

Cabinet

30 January 2024

Budget and Medium-Term Financial Plan strategy report (MTFP)

For Recommendation to Council

Portfolio Holder: Cllr G Suttle, Finance, Commercial and Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

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Report Status: Public

Recommendation:

Cabinet is asked to agree and to recommend to Council:

1. the Revenue Budget summarised in Appendix 1;
2. the increase in general Council Tax of 2.9985% and 1.9975% in the Social Care Precept, providing a Band D Council Tax figure for Dorset Council of £2,001.15; an overall increase of 4.996%;
3. to note the Council Tax base agreed by the S151 Officer earlier in this budget setting process;
4. The change to the current scheme of Local Council Tax Support as set out in this report, which reflects the decision previously made at full Council on 14 December 2023;
5. the Capital Strategy set out in Appendix 3 and approve changes to the programme in section 23;
6. the Treasury Management Strategy set out in Appendix 4;
7. to note the assumptions used to develop the Budget Strategy and Medium-Term Financial Plan (MTFP), as set out throughout this report;

8. the recommended balances on earmarked reserves and on general funds, including the minimum level of the general fund.
9. in making these recommendations, Cabinet is requested to consider and agree the responses to the recommendations and comments made as part of the budget scrutiny process (Appendix 6) **[available for Cabinet]**;
10. recommendations 1-5 from the 22 November 2023 Harbours Advisory Committee meeting regarding fees and charges, budgets and asset management plans (Appendix 7);
11. agree and recommend to Council the flexible use of additional £3.3m of capital receipts for the purposes of transforming the Council's asset portfolio over the next three to five years (Appendix 8). Work with DLUHC is ongoing to confirm this. **[available for Cabinet]**

Reason for Recommendation

The Council is required to set a balanced revenue budget, and to approve a level of Council Tax as an integral part of this. A balanced budget is essentially one where all expenditure is funded by income without unsustainable use of one-off or short-term sources of finance.

The Council is also required to approve a Capital Strategy, a capital programme and budget, and a Treasury Management Strategy, each of which are included with this report.

The draft budget proposals have been considered by the Place and Resources Scrutiny Committee and by the People and Health Scrutiny Committee and their recommendations are set out in Appendix 6 for Cabinet consideration.

1. Executive summary

- 1.1 This report sets out proposals for Dorset Council's 2024/25 revenue and capital budgets and summarises the Medium-Term Financial Plan (MTFP), which covers the following four years to 2028/29. The report also includes the Capital Strategy and the Treasury Management Strategy.
- 1.2 The budget proposals are built around the priorities identified in the Dorset Council Plan and [were] considered by the Dorset Council Scrutiny Committees on 12 and 17 January 2024. This paper contains details of Cabinet's responses to the matters raised by those committees.
- 1.3 This budget continues to reflect members' priorities of resource allocation into frontline services wherever possible and this is reflected in the areas of growth set out in the analysis in this paper.
- 1.4 This budget is being set against a global economic backdrop of significant inflation, economic volatility and a cost-of-living crisis.
- 1.5 This paper also provides an update on funding announced in the Local Government Finance Settlement issued on 18 December 2023.

2. Financial implications

All covered within the report.

3. Well-being and health implications

None specifically identified in this report.

4. Natural Environment, Climate & Ecology Implications

Included in Appendix 5.

5. Other Implications

Nothing specific.

6. Risk assessment

- 6.1 Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: High
Residual Risk: High

- 6.2 The Council is required to set a balanced budget. The financial climate remains extremely challenging, and the risks therefore remain high for all local authorities as we aim to deliver value for money and financial sustainability in a highly volatile environment.

- 6.3 The Council is currently forecasting an overspend in 2023/24. The Quarter 3 financial management report provides analysis of that estimate and [will be] a separate item on the same Cabinet agenda as this report.
- 6.4 The **provisional** Local Government Finance Settlement was published on 18 December 2024 and, though the Council is still working through the detail of some contained within this, headline conclusions and assumptions are set out in this report.
- 6.5 The short-term nature of the settlement is again a risk and affects our ability to plan for strategic service delivery in the longer term. This Council continues to call for a longer-term, multi-year settlement which would provide greater certainty over resource levels.
- 6.6 Despite the mitigations and the governance framework around strategic and financial performance that the Council has in place, the S151 Officer deems the risk still to be high which, despite Dorset's robust financial position relative to others, principally reflects the national picture and economic conditions affecting all local authorities. Pressures continue to build in the Medium-Term Financial Plan (MTFP) and around the High Needs Block (HNB) of the Dedicated Schools Grant (DSG).

7. Equalities impact assessment

- 7.1 The budget is a framework for the Council to achieve its priorities and the requirement to achieve a balanced budget is delivered through a number of key assumptions, and the delivery of programmes of transformational change.
- 7.2 The overall budget framework has not been the subject of a separate equality impact assessment but the programmes and changes upon which delivery of the budget will depend will themselves be assessed.

