, projects such as Canford Cliffs beach huts and pavilion which were approved by a predecessor authority have been removed from the CIP requiring new business cases.

82. The Council has a strategy to replace fuel vehicles with electric vehicles which are more expensive, therefore it will see a further revenue pressure in future years not yet included in the MTFP.

Asset Management Plan (AMP)

83. An asset management plan (AMP) is the foundation to ensuring the council's portfolio of assets is being managed in the most efficient and cost-effective way. It is a time-bound commitment to action that ensures that the council's property assets are proactively managed to fully meet both its current and future requirements, with an increasing focus on long term financial and climate sustainability. Attached as Appendix 8 is an update on the summary AMP for the council produced as part of previous budget reports. This recognises the documents evolution into a comprehensive and traditional full asset management plan, as advocated by best practice.

Treasury Management Strategy (TMS)

84. The council's Treasury Management Strategy (TMS) is subject to regular review and was last reported to the Audit & Governance Committee for monitoring and update purposes in January 2026. The council is required to set its prudential indicators in the context of the overall strategy on an annual basis. The TMS and prudential indicators for 2026/27 are set out in Appendix 9 for approval by Council.

85. A significant element of the TMS is the council's approach to balancing the risks associated with its need to borrow, namely:

a) *Credit Risk*: Which is the risk associated with an institution failing and the council's investment being reduced due to bank bail-in arrangements. An approach to managing this risk is to use internal balances before undertaking external borrowing which will also provide a better return for the council as the cost of borrowing exceeds any value the council could earn on these internal balances

b) *Interest Rate Risk:* This is the exposure to interest rate movements on its borrowing and investments. The council is susceptible to upward movements in long term rates given the amount of borrowing still required over the next 5 to 10 years

c) *Re-financing Risk:* Focuses on managing the exposure to replacing current financial instruments (borrowings) as and when they mature

d) *Liquidity Risk:* This aims to ensure the council has enough cash available as and when needed.

86. The strategy is significantly influenced by the requirements of the devolved system of council housing (HRA) finance. This includes the operation of a two-pool approach to debt management with the debt of the HRA (council house tenant account) and that of the General Fund (council taxpayers account) separated. All external debt is taken out by reference to the relevant pool although it should be noted that there is still flexibility to transfer debt between the two if required.

87. In order to ensure that the council is compliant with CIPFAs 2021 Prudential and Treasury Management codes the prudential indicators, including the approved borrowing limits, have been amended to incorporate the assumption that £95.75m of additional borrowing will be undertaken in 2026/27 to enable the excess SEND expenditure over the DfE grant to be financed. In addition, the borrowing headroom provided the flexibility to cover a government capitalisation direction (permission the capitalise revenue expenditure) to cover the interest on the SEND borrowing should it had been required. Provision within the borrowing limits has also made for the reprofile of phase 1 and the new phase 2 borrowing to support the vehicle fleet replacement strategy.

Reserves

88. The council holds reserves as part of its approach to maintain a sound financial position and to demonstrate that there are no material uncertainties about the council as a going concern. The requirement for financial reserves is linked to legislation such as the Local Government Act 1992, which requires councils to “have regard” to the level of reserves needed to meet future expenditure when calculating a budget. As part of his formal annual section 25 report the council’s Director of Finance is required to report on the adequacy of reserves. This assessment is summarised later in this report.

89. It may be worth emphasising that reserves should not be seen in a short-term context. They should not only be placed in the context of significant uncertainty in respect of the impact on the council of increases in commissioning costs due to the governments national living wage, general inflationary pressures, and the relentless increase in service demands particular social care and homelessness, but also in the context of the future.

In general councils hold two main forms of reserves.

90. **Unearmarked Reserves**
Are set aside to help manage the risk to the council’s financial standing in the event of extraordinary or otherwise unforeseen events and to mitigate the underlying risk associated with the operation of the council and the management of service expenditure, income, and the council’s funding.

91. The Chartered Institute of Public Finance and Accountancy (CIPFA) previously advised that general or unearmarked reserves should be 5% of net revenue expenditure (NRE) as an absolute minimum. Our nearest unitary neighbour, Dorset Council, has a policy of trying to maintain their unearmarked reserves at 10% of NRE. Benchmarking demonstrates that steps taken up to 31 March 2025 have moved the council into the mid-range compared to other unitary councils.

92. As a reminder the council has taken proactive steps to improve its financial health and sustainability across both 2023/24, 2024/25 and 2025/26 which has included increasing its unearmarked reserves by over 60% to £29.3m. They now represent 8% on a net revenue expenditure basis (RA 2025/26). The 31 March 2026 forecast position includes.

   a. the transfer in of £2m from a previous earmarked reserve to cover transformation related redundancy costs which could not be funded via the flexible use of capital receipts (FUCR). During 2025 the legislation has been changed which means all such costs can now be funded via the FUCR and consequentially the resources can be redirected into unearmarked reserves.

93. The forecast position as of 31 March 2027 is that they will now decrease to 6% based on a 2026/27 net revenue expenditure basis which reflects an increase in this denominator due to the government rolling in over £70m of specific grants into unringfenced revenue support grant. The 31 March 2027 position includes.

b. the transfer out of £4.8m to support the setting of a legally balanced budget for 2026/27. The intent is that this item is reversed by the extent of any support for historic or accruing DSG deficits which the government are expected to announce in February 2026.

94. **Earmarked Reserves:**
Are set aside to meet identified spending commitments and can only be used for the purpose for which they have been created. These reserves will continually be reviewed, and any resources not needed as intended transferred into unearmarked reserves. They include reserves in support of various partnerships where the council is the accountable body, reserves which represent government grants received in advance of the associated expenditure, reserves held on behalf of third parties and several reserves the council is required to hold in line with statute or its own governance requirements. The council had earmarked reserves of £55.7m as of 31 March 2025. Details of the councils earmarked reserves are presented at Appendix 10a.

