

Cabinet

28 July 2020

Quarter 1 Financial Management Report

For Decision

Portfolio Holder: Cllr T Ferrari, Finance, Commercial and Assets

Local Councillor(s): N/A

Executive Director: Aidan Dunn, Executive Director of Corporate Development

Report Author: Jim McManus

Title: Corporate Director, Finance & Commercial

Tel: 01305 221235

Email: jim.mcmanus@dorsetCouncil.gov.uk

Report Status: Public

Recommendations:

1. Note the outturn position for 2019/20 and the impact this had on reserves;
2. note the Senior Leadership Team's forecast for Dorset Council's position at the end of Quarter 1;
3. comment on the actions/proposals to improve the position during the year and consider further action to address the budget gap;
4. note the position on the capital programme and approve the projects recommend by officers (Appendix 1);
5. agree the key milestones lifted from the draft timetable for budget/Medium Term Financial Plan (MTFP) for 2021/22 (Appendix 2);
6. comment on the inherited and revised draft budget assumptions to allow development of the first iteration of the five-year MTFP (Appendix 3);

Reason for Recommendation:

The Council has responsibilities to deliver against its 2019-20 Revenue Budget and 2019-20 Capital Programme and maintain adequate reserves. These recommendations and accompanying report demonstrate the Council's performance in delivering against these responsibilities.

Cabinet need to understand the significant financial impact and consequences of the Council's response to the Covid-19 pandemic.

Understanding the financial position at the start of the planning process is key to adopting the most appropriate assumptions in the development of the MTFP. Agreeing an initial set of assumptions will allow officers to develop the first iteration of the MTFP and budget for 2021/22 for consideration and conduct sensitivity testing.

Governance of the financial strategy will be critical as we build the next MTFP and agreeing key milestones for the work and member review/challenge are important at this stage to ensure maximum engagement.

1. Executive summary

- 1.1 This paper comes to Cabinet to provide an outturn position for 2019/20, an update on the financial impact to date (of Covid-19 and other matters on the current year's financial performance), and to seek approval for assumptions, methods and timing for the development of the 2021/22 budget and medium-term financial plan (MTFP).

2. Financial implications

- 2.1 Financial implications are covered throughout this paper.

3. Climate implications

- 3.1 Any specific climate assumptions required in the MTFP will need early confirmation from Cabinet.

4. Other implications

- 4.1 None identified at this stage but the level of funding available and the Council's base revenue budget will have potential implications for our operations and future strategy. The Council's operating costs must be reduced before 1 April 2021 if we are to deliver a balanced budget and an achievable MTFP.

5. Risk assessment

- 5.1 The 2020/21 Quarter 1 forecast sets out significant risks for the Council in dealing with the current pandemic and its longer-lasting financial implications. The Council does have reserves, some of which can be used as a short-term measure to balance the budget, but longer-term use of reserves is not sustainable.

Current Risk: High

Residual Risk: High

6. Equalities Impact Assessment

- 6.1 None.

7. Appendices

1. Capital programme recommendations from the Capital Strategy and Asset Management (CSAM) officer group
2. Milestones from budget timetable 2021/22
3. Budget assumptions, inherited and draft for iteration 1

8. Background Papers

2019/20 quarterly financial management reports to Cabinet.
Cabinet budget strategy paper, February 2020.

9. 2019/20 outturn

- 9.1 Cabinet received three financial management reports during 2019/20, each anticipating an overspend. The final performance was an overspend of just under £5m, which is summarised in the table below.

| Directorate | Net Budget | | Outturn (Overspend)/ Underspend | |
|-----------------------|------------|-----------|---------------------------------|----------|
| | £k | £k | £k | % |
| People - Adults | 114,188 | 125,267 | (11,080) | (9.70%) |
| People - Children's | 65,025 | 73,757 | (8,733) | (13.43%) |
| Place | 58,726 | 60,054 | (1,327) | (2.26%) |
| Corporate Development | 35,200 | 34,737 | 462 | 1.31% |
| Legal & Democratic | 8,830 | 8,615 | 215 | 2.44% |
| Public Health | 818 | 818 | 0 | 0.00% |
| Total Service Budgets | 282,786 | 303,248 | (20,462) | (7.24%) |
| Central Finance | (358,177) | (373,651) | 15,473 | (4.32%) |
| Whole Authority | (75,391) | (70,403) | (4,988) | (6.62%) |