8. Appendices

1. High-level consolidated revenue budget summary and directorate budget summaries
2. Council Tax resolution (for the Council report only)
3. Capital Strategy 2024-2029 (for the Cabinet and Council reports)
4. Treasury Management Strategy 2024/25 (for the Cabinet and Council reports)
5. Climate Wheel
6. Response to the issues raised by the scrutiny committees (for the Cabinet and Council report)
7. Harbours Advisory Committee budget proposals for 2024/25

8. Flexible use of Capital Receipts Policy for 2024/25-2029/30 [available for Cabinet]

9. Background papers

[Medium term financial plan and budget update to Cabinet 7 November 2023](#)

10. Introduction, context and priorities

- 10.1 The refreshed Dorset Council Plan 2022-24 was agreed by Council in October 2022. The plan is underpinned by five key priorities for 2022-24 and details the steps we will take to deliver our vision to make Dorset a great place to live, work and visit.
- 10.2 **Driving economic prosperity** - We will support sustainable economic growth across the county, enabling high-quality jobs through improvements to productivity, sustainability, and accessibility, creating great places to live, work and visit.
- 10.3 **Creating stronger, healthier communities** - We will enable our residents, working with partners, to develop strong networks of support and maintain strong communities. We will focus on the most vulnerable in our communities to improve wellbeing and reduce inequality through collaboration between public services, community leaders, residents and voluntary groups.
- 10.4 **Creating sustainable development and housing** - We will work with government, registered housing providers, community land trusts and local housing partners to deliver affordable, suitable and decent housing. We will ask for their support to help us promote our climate and ecological priorities by providing sustainable services such as rainwater harvesting, solar panels and other such approaches.
- 10.5 **Protecting our natural environment, climate and ecology** - We will improve access to, and use of, Dorset's environment in a sustainable way which protects it for future generations.
- 10.6 **Becoming a more responsive, customer focused council** - We will continue to be responsive, fair and efficient in how we deliver services to our customers by listening and learning from their experiences. We will strive to constantly improve, with an emphasis on innovation and working with you in a collaborative approach.
- 10.7 Aligned to the Dorset Council Plan, Cabinet has approved the Transformation Plan, which described the approach that the Council is taking to redesigning services, so that the Council's priorities can be met with the funding available.
- 10.8 The challenge for 2024/25 and beyond continues to be 'How will the Council achieve a balanced budget whilst continuing to provide high quality services for the residents of Dorset?'

11. Environmental volatility and uncertainty and budget assumptions

- 11.1 Since 2021, inflation has proven extremely volatile, which continues to make it extremely difficult to estimate how current and future inflation and other global events will impact local authorities. However, we are required by law to set a balanced budget and we must build our MTFP and Budget Strategy with the best information and knowledge we have available and with clarification around the risks involved and the mitigations supporting them.
- 11.2 It should be noted that these are forecasts of what will happen are on top of the base budget that was built for 2024/25.
- 11.3 The approach to inflation for 2024/25 has been to include pay inflation of 5% and to add general inflation of 3.2%. The Council expects a continuation of good contract management practice with suppliers to ensure productivity, efficiency and sustainability are also reviewed at the same time as the scope for price increases. The Council's budgets are essentially cash limited and we cannot therefore afford to award full inflationary uplifts for all service contracts.
- 11.4 As well as general inflation, the budget proposals make provision for further, specific inflation where we know that this is going to be necessary – and in some cases, where we have received specific grant from Government to deliver this, such as the expectations around increases in care markets resulting from increases in the minimum wage. A summary of price increases built into the budget across directorates, in addition to general inflation, is shown in the table below.

	Original 2024/25	Revised 2024/25
Council tax increase	<2%	<3%
Council tax base growth	0.75%	0.94%
Social Care Precept	1%	<2%
Business rates growth	0.50%	27.44%
Pay award	2.00%	5.00%
General inflation	2.50%	3.20%
Increase in fees & charges	2.50%	5.00%
Employer pension contribution	0% +£240k	0% +£240k

12 Fees and charges

- 12.1 An average increase in fees and charges income has also been estimated at 5%, with budgets uplifted accordingly. It is expected that this average increase will be delivered through a mix of price and volume increases, reflecting the Council's ability to influence demand. The average price increase is assumed to be 5%. For some services this means the variation in charges will be higher, and in others it will be lower.
- 12.2 The Council's Fees and Charges Policy was implemented for the 2023/24 Budget and is published on the Council website. [Fees and Charges Policy 2023 - Dorset Council](#).
- 12.3 Implementation and subsequent monitoring to ensure the success of policy objectives is a significant step towards the Council recovering more of its costs and placing less demand on general funding. Increasing income also comes with increased risk, however, especially when operating in a competitive market. As revenues grow, so does risk and the resource required to manage new business efficiently.

13 Provisional Local Government Finance Settlement

- 13.1 The Local Government Finance Settlement was published on 18 December 2023. It followed the publication of a finance policy statement on 12 December 2023 that set out Government's intentions for the Local Government Finance Settlement for the next year.
- 13.2 The Council is still working through the detail of the statement, but the headlines and assumptions we are making and including in the Budget Strategy are set out below and throughout the rest of this report.
- 13.3 Headline information on the Core Spending Power of Local Government as a sector is shown in the table below, for the six financial years for which Dorset Council has been established. More detail follows on the Council's own [provisional settlement figures](#).
- 13.4 There have been headline announcements that Local Government Core Spending Power (CSP) has been increased by an average of 6.5%. This equates to a national CSP uplift of £3.9bn, of which 53% comes from increased Council Tax.
- 13.5 CSP is made up of the following key components.
- 1) Core Settlement - Retained business rates and Revenue Support Grant
 - 2) Council Tax
 - 3) Social Care Grants – e.g. Discharge grant, Better Care Fund
 - 4) Other grants - un-ringfenced grants e.g. Local Services Grant, New Homes Bonus etc.