Figure 14: Latest Reserve Forecast

`	Balance 31-Mar-23 £m	Balance 31-Mar-24 £m	Balance 31-Mar-25 £m	Q3 Estimate 31-Mar-26 £m	Budget 31-Mar-27 £m
Unearmarked Reserves	17.9	26.1	27.3	29.3	24.5
Earmarked Reserves	68.5	39.0	55.7	32.5	26.3
Total Reserves	**86.4**	**65.1**	**83.0**	**61.8**	**50.8**
Dedicated Schools Grant	**-35.8**	**-63.5**	**-113.4**	**-183.6**	**-279.3**
Net Position	**50.6**	**1.6**	**-30.4**	**-121.8**	**-228.5**

CIPFA Financial Health Indicators

95. In developing the budget strategy for 2026/27, and the medium-term financial plan, the council has been reflective of the outcomes of the annual CIPFA Financial Resilience Index and other financial benchmarking. In determining the strategy, it is essential to ensure the council manages its financial resilience to meet unforeseen demands and pressures on services.

96. The latest CIPFA Financial Resilience Index benchmarking is based on the Revenue Outturn information for 2024/25, and figures submitted for each local authority reflecting their position on 31 March 2025. In respect of BCP and in comparison, to our nearest neighbour grouping, the index was adverse in the areas listed below:

a) Children's Social Care Ratio

b) Adult Social Cate Ratio

c) Homelessness Ratio

The proportion of budget spent on these areas is seen as high. They are considered as inflexible costs because it is considered difficult to reduce them in the short term and they impact on the council's ability to respond with agility to changing demands

In addition, the percentage change in unearmarked reserves over the previous three years is seen as an indicator of higher risk and reflects the use of reserves to support the delivery of legally balanced budgets in 2022/23 and 2023/24.

This analysis is less stark when the comparison is made with other Unitary Authorities and there has also been a noticeable improvement in the level of unearmarked reserves which is a credit to the council's financial strategy aimed at rebuilding its financial health.

Sensitivity analysis

97. A key determinate as to the adequacy of reserves is the sensitivity within the budget and how quickly the demands that the council is required to manage, and their associated cost, can change. It continues to be the case that relatively minor changes or shifts in key planning

assumptions can have a significant impact on the council's financial position as highlighted in figure 15 below.

Figure 15: Council sensitivity to potential changes in assumptions

Description	£000s
Children in Care (average high cost - residential) per child per annum	579
Children in Care (average top 10 independent fostering) per child per annum	131
Intensive homecare package for a disabled person *(average top ten excluding proportion of Health funding)*	314
Vulnerable adult (learning disability - residential <65) *(average excluding proportion of Health funding)*	114
Vulnerable adult (learning disability - residential <65) *(average top ten excluding proportion of Health funding)*	246
Older person's supported residential care *(average excluding proportion of Health funding)*	61
Older person's supported residential care *(average of the top ten excluding proportion of Health funding)*	133
Increase in adults' cost of care for every 1p increase in the National Living Wage	164
Increase in the £7.75m cost of the concessionary fare scheme (per 1% increase journey numbers)	87
Change in the Pay Award by 1% from 2025/26	2,015
Change in the Revenue Support Grant by 1% from 2025/26	(44)
Change in the level of Council Tax by 1% from 2025/26	(2,812)

98. In being mindful of these key sensitivities, it should be established that the cost of a child in care or vulnerable adult can exceed £1m per year for a single case, which the council is responsible for paying in the first instance. It is only subsequently able to reduce the amount to those shown in figure 15 above once it has negotiated a contribution from National Health Service Dorset. The risk associated with achieving this outcome is held by the council. It is also worth bearing in mind that every £100,000 is equivalent to the council tax generated on 54 homes (2025/26 band D equivalents).

99. Also, of relevance to the sensitivity of the budget is the robustness of the estimates made to underpin the budget. As per the position on reserves the councils Director of Finance is formally required to report on their robustness as part of his formal annual section 25 report.

100. Officers will have factored into their assumptions numerous matters such as government announcements, economic forecasts, trend analysis and professional judgement. Of relevance is the uncertainty at this time due to the inflationary environment and any new programmes, initiatives or approaches being adopted for the first time which inevitably carry a greater level of risk than business as usual activity.

101. As per recommendation (c) of this report it is proposed that any changes between the provisional 2025/26 Local Government Finance settlement, issued in December 2025, and the final settlement due in early February 2026, will be delegated to the Chief Executive in consultation with the Director of Finance, Leader, and Portfolio Holder for Finance to allocate.

Director of Finance advice on the robustness of the budget and adequacy of reserves

102. The Local Government Act 2003 (Section 25) requires the Director of Finance to report on the following matters to members when agreeing its annual budget and council tax levels.

- the robustness of the estimates made for the purposes of the budget calculations, and
- the adequacy of the proposed financial reserves.

103. Council must have regard to this report when making its decisions around the annual budget and the level of council tax.

104. For members of the Council the Section 25 statement provides critical context for budgetary discussions. The provision of this information is a legal requirement and ensures that all members have regard to the professional advice provided by the authority's Director of Finance when final budget decisions are made being made. To give a level of additional assurance to this report it has also been prepared in consultation with the Chief Executive.