- 9.2 The reorganisation of local government in Dorset created significant base budget savings, and without these the impact would have been much more material. A more detailed outturn report is being prepared for the Audit & Governance Committee. That Committee will consider the report as part of a review of the Council's published financial statements, under delegated authority from Council. Dorset Council's statutory audit of the financial statements is currently in progress with Deloitte.
- 9.3 As well as the position noted above, there was an £8m overspend on the Dedicated Schools Grant (DSG) budget, which had traditionally formed part of the predecessor County Council's financial reporting. This in-year performance took the cumulative overspend on DSG to £21.8m. However, during 2019/20 the Department for Education (DfE) confirmed that overspends on the DSG were not the responsibility of local Council Tax payers and they should be carried forward as negative, earmarked reserves to be recovered from DSG in future as part of the recovery process. This is where the item will be seen in Dorset Council's accounts when they are published.

10. 2020/21 budget development

- 10.1 2020/21 was the second budget for Dorset Council. An improved settlement from Government and resources released from support services through reorganisation meant that considerable extra funding could be added to budgets for front line services. The 2019/20 and 2020/21 budget papers have more details in the respective appendices, on resource allocation and savings, so that is not repeated here.
- 10.2 The latter paper also outlines the process the Council adopted to develop the budget strategy for 2020/21 and many members will recall their involvement in the budget café event, scrutiny committees and other briefings that were held during the year.
- 10.3 For 2020/21 Dorset Council set a net budget of £304m, funded from general grants (£5m), Business Rates (£47m) and Council tax (£252m) meaning a band D equivalent Council Tax charge of £1,694.79.

11. Covid-19 context and impact

- 11.1 Covid-19 has had a significant impact on Dorset Council. The Government urged Local Government to do whatever it takes in response to the pandemic and Dorset Council responded well.
- 11.2 The Cabinet received a paper at the June meeting, setting out details of the Council's response to the pandemic, which outlined the financial impact to Dorset Council of £60m. The focus of this paper is to provide more detail on the financial impact that this response has had and the additional funding that has been provided.
- 11.3 Government has responded to the pandemic with a range of measures and with financial support. Many of the measures, such as Business Rates holidays, business grants and the hardship fund, are aimed at individuals and/or businesses and are simply channelled through the Council rather than being of direct benefit to the Council.
- 11.4 However, three tranches of funding have been made available to support the Council's budget pressures. The first two of which, at £3.2bn nationally in total, have provided £21m to Dorset Council. At the time of writing, the details of the third tranche have only just been released and are still being clarified. Broadly, the themes appear to comprise an element of grant (Dorset Council will receive £2.7m), an income support scheme (which we cannot yet quantify but which is described as 75p in the £ protected by Government after the first 5% of total planned income for the Council is absorbed), and support for collection funds. It is highly unlikely that this will fully address the current year's budget gap.
- 11.5 Despite the additional funding provided in the first two tranches, the Council is currently forecasting a net overspend of £43.1m as set out in the table, below. Unless additional Government funding becomes available, the Council will have to manage this forecast overspend using its reserves. The General Fund reserve of £28m combined with other

previously earmarked reserves are sufficient to enable the Council to continue to operate throughout 2020/21. However, the financial position is of real concern and it is unsustainable to take this continued level of expenditure into 2021/22.