- 13.6 The [Local government finance policy statement 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/policies/local-government-finance-policy-statement-2024-to-2025) confirms that the settlement guarantees an increase in core spending power (CSP) of at least 3% **before** any decision the Local Authority makes about organisational efficiencies, use of reserves, and Council Tax levels. To ensure this 3% uplift the Government has introduced a Funding Guarantee.
- 13.7 Analysis undertaken by the Society of County Treasurers has identified that, where CSP increases by an average of 6.5%, nationally this consists of £1.825bn (47%) of additional grant and £2.078bn (53%) in additional Council Tax.
- 13.8 This means the only way to realise this **full** uplift of 6.5% CSP is to take the maximum flexibilities granted when it comes to raising Council Tax, as this is assumed as part of the calculation. The maximum increase allowed varies by authority type.
- 13.9 All England Core Spending Power

Illustrative Core Spending Power of Local Government:						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 ⁸
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	14,559.6	14,796.9	14,809.7	14,882.2	15,671.1	16,562.7
Compensation for under-indexing the business rates multiplier	400.0	500.0	650.0	1,275.1	2,204.6	2,581.3
Council tax requirement excluding parish precepts ^{1,2}	27,767.8	29,226.9	30,308.2	31,922.5	33,984.3	36,062.2
Improved Better Care Fund	1,837.0	2,077.0	2,077.0	2,139.8	2,139.8	2,139.8
New Homes Bonus	917.9	907.2	622.3	556.0	291.3	291.4
New Homes Bonus returned funding	0.0	0.0	0.0	0.0	0.0	0.0
Rural Services Delivery Grant	81.0	81.0	85.0	85.0	95.0	95.0
Transition Grant	0.0	0.0	0.0	0.0	0.0	0.0
Adult Social Care Support Grant	0.0	0.0	0.0	0.0	0.0	0.0
Winter Pressures Grant ³	240.0	0.0	0.0	0.0	0.0	0.0
Social Care Support Grant	410.0	0.0	0.0	0.0	0.0	0.0
Social Care Grant ⁴	0.0	1,410.0	1,710.0	2,346.4	3,852.0	4,544.0
Market Sustainability and Fair Cost of Care Fund	0.0	0.0	0.0	162.0	0.0	0.0
ASC Market Sustainability and Improvement Fund ⁵	0.0	0.0	0.0	0.0	562.0	1,050.0
Lower Tier Services Grant	0.0	0.0	111.0	111.0	0.0	0.0
ASC Discharge Fund	0.0	0.0	0.0	0.0	300.0	500.0
Services Grant ⁶	0.0	0.0	0.0	822.0	483.3	76.9
Grants rolled in ⁷	335.8	338.0	345.1	345.4	480.0	0.0
Funding Guarantee	0.0	0.0	0.0	0.0	133.3	196.5
Core Spending Power	46,549.1	49,337.0	50,718.3	54,647.4	60,196.7	64,099.8

Dorset Council Core Spending Power (CSP) changes

13.10 The table below sets out year-on-year changes in the published CSP figures. The settlement was broadly in line with our expectations.

13.11 Dorset Council's CSP increases by 6.4%, £25.25m, of which £16.73m (66%) is based on the requirement to raise Council Tax.

Illustrative Core Spending Power of Local Government:							
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 ⁸	Change
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	43.6	44.3	44.3	44.3	46.6	48.3	1.64
Compensation for under-indexing the business rates multiplier	1.4	1.8	2.3	4.5	7.8	9.7	1.89
Council tax requirement excluding parish precepts ^{1 2}	241.3	251.5	263.9	276.0	290.5	307.2	16.73
Improved Better Care Fund	10.4	12.1	12.1	12.5	12.5	12.5	-
New Homes Bonus	3.8	3.0	1.7	3.8	1.8	0.9	(0.89)
New Homes Bonus returned funding	0.0	0.0	0.0	0.0	0.0	0.0	-
Rural Services Delivery Grant	2.4	2.4	2.5	2.5	2.8	2.8	-
Transition Grant	0.0	0.0	0.0	0.0	0.0	0.0	-
Adult Social Care Support Grant	0.0	0.0	0.0	0.0	0.0	0.0	-
Winter Pressures Grant ³	1.7	0.0	0.0	0.0	0.0	0.0	-
Social Care Support Grant	2.9	0.0	0.0	0.0	0.0	0.0	-
Social Care Grant ⁴	0.0	9.0	9.4	13.3	22.3	26.1	3.78
Market Sustainability and Fair Cost of Care Fund	0.0	0.0	0.0	1.2	0.0	0.0	-
ASC Market Sustainability and Improvement Fund ⁵	0.0	0.0	0.0	0.0	4.0	7.5	3.47
Lower Tier Services Grant	0.0	0.0	0.4	0.4	0.0	0.0	-
ASC Discharge Fund	0.0	0.0	0.0	0.0	1.7	2.9	1.16
Services Grant ⁶	0.0	0.0	0.0	3.1	1.8	0.3	(1.51)
Grants rolled in ⁷	1.1	1.1	1.2	1.2	2.6	0.0	(2.60)
Funding Guarantee	0.0	0.0	0.0	0.0	0.0	1.6	1.56
Core Spending Power	308.7	325.2	337.7	362.7	394.5	419.7	25.25