105. It should be emphasised that councils can and do experience significant financial difficulties. Section 114 (s114) of the Local Government Finance Act 1988 requires the S151 Officer, in consultation with the council's Monitoring Officer and Head of Paid Service, to report to all the authority's members if they believe the council is unable to set or maintain a balanced budget, or if unlawful expenditure is identified. Such a notice is only given in the gravest of circumstances and is most likely to be required in a situation in which reserves have become depleted, and it is forecast that the council will not have the resources to meet its expenditure in a particular financial year. In such circumstances a full council meeting must then take place within 21 days to consider the notice and during this period no new agreements involving spending can be entered into, unless approved by the s151 Officer.

106. Since the legislation came into force in 1988, 19 s114 notices have been issued with 14 of these having been issued since 2018. Although they remain rare it is clear they are not as rare as they used to be. Recent high-profile cases include those at Barnet Council, Birmingham Council, Croydon Council, Northamptonshire County Council, Northumberland County Council, Nottingham City Council, Slough Borough Council, Thurrock Council, and Woking Council.

107. The formal s25 report of the s151 Officer is included as Appendix 10 to this report. In conclusion to his report the Director of Finance considers that the estimates used for the purposes of the proposed 2026/27 budget are robust given a clear understanding by members and senior management of the following:

a) That Corporate Directors, Service Directors and Budget Holder have provided the Chief Executive with direct assurance that they have accepted their budgets and have agreed to deliver their services within its financial parameters including the realisation of approved savings.

b) That over the next 3-years the council will receive less Revenue Support Grant than it is receiving in 2025/26. This, alongside the inevitable changes in demand and cost pressures will require the senior leadership team and Cabinet portfolio holders to bring forward further options for reducing the net cost of services, including additional transformation and invest to save programmes. Alongside this Cabinet will need to receive a report in the spring of 2026 providing assurance that the current transformation and invest to save programmes will deliver the level of savings promised when the investment was approved and to the currently approved timescales.

c) That the new pay and reward structure implementation was based on a range of financial assumptions including the increase in the annual incremental drift exposure from £1.5m to £4m per annum and the exclusion of any provision for vacant posts, casual employees, apprentices, agency staff or as a result of any future re-mapping outcomes. These are all costs which will need to be managed by the relevant services however the council report recognised that these issues would challenge the ongoing viability of a number of services.

    - The robustness of this statement is on the clear understanding that where Corporate Directors, Service Directors and Budget Holders believe they cannot manage the impact of the additional incremental drift exposure, or the cost of any re-mappings since the 21 April 2025 date which unpinned the Council report, that they will provide the Chief Executive and Portfolio Holder with options for mitigation by 31 March 2026.

d) Directors will continue to diligently identify and rigorously apply mitigation strategies for their identified in-year 2025/26 budget pressures.

e) Children's Services continue to acknowledge the fiscal consequences of their service decisions around SEND by doing all they can to contain the cost of services within the grant made available by government.

f) Effective governance arrangements will be maintained at Portfolio Holder, Executive, Senior Management, Directorate, and budget holder level to monitor the overall delivery of the 2026/27 budget.

g) That the council will steel a march on the process of delivering the necessary savings to enable the 2027/28 budget to be legally balanced including.

   a. Going back to basics with a review of every item of expenditure to determine if it is absolutely necessary and value for money. This will include a continuation of the current year's expenditure freeze until sufficient savings to balance the £18.7m funding gap for 2027/28 have been identified.

   b. Ongoing development of invest to save and service specific transformation programmes supported by the ICT Programme Management Team.

   c. Star Chamber events for each and every service which include the line-by-line analysis of the budget, the detail of every post, the detail of every contract supported by the budget and relevant benchmarking information.

   d. A presumption will apply that every vacancy triggers a review of the post and its function — whether statutory or non-statutory — to determine whether the role is still required in its current form. This review will include:

      - assessing whether the duties can be re prioritised, absorbed within the existing team, or delivered differently.
      - fully exploring opportunities to use existing technology and capabilities developed through the significant investment in Transformation over recent years.
      - Where appropriate, considering internal recruitment only, where a genuine need for the role remains.

   The overarching aim is to improve the productivity of the organisation by managing down the overall headcount and pay bill through natural turnover and redesign, avoiding the need for a large-scale redundancy programme.

108. However, the Director of Finance also concludes that the level of reserves cannot be considered adequate given a clear understanding by members and senior management of the following:

a) That on 1 April 2025 the council was technically insolvent as it had negative general fund reserves due to the deficit on its DSG as pertaining to expenditure on the Special Educational Needs and Disability service. This DSG deficit is growing by more than £95m per annum which is the amount the expenditure on the High Needs Block continues to be more than the annual government grant being made available. Although government will take responsibility for the day-to-day operational costs of the service from 1 April 2028 onwards the historic and accruing deficits will be retained by the council. Without government support for these retained deficits the council will actually become insolvent from 2028/29 which is when the current statutory instrument that allows them to be ignored, falls away.

b) That the use of unearmarked reserves to balance this budget is contrary to the strategy of the Administration to improve the financial health and sustainability of the Council.

c) That at around 6%, unearmarked reserves are only just sufficient to cover an unexpected single event such as a cyber-attack or significant in-year overspending. Any such single event would then require drastic action to restore such reserves to the minimum recommended level. They would clearly be insufficient for the realisation of multiple risks.

h) Earmarked reserves should be supported by a clear plan held by the service which details the profile of when the resources will be drawn down. Any resources identified as not needed for their original purpose will be redirected into unearmarked reserves.

i) That all opportunities will be taken for the level of unearmarked reserves to be enhanced and for the overall financial sustainability of the council to be improved.

109. Councillors should also carefully consider the risks set out in the summary of risk assessment section of this report.

Housing Revenue Account (HRA)

110. A report on the HRA and rent setting is included as a separate item on the agenda for this meeting and should be considered alongside this report to councillors in setting the budget for 2026/27.