12. Forecast of outturn, Quarter 1 2020/21

12.1 The paragraphs below provide an overview of the position for each directorate as set out in the table.

| Directorate | Net Budget | Forecast Outturn | Forecast (Overspend)/ Underspend | |
|-----------------------------|------------|------------------|----------------------------------|----------|
| | £k | £k | £k | % |
| People - Adults | 122,890 | 136,042 | (13,151) | (10.70%) |
| People - Children's | 74,240 | 81,743 | (7,503) | (10.11%) |
| Place | 68,831 | 85,054 | (16,223) | (23.57%) |
| Corporate Development | 25,303 | 27,615 | (2,312) | (9.14%) |
| Legal & Democratic Services | 7,213 | 11,214 | (4,001) | (55.48%) |
| Public Health | 0 | 0 | 0 | 0.00% |
| Total Service Budgets | 298,477 | 341,668 | (43,191) | (14.47%) |
| Central Finance | (300,069) | (300,188) | 118 | (0.04%) |
| Whole Authority | (1,592) | 41,480 | (43,072) | |

People Services - Adults

12.2 The People Services - Adults budget is projected to overspend by £13.2m (9.6%).

People Services – Adults

| | Net Budget | Forecast Outturn | Forecast (Overspend)/ underspend | |
|---------------------------------|----------------|------------------|----------------------------------|----------------|
| | £k | £k | £k | % |
| Adult Care Packages | 98,393 | 109,558 | (11,165) | (10.03%) |
| Adult Care | 13,409 | 13,516 | (107) | (0.60%) |
| Commissioning | 4,894 | 5,306 | (412) | (8.49%) |
| Directorate Wide | 2,995 | 3,703 | (708) | (25.91%) |
| Housing & Community Safety | 3,200 | 3,959 | (759) | (20.19%) |
| Total Directorate Budget | 122,890 | 136,041 | (13,151) | (9.60%) |

12.3 The Adult Care Packages budget is forecast to overspend by £11.2m (10.03%). £5.6m is due to business as usual spend and £5.6m of this relates to Covid-19 expenditure.

BAU

12.4 The business as usual overspend is as follows:

| | £000 |
|-----------------------------|-----------------------|
| Current BAU Overspend | (5,592) |
| Unachievable Savings | 2,000 |
| Transitions budget pressure | <u>1,500</u> |
| BAU Pressure | <u>(2,092)</u> |

- 12.5 There was an assumption within the budget set for 2020/21 that £2m savings would be achieved. Despite the uplift to the Adult Social Care budget the review by Impower identified that savings needed to be made between £2m and £4m to achieve a balanced budget. Although this was challenging, plans had been put in place to deliver a transformation programme that would begin to address the gaps in resources. The impact of Covid-19 has meant that although some of the work has taken place the delivery of the savings has not been realised.
- 12.6 There has been an increase in the level of complexity of cases that have transferred from Children's Services into Adult Social Care since the budget was set. So far this year, five cases have transferred costing a total of £1.4m, including two cases in Purbeck (£378k), one case in East (£95.3k) and two CMHT Mental Health cases (£1m). The complexity of transitions cases is increasing. The average cost of a transitions case in 2019/20 was £91.7k vs £298k so far this year.
- 12.7 The remaining BAU pressure of £2m is made up of increased pressures within Locality based services as well as Mental Health. Locality based services have seen an increase so far this year within Direct Payments. This is a combination of increased numbers and increased costs of care packages. Mental Health have seen a number of specific complex cases contributing to the overspend.

Covid-19

- 12.8 The forecast spend for Covid-19 is currently £5.6m. Throughout the pandemic, support has been provided across Adult Social Care including additional support to clients who ordinarily would have attended a Day Centre which had to close. This resulted in an increased cost but also loss of income. Providers received a one-off upfront payment to help with cashflow and were given the opportunity to claim an additional 10% on invoices to cover the costs of Covid-19, including PPE and staffing.
- 12.9 The Adult Care budget (essentially staffing and joint working) is currently forecast to overspend by £107k, principally on staffing. This is mainly within the Approved Mental Health Professionals (AMHP) hub which is currently under review.
- 12.10 The Commissioning area is forecast to overspend by £412k. The majority of the overspend is driven by a pressure within the Extra Care contract of £136k and a forecast overspend on the Disabled Facilities Grant of £335k.