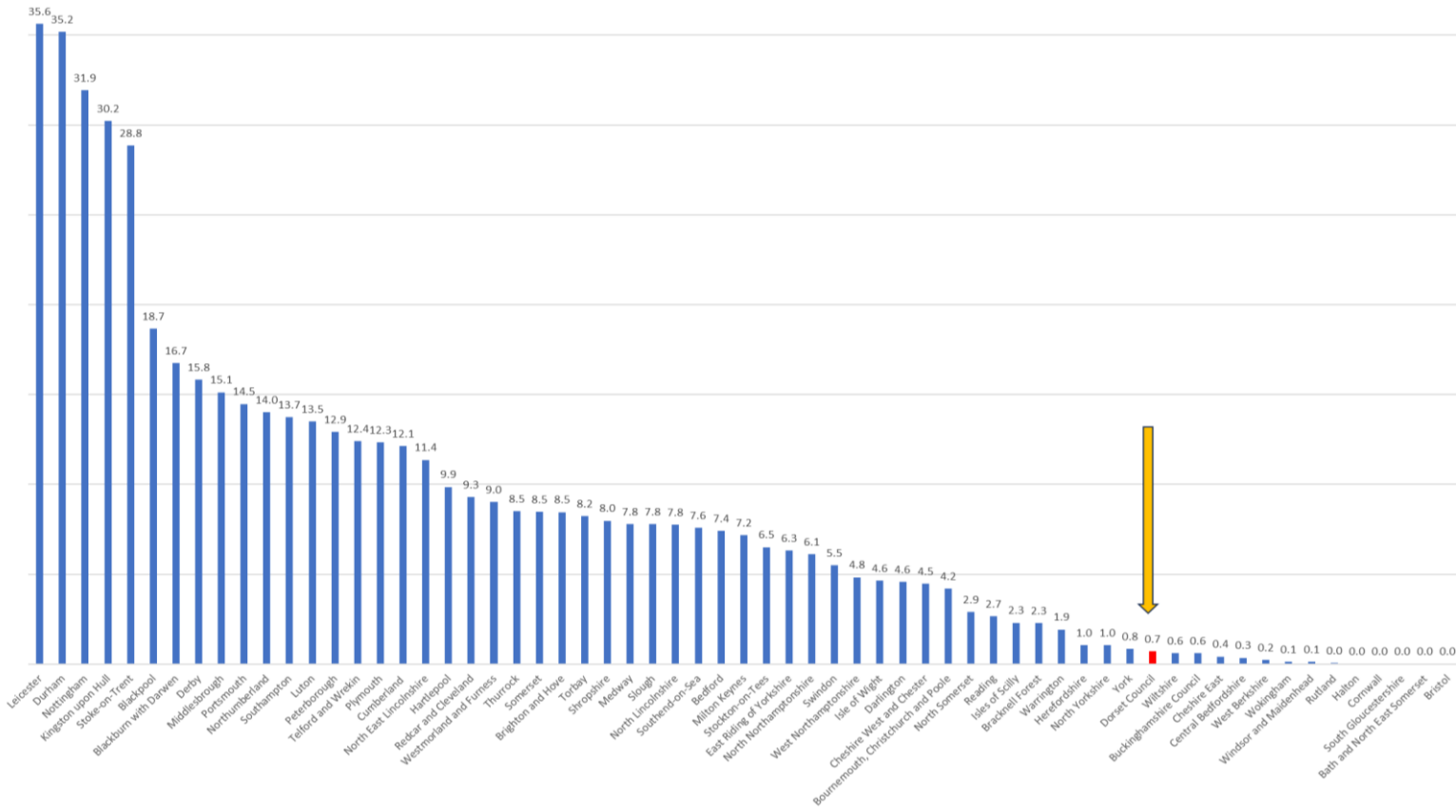
Settlement Funding Assessment (SFA)

13.12 SFA is the local share of business rates and Revenue Support Grant (RSG). Members will recall that Dorset Council started to receive RSG from 2023/24 financial year. For the 2024/25 settlement, Dorset Council now receives £698k from RSG, an increase of £43k compared to 2023/24.

13.13 Contextually, RSG nationally is being increased by CPI and so was inflated by 6.7% for 2024/25 before grants were rolled in so those that continue to receive it will benefit from this funding growth.

13.14 The graph below shows Dorset Council's relative RSG compared to all England unitary councils. To assist in locating Dorset, Dorset is marked in red and signposted by an orange arrow. This table highlights the differences in government grant support.