Chief Officers' Pay Policy Statement

111. Further to the provisions of the Localism Act 2011, the council is required to publish its local Chief Officers' Pay Policy on an annual basis for consideration by council before 31 March each year.

112. The council's pay policy has been duly prepared by the People and Culture service and is attached as Appendix 12 to this report to ensure the council is able to consider it this year in accordance with the statutory timetable as prescribed by government.

113. For 2026/27 the policy has been updated to reflect changes associated with the implementation of Pay and Reward which took effect on 1 December 2025.

Scheme of councillor allowances

114. The council is required to adopt an annual scheme of councillor allowances as specified under the Local Authorities (Members' Allowances) (England) Regulations 2003.

115. On 22 July 2025, Council approved a revised scheme of members' allowances for 2025/26, which included a provision for allowances to be increased in line with the Employees' National Pay Award when determined, with adjustments backdated to 6 May 2025. The agreed pay award applicable to the scheme of allowances was 4.5% for 2024/25 and 3.2% for 2025/26. The proposed budget for 2026/27 allows for a further pay award-based increase and includes provision for the potential reinstatement of members' pension entitlement.

116. As part of the proposed budget, provision has been made for a total cost of £2.129m in 2026/27

Consultation

117. Under Section 65 of the Local Government Finance Act 1992, councils have a statutory duty to consult with representatives of business rate payers on its proposed expenditure for the following year. Business leaders across Bournemouth, Christchurch and Poole were invited to attend a presentation held on 6 February 2026 on the budget for 2026/27 and Medium-Term Financial Plan from the BCP Council Leader, Chief Executive, and the Director of Finance.

118. The necessary additional resources, savings and efficiencies required to balance the budget over the next three years will each need to be reviewed to determine the extent to which they may require consultation. Consideration will also need to be given to the relevant period, stakeholder groups and method of consultation.

Options Appraisal

119. Numerous alternative permutations are possible around budget savings proposals and council tax strategies for 2026/27. Any alternatives considered will need to be supported by a robust evidence base detailing the sustainable substitute funding strategies. Any alternative will also require the appropriate level of due diligence and the advice of the statutory officers.

120. In respect of alternative savings strategies there would be countless combinations and those proposed will reflect the priorities of the Administration and other political groups may have arrived at a legally balanced budget by alternative preferences. Some examples of items considered but not put forward include.

    a. Reduce or scale back the support for cultural activities. Over £750k per annum is spent supporting National Portfolio Organisations (NPOs) such as the Lighthouse, Bournemouth Symphony Orchestra and Pavilion Dance.

    b. Reduce or scale back the amount of spend on Libraries. For example the council could reduce the number of individual Libraries by say 3 and still be meeting statutory and this would save circa £200k.

    c. Increase fees and charges higher than those assumed in the proposed budget as put forward. Most increases reflect current inflationary rates and changes in the cost profile of the service for example those due to the implications of Pay and Reward. However, it is always possible to increase the charges recognising the potential for variation linked to the elasticity of demand.

d. Closure of public facilities such as Leisure Centres.

e. A range of non-statutory prevention measures for example in Children's and Wellbeing services.

f. Increase CCTV savings (£50k): Reduces monitoring capacity, increasing risks to community safety and staff. Weakens partnerships with police and limits proactive operational work.

121. Also, in proposing the budget as put forward there would always be areas were additional investment could have been considered such as the councils arboriculture services, or addressing the backlog maintenance to council owned assets. Another example is that because of the uncertainty around any government support for historic and accruing DSG deficits no provision has been made to utilise receipts from the existing surplus asset disposal programme to address some of the repairs and maintenance of publicly facing assets as per the Overview and Scrutiny Board request.

122. It is not an acceptable alternative not to agree a legally balanced budget for 2026/27, and to advocate a circumstance which leads to a s114 report being issued accompanied by an assumption that commissioners would be appointed to make the necessary difficult decisions.

123. Only a decision to increase council tax by the maximum 4.99% can be considered consistent with government policy for the funding of local government both now and into the future.

124. A decision to increase council tax in line with the maximum will best protect the current and future financial sustainability of council and will best preserve service delivery levels into the future.

Summary of financial implications

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

126. Councillors should consider how effective the 2026/27 proposed budget will be in supporting the financial sustainability of BCP Council.

Summary of legal implications

127. The council is required to set a council tax for 2026/27 before 11 March 2026. It may not be set before all major precepts (i.e. precepts from the Police and Fire Authorities) have been issued or before 1st March 2026, whichever is the earlier. The decision to set the level of council tax is reserved to Council and cannot be taken by Executive or delegated to officers, although the Executive must recommend a budget to Council.

128. Before determining the level of the tax, the Council must estimate its proposed revenue expenditure, considering amounts required by way of contingency, any need to raise reserves and any other amounts which the Council is legally required to transfer between funds. It must also estimate its anticipated income, any relevant transfer between funds and any proposed use of reserves. It must then calculate the difference between the two which is the council tax requirement.

129. The Council's Director of Finance (under s151 Local Government Act 1972) is required to report to the Council on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the calculations in connection with which it is made. The Director of Finance has a statutory duty under section 114 Local Government Finance Act 1988 to issue a written report if he considers that a decision taken by the Council would be unlawful and likely to cause a financial deficiency.

130. In reaching decisions on these matters, Members are bound by the general principles of administrative law. Lawful discretions must not be abused or fettered, and all relevant considerations must be taken into account. No irrelevant considerations may be taken into account, and any decision made must be one which only a reasonable authority, properly directing itself, could have reached. Members must also balance the interests of service users against those who contribute to the Council's finances. The resources available to the Council must be deployed to their best advantage.