This is offset by underspends on staffing vacancies where recruitment is in progress.

- 12.11 Housing Services are forecast to overspend by £708k. There is a £750k overspend on Covid-19 related bed and breakfast accommodation, additional help for homeless people and an anticipated additional spend post Covid-19 where tenants could be evicted from their homes. There is also a partially offsetting underspend due to vacancies with the service.

People Services - Children

- 12.12 Children's Services is forecast to overspend by around £7.5m by the end of 2020/21.
- 12.13 The 2020/21 budget allows for 177 externally placed children in care. There were 199 at the end of June. These numbers are still subject to change, but if they remained stable at the current cohort of 199 and their associated costs, the overspend would be c £5.04m.
- 12.14 Education and learning includes a budget pressure for lost trading income from schools and academies during the Covid-19 period, estimated here at £1.05m but subject to ongoing review as the schools and Covid-19 situation moves forward.
- 12.15 This service also includes an estimated £1m overspend on SEN transport. This figure is indicative only and is subject to the findings/outcomes of a working group that is currently working in this area.
- 12.16 Other costs pressures amounting to £1.15m include adverse variances at the in-house nurseries (£275k), savings projects that are currently unable to deliver cashable savings (£650k), miscellaneous additional costs arising from the Covid-19 situation, and pressure on salaries budgets due to vacancy factor targets and cost of increments (which are unfunded).
- 12.17 Additional savings are expected to arise from the *Blueprint For Change* project and some money is also coming from the directorate's *Change Fund*, which reduces budget pressure by £734k in total.

Dedicated Schools Grant (DSG)

- 12.18 The Dorset Council area has been allocated just over £260m of DSG for 2020/21 from Government, of which just over £162m is recognised as Dorset Council and/or Dorset schools' expenditure (i.e. excluding Academies, these receive their funding directly).
- 12.19 The funding is allocated by government in four specific blocks as follows:
- Schools Block (£203.4m)
 - Central Schools Services Block (£1.8m)
 - High Needs Block (£38.6m)
 - Early Years Block (£16.3m).

- 12.20 As noted above, Government has recently confirmed that any ongoing DSG deficit liability sits with the schools, albeit that the deficit is shown on the Council balance sheet as a negative earmarked reserve.
- 12.21 The High Needs Bock (HNB) element of the DSG is projected to overspend by around £18m. Dorset Council is working in partnership with the Schools Forum to address and mitigate HNB spend as far as possible. A [HNB deficit reduction strategy](#) was approved by Cabinet in December 2019.
- 12.22 Schools are known to be incurring significant costs during the Covid-19 period, and whilst a scheme exists with the DfE for schools to reclaim their additional costs, the scheme is not comprehensive and may leave some schools in financial difficulty. The extent of this cannot be quantified at this early stage and is unlikely to be clear until 2021.
- 12.23 The Early Years sector is also facing significant disruption during this time, and again significant financial difficulty is expected to be acknowledged across the setting in the next few months as the picture becomes clearer.

Place Services

- 12.24 At the end of Quarter 1, the Place Directorate is forecasting an overspend of £16.22m, against a current net budget of £68.83m – an overspend of 23.57%. The vast majority of this overspend is Covid-19 related income shortfalls/excess costs, accounting for £14.58m of the overspend. £1.00m is attributable to savings targets that are unlikely to be realised, while the final £0.64m is a BAU forecast overspend.
- 12.25 The current financial climate is particularly difficult, mainly due to the impact of Covid-19. Many services within Place are affected by considerable losses of income. These include car parking, country parks, commercial income from assets, licensing, registration services, planning, building control, harbours, commercial waste and outdoor education. The easing of lockdown restrictions has meant that services can start to recover some of these losses, however there will still be a shortfall.
- 12.26 Place services have had increased costs to absorb due to additional responsibilities for shielding. These teams would have normally been tasked with undertaking capital related projects. Additional support relating to Covid-19 related issues has also been required in many areas.
- 12.27 There are a number of financial pressures within Dorset Travel and Waste which are being closely monitored. The increase in cost for any additional social distancing requirements for school transport and potential continued increased costs of disposing of waste are being monitored closely.

