

2027/28 Budget - Financial Strategy

Supporting the 2027/28 Budget & Medium-Term Financial Plan (MTFP)

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

a) Delivery of the February 2026 approved Medium Term Financial Plan

Action by Portfolio Holders, Corporate Directors, and all Budget Holders to deliver the assumptions as set out in the February 2027 report to Council. The emphasis will be on the delivery of the £14m of assumed, savings, efficiencies, additional fees and charges, or service adjustments programmed for 2027/28.

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

Continue to encourage the Department for Education (DfE) and the Department for Levelling Up, Housing and Communities (DLUHC) to provide additional support for the remaining 10% of high needs deficit (c£38m). Failure of government to provide a solution to all councils will present a real threat to the financial viability of the council.

c) Financial Outturn 2025/26

Review of the 2025/26 Financial Outturn to consider the extent to which the council was able to deliver within the parameters of the February 2026 Council approved resources for the year. In addition, and as a matter of principle, it was also previously identified that should resources become available at financial year-end then consideration will be given, as recognised in the councils Treasury Management Strategy, to the voluntary repayment of debt bearing in mind the budget for the year adopted a different strategy to debt repayment from that previously applied.

The opportunity will also be taken to consider if there is any evidence to suggest that the base revenue budget needs to be rebased to reflect income and expenditure patterns in the period since the 2026/27 budget was set. Care will need to be taken to consider the impact of the spend control that operated during the whole of the last financial year with recognition set out in Appendix 1 of the need to allow expenditure on repairs and maintenance.

d) Savings plans based on a strategic programme of continuous improvement and efficiency

Previous financial strategies to balance the council's budget and medium-term financial plan have relied on cash-limited budgets and directorate-led savings proposals. These approaches have not consistently delivered the required level of savings, particularly in the context of rising demand in Wellbeing and Children's Services. In some cases, this has led to incremental "salami slicing" without fundamentally redesigning services or improving long-term sustainability.

For the 2027/28 budget, the council will adopt a more strategic, programme-led approach through the Continuous Improvement and Innovation Programme (CIIP). This represents a shift from short-term savings measures to a structured pipeline of transformation, service redesign and efficiency activity.

A hybrid model will be applied:

- Directorates will continue to identify and deliver in-year savings, including those already developed; and

- Corporate resources will be used, where appropriate, to bridge the 2027/28 gap, enabling a more planned and sustainable approach to delivering recurring savings over the medium term.

The strategic intent of this approach is to:

- Deliver sustainable, recurring savings rather than one-off reductions
- Improve service outcomes and productivity through redesign and innovation
- Support achievement of the council's corporate priorities
- Embed a culture of continuous improvement across all services

Delivery will be supported through the CIIP, led by the projects and programme team, providing a structured framework for prioritisation, business case development, and delivery. This ensures that savings opportunities are systematically identified, evaluated, and implemented at pace while maintaining service quality.

The following activities will be considered in support of this approach.

- i. **Invest to save proposals**
Based on value for money principles and on robust business cases, proposals which demonstrate that a specified upfront invest of either revenue or capital or both, will deliver an ongoing revenue saving to the authority.
- ii. **Use of AI technology**
It is recognised that AI technology could have an impact on a range of council services from business support and customer services to adult social care and children's services; with a focus on productivity, automation, and service redesign. The cost of the technology including ongoing licensing costs needs to be reflected upon in any business case alongside staff productivity and the ability to actually realise savings.
- iii. **Level of fees and charges**
Ensure all fees and charges are increased in line with the impact of inflation on the service including the impact of the pay award and the pay & reward workstream. In doing so services should continue to ensure application of the full cost recovery principle which requires that all fees and charges are set at a level to guarantee that all costs both revenue and capital, direct and indirect are fully recovered.
- iv. **Service harmonisation**
The intent is to harmonise all services across the conurbation following the 2019 Local Government Reorganisation. Good progress has been made however all outstanding areas of harmonisation will be reviewed to eliminate any areas of difference. This action is underpinned by the assumption of the harmonisation of systems used to underpin the delivery of services
- v. **Service rationalisations**
Consideration of services that the local authority is not required to provide and any expenditure on services that it currently provides above the statutory minimum.
- vi. **Market analysis**
Consider the extent to which services, from a value for money perspective, might be better delivered by the private sector. Besides efficiency, considerations might include the cost differentials between local authorities and private companies. The council may also find it more effective to procure services as and when needed via a contract arrangement rather than retaining capacity in-house.

vii. Voluntary redundancy programmes

Ongoing consideration will be given to the extent to which voluntary redundancy processes can be used to unlock the delivery of savings for 2027/28 onwards. Previously endorsed value for money criteria will be used to assess any such proposals.

e) Deliver a pipeline of capital receipts from asset disposals

Continue with the development of an ongoing programme of sales from assets no longer needed for service or strategic reasons. The use of these receipts to be considered in support of.

- Repaying 10% remaining SEND Deficit
- Service specific transformation programmes funded via the Flexible Use of Capital Receipts.
- Debt repayment.
- Improvements to Civic Hubs.
- Capital investment in assets.

f) Minimise capital programme requirements

Limit new capital requirements/bids by only considering fully externally funded schemes or those where there is a legal requirement (such as a critical condition schemes to manage health and safety or manage operations). In addition, consideration will be given to robust self-financing business cases that use the council's ability to borrow to invest in capital infrastructure which in turn drives down operational costs or avoid demand pressures.

g) Government policy reforms

Continue to monitor the impact of various government proposals which will have a direct impact on either the cost base or income sources available to the council. An example being the Family First Partnership resources which overtime the government are expecting to significantly reduce the number of looked after children.

h) Review of the council's balance sheet

Ongoing review of the authority's balance sheet to include a fundamental review of Earmarked Reserves and to benchmark items such as bad debts provisions to compare with the levels and policies of other local authorities.

i) 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.