131. Members must also act prudently. Members must also bear in mind their other statutory duties to have regard to certain matters when making decisions. Members must have regard to their Public Sector Equality Duties and the impact decisions, if approved, may have on those who fall within the protected characteristics under the Equalities Act 2010. Members must consider the Equalities Impact Assessment prepared in support of this report and the need to eliminate discrimination, to mitigate against negative impacts where these are known and to promote equality when making decisions. A failure to follow these principles could open the Council to judicial review.

132. Members have a fiduciary duty to the council taxpayers and others in the local authority's area. This means that members must behave responsibly in agreeing the budget. Members have no authority to make anything other than a balanced budget.

133. Among the relevant considerations which Members must take into account in reaching their decisions are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans is contained in Section 65 of the Local Government Finance Act 1992.

134. In considering the advice of officers, and the weight to be attached to that advice, Members should have regard to the personal duties placed upon the s151 Officer. Members are obliged under the Code of Conduct to have regard to the advice of the s151 Officer and Monitoring Officer. The Council may take decisions which are at variance with their advice, providing there are reasonable grounds to do so. However, Members may expose themselves to risk if they disregard clearly expressed advice, for example as to the level of provision required for contingencies, bad debts, and future liabilities. In addition, if Members wish to reinstate savings recommended by the Director of Finance in order to balance the budget, they must find equivalent savings elsewhere.

135. The Director of Finance is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit (England) Regulations 2011 (as amended) to ensure that the council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. This is in addition subject to the requirements set out above.

136. Members must also have regard to, and be aware of, the wider duties placed upon the council by various statutes governing the conduct of its financial affairs. These include the distinction between revenue and capital expenditure and the requirement to set prudential indicators in line with capital investment plans that are prudent, affordable, and sustainable.

137. Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of council tax which have been outstanding for two months or more to attend any meeting at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears and will not be voting on the decision for that reason. The Member concerned must not vote but may speak. The application of Section 106 of the 1992 Act is very wide, and Members should be aware that the responsibility for ensuring that they act within the law at all times rests solely with the individual Member concerned.

138. If a referendum is held after the beginning of the relevant financial year, the higher rate of council tax will be payable unless and until it is overturned by a 'no' vote in the referendum. It must also provide "substitute calculations" which need to be presented to Council setting out what the alternative budget would be. This means that that if a party proposes a council tax above the referendum limit, they must also produce "substitute calculations" within the referendum limit, to be used in the event that the referendum would reject the increase. In the event that a referendum rejects the increase, the billing authority would be able to issue new bills, offer refunds at the end of the year or allow credits against liability the following year, although individual council taxpayers would be entitled to a refund on demand.

Summary of human resources implications

139. The 2026/27 budget will 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. It is inevitable that the 2026/27 budget proposals we lead to a further reduction in the workforce. Not all these posts will currently be filled. Some will be vacant posts, some will currently be provided via agency staff arrangements, and some will be filled with staff on short term

contracts. Where a redundancy is necessary action has been taken to ensure that they will be a voluntary redundancy in so far as is possible.

140. This report acknowledges that various transformation programmes and the actions necessary to manage future years budgets are also likely to have an impact on future staffing levels.

Summary of sustainability impact

141. Consideration has been given as part of this budget for 2026/27 of ways in which BCP Council could contribute to environmental improvements / targets and by example encourage this approach in those with whom it deals. The budget continues to protect 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.

142. The accommodation and business transformation programmes underpinning the MTFP will make the council more environmentally friendly through a reduced estate and different ways of working, including the continued ability for staff to work effectively from home. This will reduce energy consumption and pollution levels as well as produce savings to protect services. The budget as presented also assumes a further investment in greening the council's vehicle fleet as set out in a report to Council in February 2025.

143. An Environment & Place Overview & Scrutiny Budget Working Group in the Autumn of 2024 set out that based on current understanding that £64m may be required to meet the council's net zero targets by 2030 although a proportion of this would be delivered through strategic partnerships and securing external funding. The ongoing challenge to the council will be bridging the gap between the resources needed and the £0.962m available in the earmarked reserve.

144. In addition to the environmental and social impacts of climate change, there is also a risk to BCP Council of significant financial consequences if it fails to meet its declared climate targets. Council has pledged to become carbon neutral by 2030 as an organisation and lead the area to become net zero carbon ahead of the 2045 UK100 target. Based on forecasts from the London School of Economics the council would have to incur costs of over £3m per annum to purchase the necessary offsetting carbon credits to meet the carbon neutral pledge in 2030. Clearly this cost will act as an incentive to the council to prioritise the activity and investment necessary to meet this priority.

Summary of public health implications

145. The Department of Health and Social Care public health grant allocations for 2025/26 was £23.379m for BCP Council which was an increase of 5.87% from the 2024/25 allocation. It has been agreed that £10.988m would be contributed towards shared contracted services with Dorset Council as part of the phased transition away from shared public health service.

146. In addition to the basic allocation, the council 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

147. In this budget the council has sought to maintain appropriate services for the most vulnerable as well as improve the sustainability of services important for the wellbeing of all residents.

148. The impacts of the council budget for 2026/27 have been assessed considering the nine protected characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and other characteristics including low socio-economic status, carers and care leavers. The Equality and Human Rights Commission's six domains of equality measurement framework have also been considered, identified as the areas of life that are important to people and that enable them to flourish. These are: Education, Work, Living standards, Health, Justice and personal security, and Participation.

149. The cumulative impact of the proposals indicates that low-income households and individuals will be most negatively affected, followed by older age groups and disabled people. However, the investments and mitigating actions aim to support these groups and promote equality within the community.