12.28 There were a number of services which built savings into the 2020/21 budgets. The impact of Covid-19 has meant that these are unlikely to be met. The Place service teams are continuing to work to limit the impact of Covid-19.

Corporate Development & Legal & Democratic Services

12.29 Corporate Services is the collective name for services across Corporate Development and Legal Services. This includes Finance and Commercial (including Revenues and Benefits), Human Resources and Organisational Development, ICT Operations, Digital and Change, Business Intelligence, Communications and Engagement, Legal Services, Assurance, Democratic and Electoral Services and Land Charges.

12.30 The net budget for Corporate Services is £32.5m and the quarter 1 performance projects a £6.3m overspend, £5m attributable to the Covid-19 situation.

12.31 The main Covid-19 pressures within Corporate Services concern the purchase of whole Council personal protective equipment coded to the Emergency Planning budget and mortality support facilities (£3.5m), irrecoverable income from closed courts for non-payment of Council tax/NNDR (~£0.5m) and reduced land charges income as a consequence of reduced searches (£0.23m). Additionally, support to organisations coordinating the shielding response is forecast to be overspent by £0.2m.

12.32 There is also a pressure with homelessness housing benefit expenditure exceeding the subsidy Dorset Council receives by approximately £1m, with £0.2m attributable to Covid-19 and the greater need for temporary placements.

Public Health

12.33 The Spending Round 2019 announced a real terms increase to the overall public health grant in 2020/21. The grant for Dorset Council grew from £13.172m to £14.072m (£0.9m increase).

12.34 The Covid-19 pandemic has meant substantial changes have had to be made to public health services and additional support has been needed to mitigate both the physical consequences of the virus, and the economic and mental health consequences of “lockdown” and social distancing measures. This has created additional cost pressures on both Public Health Dorset and the wider system.

12.35 Public Health Dorset recognises that Dorset is facing significant financial challenges so agreed that any cost pressures in the service relating to

Covid-19 would be funded through the grant uplift or other system partners and no call would be made on the MHCLG funding.

Central finance

- 12.36 Central budgets include the main sources of the Council's funding; Council tax, business grants and general grants (such as new homes bonus).
- 12.37 The additional, non-ringfenced Covid-19 funding of £21m is also included here, but it does not reflect as an improved forecast position because so is the risk of loss to collection funds and the savings that are unlikely to accrue as the required programmes of work needed to deliver them cannot be carried out in the current circumstances.
- 12.38 The budget set targets of £3m cost reductions from transformation projects and a further £3m from better procurement and contract management. Whilst transformation work continues, at this stage a pessimistic view of likely savings from this activity is offered. The majority of change revolved around travel, transport, rationalisation of the estate and transitioning to more digital. Whilst some of this is still work in progress the response to the pandemic is actually causing increases in many of these costs as well as triggering lost income, and the potential to realise capital receipts and revenue savings from property disposals is remote.
- 12.39 Central budgets are also at risk from reductions in income from Council tax and business rates. At this stage, our yield from both these sources is performing relatively well although both are lagging slightly behind budgeted expectations. It is sensible (rather than prudent) at this stage still to assume up to £13m could be lost. There is also an anticipated loss of investment income of around £300k.