2024/25 Revenue Support Grant
Provisional Local Government Financial Settlement for Unitary Councils in England



Business rates

- 13.15 The small business rates multiplier is being frozen at 49.9p and the standard multiplier will be updated by September's CPI from 52.1p to 54.6p. Councils will be compensated through the s31 grant where these increases are not passed on to the ratepayer. Referred to as compensation for under-indexing the business rates multiplier' in the Core spending power table shown earlier in this report.
- 13.16 Dorset Council does not simply take the headline figures for business rates budgets from the settlement, this means we do not set a budget which has the same Core Spending Power (CSP) uplift as the settlement. Dorset Council has allowed for around £13.8m increase in the business rates yield in 2024/25. A material factor in the increase is the revised rateable values which came into effect from 1 April 2023. Prior to this the last rating revaluation was in 2017.
- 13.17 The Council prepares its own calculations based on local circumstances. These calculations are supported by external validation and modelling to ensure these key aspects of the Council budget are robust. These assumptions also follow the new officer led monitoring programme which has been implemented in 2023/24.

Council tax

- 13.18 The announcements have confirmed that the limit for a local referendum remains at 3% – so a proposal to increase Council Tax by 3% or more will trigger a local referendum. There is also provision for councils with social care responsibilities to raise the adult social care precept by a further 2%. These changes apply for 2024/25 as well as 2023/24. As stated earlier in this report, the headline increase of Core Spending power is only achieved if Councils make full use of this power.
- 13.19 These budget proposals include a core Council Tax increase of 2.9985% and an adult social care precept increase of 1.9975%. The proposed total increase is therefore 4.996%, which results in an annual band D Council Tax charge of £2,001.15. This is an increase of around £1.82 per week on the 2023/24 charge. The Council Tax charges proposed for each band for 2024/25, for Dorset Council only, are set out in the table, below.

2024/25	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Core	£1,148.94	£1,340.43	£1,531.92	£1,723.41	£2,106.39	£2,489.37	£2,872.35	£3,446.82
Social Care Precept	£185.16	£216.02	£246.88	£277.74	£339.46	£401.18	£462.90	£555.48
Total	£1,334.10	£1,556.45	£1,778.80	£2,001.15	£2,445.85	£2,890.55	£3,335.25	£4,002.30

13.20 Some further facts about the composition of our Council Tax base which help understand the makeup of households and respective bills are as follows:

- a) 51% of households in Dorset are in Bands A – C.
- b) This is increased to 71% of households when looking at Bands A – D
- c) The number of households receiving Local Council Tax Support (LCTS) are 22,303
- d) This includes 9,673 Pensioners on LCTS.
- e) Single Person Discount applies to 59,315 households.
- f) There are also a range of other reliefs and disregards which provide support depending on who lives in the property, e.g. 1,372 band reductions are awarded where there is a disabled resident.

13.21 Section 14 of this report provides more information about the improvements to LCTS for 2024/25.

13.22 Councils set their Council tax based on the number of 'Band D equivalent properties'. The Council has calculated its tax base as 153,849.7 band D equivalent properties, compared with 152,424 for the previous year, an increase of <1%.

Core Spending Power (CSP) Grants

13.23 The next part of this report details a range of grants which form part of Dorset's Core Spending Power. National and local allocations are included in the earlier table.

Social Care Grant

13.24 Nationally, £4.5bn is being made available. More details on Dorset Council's share of the fund are included in the earlier table, which outlines changes to Dorset's Core Spending Power.

13.25 This is not new funding and was originally announced in the Autumn Statement in 2022. At the same time it was confirmed that, of the national allocation, £1.877bn (41%) is funded through delays in Social Care Reform relating to charging. This reform was delayed from October 2023 to October 2025. As a result, there is no certainty as to what happens for 2025/26 and, as a result, these grant values cannot be assumed to continue in 2025/26.

13.26 For Dorset Council this means £10.7m (41%) of the 2024/25 allocation of £26.1m is at risk as there is no clarity on if or how this funding will be allocated for 2025/26.

13.27 As in previous years, it is recommended that the increase in allocation is split 50/50 between the Adults & Housing Directorate and Children's Directorate, to be used in line with the terms of the grant.

Grant funding for discharge

- 13.28 £500m in 2024/25 is being made available nationally. Funds will be pooled through the Better Care Fund (BCF) process. This pooled budget supports joint working across the NHS and Local Government. All of which aims to facilitate better integration of health and social care to achieve better outcomes for people and carers. This is in addition to the existing BCF, rather than repurposing.

Ringfenced grant to Market Sustainability and Improvement Fund (MSIF)

- 13.29 Nationally, £1bn in 2024/25 is being provided in a separate grant for Market Sustainability and Improvement in Adult Social Care. The increase in national allocation is offset by the reduction in 'grants rolled in', which is where last year's MSIF allocation is shown on Dorset Council's allocation. This leaves an increase of £1.2m to provide Market Sustainability and Improvement in 2024/25.

Services grant

- 13.30 DLUHC describe the intention of this grant as "to provide funding to all tiers of local government in recognition of the vital services delivered at every level..."
- 13.31 The Services Grant is being reduced by 84%. Nationally, a reduction from £483.3m in 2023/24 to £76.9m
- 13.32 The distribution of the remaining grant will continue to follow the Settlement Funding Assessment as previously. Dorset's allocation of this grant has been reduced by £1.51m and now amounts to £282k for 2024/25.