150. As part of the budget, council tax is being raised to support increased service provision, which will have a positive impact on many residents. Mitigating actions have been identified to support those who would be most negatively affected.

151. Individual equality impact assessments have or will be carried out to support individual savings where a potential negative impact has been identified for service users or the workforce. This will ensure conscious consideration is given to the Public Sector Equality Duty and mitigating actions are put in place to minimise any potential or actual negative impacts.

152. An overarching EIA is included as Appendix 11 to this report.

Summary of risk assessment

153. Throughout this report and the accompanying formal s25 report of the Director of Finance, presented at Appendix 10, reference has been made to several key risks to which the council is currently exposed. Members are reminded that these can be summarised as follows.

- **Financial Outturn 2025/26**
  Quarter 3 2025/26 budget monitoring sets out that the council is currently forecasting that it will overspend its 2025/26 approved budget by £4.6m (1.3% of its net budget) after the release of all the budgeted contingencies.

  The risk will be that although the Quarter 3 forecast is based on trend analysis and professional judgement it is only based on activity from 75% of the financial year. Predications and estimates can and will change over the remaining 25% of the financial year. Assurance can be taken from the financial performance in previous year's (the outturn has been within budget for each of its first 6 years), from 2025/26 in year monthly service reporting and the fact that it is hoped that the current controls on expenditure will continue to bear down on service expenditure.

  The intent is to fund this forecast overspend from the one-off additional business rates resources being made available in 2026/27 following the fundamental review of council's collection funds in accordance with the approved financial strategy. There is however no further flex in these business rates resources so any extra deterioration in the forecast overspend would have to be funded from unearmarked reserves. As a matter of principle should any improvement be delivered in the final quarter then consideration will need to be given to.

  - Further supporting unearmarked reserves and improving the financial health of the council which has been impeded by the 2025/26 forecast overspend.
  - Ensuring that the council can continue to fund its regeneration service after 31 March 2027.
  - As recognised in the Treasury Management Strategy, to the voluntary repayment of debt.

- **Local Government Funding Formula**
  Although a 3-year settlement has been announced it should be emphasised that the second and third years 2027/28 and 2028/29 are illustrations only and will only be confirmed as part of the annual local government finance process. It is clear that the current funding formulas do BCP Council no favours.

- **Accumulating Dedicated Schools Grant (DSG) Deficit.**
  Special Educations Needs and Disability expenditure by BCP Council of c£96m more annually than the government grant being made available to fund such services is not sustainable. The historic accumulating deficit already means that the council became technically insolvent as of 31 March 2025. The statutory override that allows the council to ignore the accumulated DSG deficit in relation to the assessment of its financial solvency will expire on the 31 March 2028. Without government support for our historic and accruing DSG deficits it is difficult to see how a legally balanced budget for 2028/29 can be set. The government have committed to providing details of such support later in the Local Government finance settlement process.

- **Cashflow Crisis**
  BCP Council has been cash flowing the annual payment of SEND invoices in excess of the annual DSG high needs grant by what is referred to as its "treasury management headroom". Generally, this headroom is the timing difference between receipts for council tax or business rates arriving and the date when the actual bills they fund are paid, alongside any cash-backed balance sheet items such as reserves and provisions. The use of this headroom has a direct

impact on services the council can otherwise provide as it means less earned interest or higher external debt costs which in 2026/27 is forecast to be around £10.5m.

Robust management and slippage within the capital programme has deferred the likely date on which the council is likely exceed the threshold on borrowing in financing its DSG deficit until early in the 2027/28 financial year. Council will need to keep this issue on its agenda and reflect as to how it will be impacted by any support for historic and accruing DSG deficits once the government make any announcements on this issue.

- **New Pay and Grading Structure**
  A key requirement following the establishment of BCP Council was to create a single new pay and grading structure. This 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). These calculations related to the individual appointments and salaries of staff 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, has been and 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.

  Council has therefore taken a quantum leap forward in 2025 in mitigating the risks associated with not having a single pay and grading. However, the increase in base salary costs implemented via this project and the additional incremental drift will challenge the ongoing viability of numerous council services. The approach will be a particular challenge in managing services which operate on a full cost recovery basis, who cover their costs by fees and charges or third-party contributions, or who recharge their costs to either capital or the Housing Revenue Account. Services partly funded by theses mechanisms will only receive corporate resources to reflect the proportion of their service funded directly from a source other than those listed. Additionally, it should be emphasised that no corporate resources were provided to cover any vacant or casual posts or for any service re-mappings after the 21 April 2025.

  An emerging risk is associated with how staff were assimilated into the newly approved pay structure which was at the bottom of the grade and market pressures to secure new staff at spinal column points higher up within the pay band. Cabinet working with the Senior Leadership Team will need to keep this issue under constant review.

- **Pay Award**
  A 2.8% provision for the 2026/27 pay award has been made as part of the proposed budget. Any deviation from the amount provided will require £2m for every 1% variation. Trade unions tabled a pay claim in December 2025 for 2026/27 which included demands for an increase of at least £3,000 or 10% (whichever is greater) across all spinal column points, a two-hour reduction in the working week and an increase of one day's annual leave. In 2025/26 a 3.2% pay award for local government works was agreed by the National Employers Organisation which can be compared to the 2.8% provided for locally. Government's initial evidence to pay review bodies is for a 2.5% increase in 2026/27.Benchmark comparisons indicate other local authorities across the southwest are assuming around 3% with our nearest neighbour at 3.2%.

  The adequacy or otherwise of the 2.8% provision presents a clear risk to the budget.

- **Uncertainty.**
  High levels of financial planning unpredictability exist at this time caused principally by the ongoing implications of various inflationary factors on the costs of goods and services procured by the council with geopolitical factors continuing to have a particular influence.