13. Reserves

- 13.1 Overspends in any particular year still need to be financed. Bringing six Councils together generated a general fund of £28.2m and also allowed other earmarked reserves to be reviewed because the risk profile of the new Council is different from its predecessors. Some reserves have therefore been rationalised and repurposed, meaning £5m could be added to the general fund to return it to £28.2m at the end of 2019/20.
- 13.2 Further work to review reserves is in progress and an update will come to Cabinet at the end of Qtr2. It is important that the Council provides adequate reserves for the risks that it is managing and mitigating but anything other than short-term use of reserves is unsustainable. They can only be spent once and if they are not cash-backed this will also trigger an increase in the Council's borrowing.
- 13.3 The overspend position set out above therefore needs to be managed quickly and effectively in preparation for the next budget and MTFP. Whilst the Council continues to press Government for additional funding, it

is difficult to see how this could be sustained in base budgets through a Spending Review.

14. Capital expenditure and financing

- 14.1 The 2019/20 capital programme was underspent by £49m, £22m of which falls to be funded from the Council's own resources. However, this does not actually represent a saving, it is "slippage" where projects have not been completed by the end of the financial year so they roll forward into 2020/21. A full analysis of the carry-in plus the approved programme is being prepared. This will be updated for any further changes to grants that have been made since the budget was approved by Council in February.
- 14.2 The budget approved by Cabinet in February 2020 included £15m of unallocated capital funding which was fully financed, but work had at that stage not been completed to identify the priority areas for spend. An officer group (the Capital Strategy and Asset Management group (CSAM)) was tasked with identifying priority areas for this capital spend which were either essential for to keep the Council operating or represented an invest to save opportunity.
- 14.3 CSAM has now completed its prioritisation work, and in recognition of the financial pressure the Council is currently under, is recommending the prudent investment of £2.1m from the £15m available. Cabinet is requested to approve the expenditure as detailed in Appendix 1.

15. Additional Covid-19 funding

- 15.1 As well as this funding flowing to the Council it is important to update Cabinet on the funding that has been passed through local government. For example, business grants, Business Rates holidays, infection control grants etc.

Business grants

- 15.2 The Council was given an initial allocation of £133.7m to distribute to businesses that qualified for small business grant (SBG) or retail, hospitality and leisure grant (RHLG). The grants were either for £10k or £25k, depending on the rateable value of the business property. At the time of writing, the Council had distributed £104.14m to 8,763 businesses.
- 15.3 By the time the scheme eventually closes, it is likely that only four Councils from a nationwide total of 314 will have given more support to businesses in their area. Throughout the relevant period of monitoring, Dorset Council was in the top 10 performers in terms of payment volumes.

Discretionary grants

- 15.4 In response to feedback about the first tranche of grants, and because more funding had initially been allocated to Councils than was likely to be needed, Government announced further business support through a round of discretionary grants. These were for Councils to administer and

distribute to businesses that did not benefit from the initial tranche of funding because they did not pay business rates. Dorset has so far distributed £5.7m to nearly 1,600 businesses.

Business rates relief

- 15.5 As well as grants, businesses in Dorset have further benefitted from the Government's decision to extend business rates reliefs this year. In 2019/20 more than 3,400 Dorset businesses will benefit by more than £54m through discounts offered to retail, hospitality and leisure businesses, and nurseries. This is in addition to small business discounts already offered.

Infection control grant

- 15.6 Dorset Council's infection control grant will total £5.05m, the first tranche of which was £2.5m. The Council has distributed £2.2m and by the time the grant has been distributed in full, 153 providers will have benefitted.

16. Next steps – moving from response to recovery

- 16.1 The Council needs to continue to refine its forecasting as time progresses. In some cases, our projections could prove to be prudent or imprudent, so an update will be carried out each month to forecasts and shared with relevant portfolio holders. However, it is also right to take appropriate, responsible and responsive action to mitigate risks and reduce the overspend during the year firstly to protect reserves but more critically to return the base budget to a sustainable position by the time the new financial year arrives.

- 16.2 Although there is still considerable uncertainty in our forecasts, it is clear that the cost of the pandemic cannot be contained within our current budget envelope - even with Government's current support - and that we must prepare the organisation's finances to deal with the risk of loss of Council Tax, Business Rates and other income in future. The tapering and eventual end of the furlough scheme and other support for individuals and businesses will affect their ability to pay Council Tax, Business Rates and a number of other income streams on which the Council relies, so we must address our cost base accordingly.