New Homes Bonus

- 13.33 The New Homes Bonus will continue in 2024/25. Dorset Council's allocation has been reduced from £1.8m in 2023/24 to £0.9m in 2024/25.

Rural Services Delivery Grant

- 13.34 The national allocation for Rural Services Delivery Grant will remain unchanged. Therefore, Dorset Council's share remains at £2.8m in 2024/25.

Minimum Funding Guarantee

- 13.35 The Minimum Funding Guarantee is given to councils to ensure their Core Spending Power (CSP) "before any decision they make about organisational efficiencies, use of reserves, and Council Tax levels" is at least a 3% increase.
- 13.36 As Dorset's CSP before Council Tax does not rise by the minimum 3%, Dorset is now reliant on the Minimum Funding Guarantee and received £1.6m to provide this 3% increase in CSP.

Public sector pay

- 13.37 Local authority pay is negotiated nationally by the National Joint Council (NJC). For 2023/24 there was an additional £1,925 increase up to spinal column point 43, and an additional 3.88% increase from spinal column point 44. This added around 5% to Dorset Council's overall pay bill.
- 13.38 As noted earlier, for 2024/25 the assumed pay increase is 5%, which amounts to approximately £8.7m and essentially assumes national negotiations will result in broadly the same pay deal again in 2024/25.
- 13.39 The national living wage (NLW) will increase by 9.8% to £11.44 per hour from 1 April 2024. It will apply to people aged 21 and above. It is anticipated that, as in the last two years, the nationally negotiated pay award means that staff on spinal column point (SCP) 1 will continue to be above the national living wage.

Dedicated Schools Grant (DSG)

- 13.40 The Dedicated School Grant (DSG) is a ring-fenced grant, the majority of which is used to fund individual schools' budgets in local authority maintained schools and academies in Dorset, early years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Dorset and out of county. Part of the DSG, the Central Services Schools Block (CSSB), provides funding for Dorset Council to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England.
- 13.41 There are four blocks within the DSG: Schools Block (SB) £246.4m, High Needs Block (HNB) £55.8m, Early Years Block (EYB) £25.9m and Central Services Schools Block (CSSB) £1.9m.
- 13.42 Dorset's DSG provisional allocation for 2024/25 is therefore £330m before recoupment, including additional grants and the use of the Growth Fund reserve.
- 13.43 The 2023/24 Q2 forecast overspend is £24.6m, thus increasing the cumulative forecast deficit to £60.5m before Safety Valve partner contributions. Adjusting for partner contributions from the DfE and Dorset Council, the cumulative deficit is forecast to be £45.8m.
- 13.44 The Government previously announced the extension to the statutory override for the DSG from 2023/24 to 2025/26. In practical terms this means that the cumulative overspend on the DSG will not fall to be funded from the Council's reserves but will instead continue to be treated as a separate, negative reserve on the Council's balance sheet.

13.45 As reported as part of the Quarterly finance reports, the Council has entered into a Safety Valve agreement and is now engaged in discussion as part of the 'Enhanced Monitoring and Support' programme. The deal and ongoing activity aims to reduce the cumulative overspend over time.

14 Local Council Tax support (LCTS) scheme

14.1 Each year the Council is required to review its Council Tax Reduction (CTR) Scheme in accordance with the requirements of the schedule 1A of the Local Government Finance Act 1992 and to either maintain the scheme or replace it.

14.2 The Council does not need to make any decision in relation to pension age applicants as that scheme is prescribed by Government and is operated by all English authorities in a similar way.

14.3 As with all authorities, the Council needs to adopt a CTR scheme for working age applicants and as experienced by the majority of authorities within England, the Council also needs to make changes to the CTR scheme for working age applicants in order to reduce the significant administrative burden placed on the Council by the introduction of Universal Credit.

14.4 At Full Council on 14 December 2023 a simplified banded / income approach was approved. The approach has been designed to remove the main problem areas, in particular. (a) The level of support available to the poorest households; (b) The problems with the introduction of full-service Universal Credit; and (c) The significant increase in administration costs due to the high level of changes received in respect of Universal Credit.

14.5 The newly approved scheme has a number of features as follows:

- a) More support shall be given to those households on the lowest of incomes.
- b) The changes can only be made to the working age scheme as the current scheme for pensioners is prescribed by Central Government.

c) There will now be a single unified simple income grid model as shown below:

Discount	Weekly Net Income				
	Single	Couple	Family with 1 dependant	Family with 2 dependants	Family with 3 or more dependants
Band 1* 100%	£0 to £90.00	£0 to £135.00	£0 to £155.00	£0 to £220.00	£0 to £285.00
Band 2 80%	£90.01 to £125.00	£135.01 to £175.00	£155.01 to £195.00	£220.01 to £260.00	£285.01 to £325.00
Band 3 60%	£125.01 to £160.00	£175.01 to £215.00	£195.01 to £235.00	£260.01 to £300.00	£325.01 to £365.00
Band 4 40%	£160.01 to £195.00	£215.01 to £255.00	£235.01 to £275.00	£300.01 to £340.00	£365.01 to £405.00
Band 5 20%	£195.01 to £230.00	£255.01 to £295.00	£275.01 to £315.00	£340.01 to £380.00	£405.01 to £445.00
Band 6 0%	£230.01 +	£295.01+	£315.01+	£380.01+	£445.01+