- **Delivering savings, efficiencies, and additional income generation.**
  Combination of delivering the £14m of additional savings, efficiencies and additional income assumed in presenting the 2026/27 budget with the relentless requirement to identify further potential proposals to support the ongoing need to balance future year budgets.

- **Realisation of capital receipts to fund transformation and invest to save programmes.**
  £18.5m of capital receipts from the disposal of assets needs to be delivered across the 4-year period to the 31 March 2029. This is to fund currently approved transformation and invest to save programmes including the service specific programmes in Children's and Adult services alongside a provision for future costs that will need to be put forward to directly reduce the net service expenditure budget of the council and in doing so contribute towards the necessary annual corporately budgeted savings, efficiencies and service reductions. This risk will grow if the council is granted a capitalisation direction to fund the 2026/27 and 2027/28 borrowing costs / lost interest on the DSG deficits via the sale of assets. Currently the risk is mitigated by the fact that as of early January 2026 £11.5m of the £18.5m target has already delivered with a further £5.8m anticipated before the 31 March 2026.

- **Adult Social Care Services**.
  Ongoing costs and demands on the service including the impact on the cost of commissioned care due to the announced increase in the national living wage as well as the capacity in the care market, the introduction of a sector wide Fair Pay Agreement in 2028, and guidance that that people should not be paying for services which meet their mental health needs.

  For 2026/27 there is the additional risk introduced via the Fair Funding Formula that the Department of Health and Social Care will be publishing "notional" adult social care amounts which will be their expectation of how much council funding should be spent on adult social care. It is unclear how this approach reconciles with the unringfenced nature of the funding and what level of pressure they will apply to any disparities.

- **Adult Social Care Sector – Fair Pay Agreement**
  As a result of legislative changes the Fair Pay Agreement (FPA) via Adult Social Care Pay Negotiation Body will set a minimum standard for pay and other terms and conditions in Adult Social Care market. The agreement is aimed to improve the whole care market workforce and ASC workforce pay conditions, staff retention and make the sector more attractive as an employment opportunity. This, however, will limit the ability of funding bodies, local and health authorities, to minimise the impact of sector pay expectations on their own budgets. The FPA consultation runs till mid-winter 2026, but what is understood so far is that the government's plan is to devolve £500 million of grant funding in 2028/29 to local authorities to initiate the FPA. However currently there is no detail as to what the agreement will result in – higher wages, establishing sector pay floors, pay spines, increase in care worker annual leave allowance and subsequent need to employ higher number of employees by care providers.

  One of the illustrative potential outcomes suggests an increase in basic pay to care workers by 5.1% in April 2028. For BCP Council such an increase would mean a pressure of £4.9 million in addition to already reported MTFP growth. It needs to be assumed that such additional pressure would be entirely covered from the new external DHSC grant. Whether the grant would be on-going, and whether local authority allocation would equal the additional pressure from pay negotiations, remains unknown at this time.

  Additional pressures will emerge from private care sector, with self-funders depleting their own resources faster and accessing local authority funded care much quicker. There are no tools to quantify this impact on the BCP Council budget. FPA could also potentially pose a risk of pay increase disputes where local authority in-house care workers annual pay award, negotiated by National Joint Council, would differ from sector pay increases required by newly formed negotiation body.

- **Adult Social Care – Section 117 (6) Mental Health Act 1983 Accommodation Plus**
  Guidance issued by the Local Government and Social Care Ombudsman and legal advice clarified that people should not be paying for services which meet their mental health needs under Section 117, including specialist accommodation/supported living. Where accommodation costs form an intrinsic part of the aftercare arrangement, the Council and/or Integrated Care Board (ICB) should pay for this, and the person should not be expected to claim housing benefit.

  This legal position may affect as many as 110 people currently in specialist accommodation in BCP Council who may be entitled up to 6 years back pay. There will be an expectation that NHS Dorset will pay part of the cost identified in line with their agreed contribution to the after-care provision for each individual. BCP potential risk after NHS Dorset contribution could be as high as £2.4m in backpay and over £396,000 as an ongoing net pressure. In 2025/26 financial year

Adult Social Care recorded circa 60 service users with Accommodation Plus needs having impact on the ASC 2025/26 budget position. It is felt legality remains a key factor in potential retrospective claims however the current provision related to Accommodation Plus is recognised to be sufficient (£1.052m). Any further changes to the provision will be a result of ongoing work pertaining to historic cases from the perspective of 6 years liability limitation period.

- **Housing: Temporary Accommodation including Bed and Breakfast**
  Ongoing costs and demands on supporting the 3,300 households on the councils housing register and 601 households in temporary accommodation of which 64 are in Bed and Breakfast including 5 families.

- **Children's Services.**
  Ongoing costs and demands on the service including the impact on the cost of commissioned care due to the announced increase in the national living wage, alongside the relentless increase in the home to school transport budget for pupils with Special Educational Needs and Disabilities.

- **Extended Producer Responsibility**
  This government policy is designed 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 BCP council were given a guaranteed allocation of £9.447m to help offset costs associated with waste collection and disposal. The allocation for 2026/27 is £9.703m however this amount is not guaranteed and there is a high degree of uncertainty in regard to the final amount eventually receivable. It is clear that the Scheme Administrator (PACK UK) will be required to assess the effectiveness of the council's waste management services via an audit process. If it is deemed that we are not compliant then the council can be fined part of our ERP payment (up to 20% i.e. £1.941m) and also instructed in what we need to do to become efficient and effective. For example, this could involve PACK UK deciding, at the council's cost, that we should introduce a separate paper/cardboard collection process.