17. Development of medium-term financial plan (MTFP) and budget strategy 2021/22

- 17.1 During the Summer, officers will be updating the MTFP, modelling what might happen in certain circumstances, dependent upon Covid-19 impact and government funding.
- 17.2 At this stage it is very difficult to model the financial future with any degree of precision so the challenge now is to review quickly and accurately, what action can be taken to reduce the gap and a balanced budget strategy for 2021/22 to be agreed.

- 17.3 Part of the MTFP development will be the Council's assumptions about future funding. At this stage we know very little about the next spending round. What we do know is that work on the business rates retention and fair funding reviews has been further deferred so any benefit that may have flowed to Dorset Council (particularly from the Fair Funding Review (FFR)) is at best delayed but potentially lost.
- 17.4 The duration of the spending review period is also uncertain with speculation placing the planning period anytime between one and three years. Clearly the longer this period, the greater certainty all Councils will have over their financials but the challenge facing Government at present is significant and a spending review spanning more than one year will be extremely challenging.
- 17.5 In order to reach that point, the Council must focus, with a tighter budget timetable than is usual. A summary of key dates for proposed milestones in the budget are set out below and headlines from which are set out below.

18. Conclusions

- 18.1 The Council has made considerable savings since reorganisation and this has allowed the local pressures from national issues including children in care and increased demand for adult services, to be managed with a limited impact on reserves.
- 18.2 Covid-19 has had a dramatic impact on the Council's finances with a loss of income and increased expenditure. Whilst Government has provided some funding to cover this financial gap, the balance of £43m is current being funded by the Council's reserves. These reserves can only be spent once.
- 18.3 The Council therefore needs to focus on three things:
- a. Making every effort to contain this current year's operational and financial pressures within the funding envelope available.
 - b. Continuing to explain the financial reality of the situation to Government and secure additional funding where possible.
 - c. Entering into a really challenging budget setting round which combines the identification of tactical savings with the development of a transformation programme which enables the Council to meet the needs of Dorset's residents within the funding which is available.

Aidan Dunn

Executive Director of Corporate Development

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

Appendix 1

Capital programme recommendations from CSAM

CSAM has met several times during the year to review and filter the items it now recommends to Cabinet to be funded from the £15m fund established in the budget strategy and approved by Council in February 2020.

A summary of each of the programme lines is set out below.

| Capital programme bids 2020/21 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2023/24 | Total |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | £k | £k | £k | £k | £k | £k |
| Compulsory Purchase of Long Term Empty Property | 255 | 489 | | | | 744 |
| IT programme | 1,450 | 1,250 | 1,250 | 1,250 | 1,250 | 6,450 |
| ITS Asset Replacement Programme | 200 | 200 | 200 | 200 | 200 | 1,000 |
| Slipway extension and storage solutions | 135 | | | | | 135 |
| Healthy Homes Dorset | 75 | 75 | 75 | | | 225 |
| | <u>2,115</u> | <u>2,014</u> | <u>1,525</u> | <u>1,450</u> | <u>1,450</u> | <u>8,554</u> |

Compulsory purchase of long-term empty properties

This project proposes to compulsory purchase a small number of long-term empty properties. Working with housing association partners to renovate and convert as necessary in order to provide temporary accommodation for local people. Housing Standards has identified up to 50 target properties in Dorset through previous work but will target a small number (up to 8 but have assumed 4 units will actually complete) which are most suitable for conversion as temporary accommodation and where there is no prospect of the owner bringing them back into use despite frequent interventions by the Council. This project will contribute to the Council meeting its legal responsibility under the Homelessness Suitability Order 2003 limiting the length of stay in bed and breakfast to 6 weeks for people who are registered as homeless. In addition, there is political will to tackle the long term empty property problem which is a significant blight and wasted housing resource.