- 14.6 The recently approved policy increases the highest level of discount to be set at a maximum level of liability (100%), Band 1, and all current applicants that are in receipt of a 'passport benefit' such as Income Support, Jobseeker's Allowance (Income Based) and Employment and Support Allowance (Income Related) will receive maximum discount on the basis that their household income has already been assessed.
- 14.7 All other discount levels are based on the applicant's and partner's, (where they have one), net income.
- 14.8 The scheme allows for variation in household size with the levels of income per band increasing where an applicant has a partner, and / or dependants.
- 14.9 There will be a restriction on support to Council Tax Band E level (any applicant who resides in a property banded F,G or H will have their Council Tax Reduction calculated on a Band E level. Currently there are 240 band F, 79 band G and 1 band H.
- 14.10 Where an applicant has non-dependants living with them, there will be a fixed standard charge of £5 per week per non-dependant. This is a significant change from the existing deductions which can be up to £14.15 per week and the change will significantly assist low income households.
- 14.11 Disability benefits such as Disability Living Allowance and Personal Independence Allowance will continue to be disregarded.
- 14.12 Where any applicant, their partner, or dependant child(ren) are disabled, a further disregard of £50 per week will be given, thereby continuing to provide additional support to those with disabilities

14.13 The following are disregarded:

- a) Carer's Allowance and the Support Component of Employment and Support Allowance will be disregarded.
- b) Child benefit and Child Maintenance will continue to be disregarded.
- c) The following elements within Universal credit will be disregarded:
 - i) Housing Element.
 - ii) Disabled Child Element.
 - iii) Carer's Element; and
 - iv) Limited Capability for Work and Limited Capability for Work & Work Related Activity Elements
- d) The total disregard on war pensions and war disablement pensions will continue.

14.14 Extended payments will be removed.

14.15 A capital limit of £6,000 with no tariff (or assumed income) will be applied;

14.16 Backdating of claims will be allowed for up to 3 months, this is an extension from the existing 1 month provision. The period of backdate will be at the discretion of the Council and would not affect periods prior to 1 April 2024.

15 Flexible use of capital receipts

15.1 At Council on 14 December, the Flexible Capital receipts policy for 2023/24 to 2024/25 was approved for the use of up to £2m of capital receipts. In the provisional local government settlement on 18 December 2023, the national policy has been extended to March 2030.

15.2 Appendix 8 **[Available for Cabinet]** details Dorset Council's approach to use of capital receipts and contains details of the proposed work.

16 MTFP process and budget development

- 16.1 The budget approved in February 2023 showed there was a MTFP gap, including planned savings, of £31.895m from 2024/25 to 2027/28, of which £13.815m arose in 2024/25. Following on from a review of our assumptions and accumulating cost and demand pressures, the budget gap moved on as summarised in the table below, which was presented to Cabinet on 7 November 2023.

Opening budget gap as at 14/02/23	£13,815,097
Council tax increase/growth	(£4,726,897)
Business rates increase/growth	(£3,212,735)
Change in grant	(£1,861,610)
Change in inflation	£5,637,949
DSG recovery plan (now funded from reserves)	(£4,400,000)
Adult's pressures	£3,432,234
Corporate pressures	£2,951,119
Place pressures	£24,463,907
Children's pressures	£5,968,772
Change in central finance pressures	(£840,000)
Adult's savings	(£8,000,000)
Corporate savings	(£1,819,864)
Place savings	(£4,831,000)
Central savings	(£3,600,000)
Draft Budget gap as at 20/10/23	£22,976,973

- 16.2 It was clear that rising demands were having an impact on the MTFP and increased the budget gap from £14m to £23m.
- 16.3 Over the time since then, officers have put in an enormous amount of work to identify further savings and transformation options to help close the budget gap. This information was shared with all members at informal briefings. This work has enabled the budget gap to be closed as follows.

Budget gap as at 7/11/2023	£22,976,973
Savings from Our Future Council	(£12,040,831)
Business rates increase/growth	(£10,313,264)
Council increase/growth	(£1,684,770)
Reduction in Corporate pressures	(£802,357)
Change in inflation	(£711,938)
Increase in Central pressures	£50,500
Reduction in Corporate savings	£169,000
Increase in Place pressures	£441,995
Reduction in Place savings	£892,600
Reduction in central grants	£1,022,092
Budget gap	£0

17 Setting a balanced budget

17.1 The November 2023 budget report to Cabinet reflected that all budget work needs process and method, and these must be structured around a framework – in this case, a draft statement of principles – to be used in developing the budget. The principles were intended to be constructed as helpful language to be used to describe how we would do our work to balance the budget and take difficult decisions about how to deliver the priorities and outcomes in the Council Plan. The principles are:

- i) we will not balance the Budget Strategy by using reserves
- ii) resource allocation will be driven by the Dorset Council Plan and priorities
- iii) services should be protected where possible but clearly demonstrate value for money and improved efficiency
- iv) we should seek to maximise the savings from becoming a unitary council
- v) we will develop short-term and long-term transformational savings plans
- vi) we will continue to take an increasingly commercial approach
- vii) we will use best practice around business cases for our decision making and we will be open to invest to save opportunities
- viii) budgets should be realistic to achieve the objectives of the Council and we must hold ourselves to account for their delivery and sound financial management.