- **Waste Strategy**
  A current significant uncertainty in the context of the council's medium term financial plan is the impact of the national waste strategy and the possible implications of policies such as the plastic film collection (April 2027), and Deposit Return Scheme (October 2027) for each of which there is likely to be an additional recycling cost and savings in the volume of black bin waste. There is then the Emissions Trading Scheme (January 2028) which is likely to lead to a general increase in waste disposal costs. At this stage the MTFP includes estimates of the impact of the waste strategy in 2027/28 and 2028/29 based on work undertaking by industry experts. However the potential impact will need careful monitoring as the level of uncertainty reduces closer to actual implementation dates.

- **Council Owned Companies and Joint Ventures.**
  BCP operates several companies and third-party arrangements with these organisations exposed to their own set of financial and operational risks. As such the council would only provide for its share of such risks in circumstances were the risk is likely to materialise.

- **Carters Quay.**
  Payments of £15.3m have been made towards the development of the agreed 161 new homes with ancillary ground floor amenity and commercial space scheme. Inland Partnership the contractor entered administration late in 2023. Officers are currently in negotiation with the Administrators for the developers to recover the land at Carters Quay. BCP Council have a registered charge on the land to cover the monies paid but are negotiating a release fee to obtain the freehold title and take possession of the land. Until the current position is resolved with the administrator and the scheme fully developed there is a clear risk the arrangement will cost more than has been allowed for as part of the previously approved business case.

- **Loss or disruption to IT systems and Networks from a cyber-attack.**
  Such actions can incapacitate essential networks by encrypting or destroying data on which vital service depend. Financial loss is common through both direct loss of funds as well as recovery costs and reputational damage. Recent ransomware attacks are reported to have cost councils between £10m and £12m in damage. The industry adage is when, not if, an attack will happen.

In January 2024 three councils in Kent, Canterbury City Council, Thanet District Council and Dover District Council were referencing disruption to their services as a result of an attack. In November 2025, three central London councils, Hammersmith and Fulham, Kensington and Chelsea, and Westminster were all citing similar problems. Attacks on Marks & Spencer, Heathrow Airport, Transport for London, Jaguar Land Rover, and the Co-op Group during 2025 emphasise that even the country's largest organisations are at risk and that all companies and councils should do all they can to counter threats and protect themselves.

- **Microsoft Licensing Costs**
  Significant pressure associated with the Councils Microsoft licenses specifically related to the human resource arrangements and a requirement to have a full Dynamics license allocation to process timesheets. Work with our licensing reseller, Microsoft, and peers have identified the issue as a bug that it is anticipated will be fixed by an update process in late January 2026.

  Should the fix not be successful then the council will have a £1m unavoidable cost exposure which has not been provided for as part of the proposed 2026/27 budget or MTFP and will also be required to fundamentally rework by the 15 April 2026, the date by which these licenses need to be renewed, on how the council operates to avoid even further additional licensing cost exposure

- **Legal Claims.**
  Covering various matters such as planning, highway, car parking, social care, or staffing, numerous legal claims have been logged against the council. The risk includes exposure to legal costs in defending the councils position in excess of the normal provision made as part of the legal service budget alongside any settlements or costs awarded against the council.

Background papers

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

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

155. May 2025: Medium Term Financial Plan (MTFP) Update report.

     https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6062&Ver=4

156. July 2025 Financial Outturn 2024/25

     https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6064&Ver=4

157. July 2025: Medium Term Financial Plan (MTFP) Update report

     https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6064&Ver=4

158. October 2025: Quarter One Budget Monitoring Report 2025/26

     https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6066&Ver=4

159. October 2025: Medium Term Financial Plan (MTFP) Update report

     https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6067&Ver=4

160. November 2025: Quarter Two Budget Monitoring Report 2025/26

     https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6068&Ver=4

161. December 2025: Medium Term Financial Plan (MTFP) Update report

     December 2025: Dedicated Schools Grant (DSG) High Needs Expenditure Forecast 2025/26

     https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6069&Ver=4

162. January 2026: Council Tax - Taxbase report 2026/27

     https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6070&Ver=4

163. January 2026: Treasury Management 2025/26 monitoring and strategy 2026/27

     https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=287&MId=5985&Ver=4

164. February 2026: Quarter Three Budget Monitoring Report 2025/26

     February 2026: Housing Revenue Account (HRA) budget setting 2026/27

     February 2026: Early Years and Mainstream Schools Funding 2026/27 https://democracy.bcpcouncil.gov.uk/ieListDocuments.aspx?CId=285&MId=6071&Ver=4

165. The full budget consultation report is available on the council's engagement website

Appendices

Appendix 1a Corporate Strategy (A4 format)

Appendix 1b Updated Shared Vision

Appendix 1c Consideration of s114 report

Appendix 1d Analysis of Budget Consultation Exercise

Appendix 2 Schedule of Council Tax Charges 2026/27

Appendix 3 Key Assumptions

Appendix 4 Absolute MTFP

Appendix 5 Budget Summaries

Appendix 5a Savings Schedule 2026/27 Onwards

Appendix 5b Beach Chalets discount removal

Appendix 6 Transformation Investment Programme including Flexible Use of Capital Receipts

Appendix 7 Capital Investment Programme (CIP) Overview & Narrative

Appendix 7a CIP Individual Project Listing

Appendix 8 Asset Management Plan

Appendix 9 Treasury Management Strategy

Appendix 10 s25 Report of the CFO (Robustness of the budget adequacy of reserves)

Appendix 10a Reserves Summary and Detail Statement

Appendix 10b Reserves Risk Assessment

Appendix 11 ENIA

Appendix 12 Chief Officer Pay Policy 2026/27