IT programme

Including £200k on replacement housing system, this funding is recommended for support of the IT infrastructure estate and for software renewal and replacement across the Council. These projects are generally required for business to continue and they were not included in the capital programme as there were no bidding rounds for 2019/20 or for 2020/21 but the reality is that we will not be able to keep up replacements of obsolete software or hardware without the funding.

ITS assets replacement programme

68% of all traffic signals (ITS assets) are beyond their serviceable life. They are managed through a maintenance contract. The current condition average of all

ITS assets is around 65.5%. If things continue without investment this average will reduce to 33.91% within five years and to 4.29% in fifteen years. ITS assets are critical to managing traffic flows, congestion and safety of road users and pedestrians. Some of the technologies are now obsolete, and we will soon lose the ability to remotely connect to some assets. We are already in a position of being unable to replace the bulbs in some units as they are no longer manufactured. Investing £200k in each of the next five years will go some way to recover this position, replacing only the most in need, but will mean we are still sweating some assets beyond their serviceable life.

Slipway extension and storage solution

This project focuses on two areas; the main slipway, and storage which is needed to protect harbour equipment. The current slipway has become undermined forming a step at the end which is unsafe for harbour users. Without intervention this could jeopardise vessel launches, including the RNLI lifeboat. There is an opportunity to expand the area to the east of the slipway at the same time as repair, which will provide storage solutions, generating addition income. A storage building is required for harbour supplies and to house the harbour JCB telehandler and harbour boat. We are currently storing some equipment in a town Council building for which we pay rent but our major items (JCB & boat) are exposed to elements all year round resulting in high maintenance costs. There is an opportunity to gain income from a new storage building.

Healthy homes Dorset

From 2015 to 2020, Public Health Dorset funded the Healthy Homes Dorset pilot project providing advice to thousands of residents to improve hundreds of homes to help reduce illness. It is a key component of the draft Dorset Council Plan and contributes to all five corporate priorities as well as the overarching climate agenda. This project recommends match and gap funding for heating and insulation measures, acting as funder of last resort when not available elsewhere.

Appendix 2

Milestones from budget timetable 2021/22

Key dates

| | |
|-------------------------|--|
| July-September | Assess the short and long term financial implications of COVID Update MTFP Develop options including financial and transformational plan |
| Early October | Members Budget Workshop 1 (setting the scene - scale of problem and possible solutions) |
| October-December | Public engagement / Consultation |
| December | Scrutiny café of budget proposals |
| January | Budget to Cabinet |
| February | Budget to full Council |



Appendix 3

Summary of MTFP assumptions 2021 to 2026

(as rolled forward from 2020/21 MTFP round)

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|-------------------------------|-----------|-----------|-----------|---------|---------|---------|
| Council tax increase | <2% | <2% | <2% | <2% | <2% | <2% |
| Council tax base growth | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% | 0.75% |
| Social Care Precept | 2% | 0% | 0% | 0% | 0% | 0% |
| Business rates growth | 0% | 0% | 0% | 0% | 0% | 0% |
| Pay award | 2.75% | 2.50% | 2.25% | 2% | 2% | 2% |
| General inflation | 1.20% | 2.25% | 2.50% | 2.50% | 2.50% | 2.50% |
| Increase in fees & charges | 2.30% | 2.25% | 2.50% | 2.50% | 2.50% | 2.50% |
| Employer pension contribution | 2% +£650k | 0% +£252k | 0% +£261k | £750k | £275k | £300k |
| Adult Services pressures | £5,497k | £5,109k | £5,333k | £5,585k | £5,827k | £6,060k |
| Children's Services pressures | £1,362k | £1,127k | £1,046k | £967k | £1,015k | £1,066k |
| Base budget pressures c/fwd | £10,500 | | | | | |

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|------------------------------|---------|---------|---------|---------|---------|---------|
| Summary budget gap (£000) | 0 | 7,434 | 5,431 | 6,834 | 5,537 | 5,774 |
| Cumulative budget gap (£000) | 0 | 7,434 | 12,866 | 19,700 | 25,237 | 31,011 |