18 Summary budget proposals

18.1 Analysis of budget movements and savings is set out in the individual Directorate/Service sections of this report and in the appendices. If adopted, this Budget Strategy will deliver a balanced budget in 2024/25 and the following gaps, still to be resolved, for the following years of the MTFP.

	Previous Year Budget 2023-24	MTFP Yr1 2024-25	MTFP Yr2 2025-26	MTFP Yr3 2026-27	MTFS Yr4 2027-28	MTFP Yr5 2028-29
	£m	£m	£m	£m	£m	£m
Council tax	292.109	307.876	319.490	331.542	344.040	357.021
Business rates (NDR funding)	50.199	63.976	60.457	60.457	60.457	60.457
Other grants treated as general funding	5.245	4.402	3.420	3.420	3.420	3.420
Total funding	347.553	376.254	383.368	395.420	407.918	420.898
Budget requirement	347.553	376.254	396.867	421.953	447.867	471.850
Budget gap (cumulative)	0.000	0.000	(13.499)	(26.534)	(39.950)	(50.952)

18.2 The proposed directorate budgets are as follows.

	Adjusted base budget 23/24	Draft base budget 24/25	Increase in base after adjustments	%
Adults and Housing	£147,218,371	£154,387,356	£7,168,985	5%
Childrens	£77,760,595	£84,462,153	£6,701,558	9%
Corporate	£35,626,263	£38,368,703	£2,742,440	8%
Place	£86,648,730	£109,974,703	£23,325,973	27%
Central Finance	£299,017	(£10,939,359)	(£11,238,376)	N/A
Total	£347,552,976	£376,253,556	£28,700,580	8%

Council Tax, Business Rates and Central Grants Funding	(£347,552,976)	(£376,253,556)	(£28,700,580)	8%
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18.3 More detail on the directorate budgets is available in the next section.

19 Directorate-level context updates

19.1 This section of the report deals with the budget contexts for each of the Council's directorates.

19.2 Appendix 1 contains a reconciliation of the changes for each Directorate.

Adults & Housing Services

19.3 Adults and Housing have had a busy year supporting the system with the rising demand for services with no additional core funding. Through partnership working we are seeking a way forward to rebalance demand and spend across the system to improve resilience and outcomes for people.

19.4 The net budget proposed for Adults and Housing Services is an increase of £7.169m, to £154.387m, a net increase of 4.9%.

19.5 Adult Social Care and Housing have developed a ten-year plan that will deliver improved outcomes and greater financial sustainability to manage future demand and market sustainability. The programme looks to deliver prevention, short term care, quality, and sustainability through six programmes of work.

19.6 Budget increases centre on two main themes for 2024/25; pressures that impact all council services, such as pay inflation, general inflation and cost of increments and pay awards (£6.749m); and specific budget increases for Adults and Housing, totalling £8.420m.

19.7 Specific budget increases cover Adult Social Care packages including growth totalling (£6.920m) and additional funding to support the shortfall in Housing subsidy (£1.5m).

19.8 The above pressures have been offset by 2024/25 transformation savings (£8.0m), as follows:

Proposal	Value
Market management	£5.000m
Working age accelerator	£0.500m
HomeFirst accelerator	£0.926m
Accommodation with care	£0.074m
Commissioned Community Care	£1.500m

19.9 In addition to this, the continuation of grants including Discharge Fund, Market Sustainability Improvement Fund and additional Adult Social Care Grant will support the Adult Social Care budget.

19.10 There are risks within all budgets, particularly those demand led services that sit within Adults and Housing services. All modelling and strategic budget planning has been based on the best information and projections available. However, pressures and demands are subject to change, and this can have a significant budgetary impact. Because of the sharp 28% increase in homelessness need and demand, and a broader rise in need for supported, adapted or affordable homes, this requires an expansion of the approach to prevent and relieve homelessness and address a broad spectrum of housing needs. This is so that it succeeds at this scale and finds suitable alternative housing for greater numbers of people in need.

19.11 Given the extent of need coming forwards work is underway to recalibrate the current plans to transform the approach to homelessness and to remove the reliance on expensive bed and breakfast accommodation to relieve homelessness. Because of the sharp 28% increase in homelessness need and demand, and a broader rise in need for supported, adapted or affordable homes, this requires an expansion of the approach to prevent homelessness so that it succeeds at this scale and finds suitable alternative housing for greater numbers of people in need.

Children's Services

19.12 The overall budget proposed for Children's Services is an increase of £6.7m, to £84.46mm, an increase of 9%.

19.13 The Directorate's ambitious, five-year transformation plan is a key component of the 2023/24 budget, along with the Dorset Children Thrive locality model and closer working with partners from various agencies, delivering six priorities, including all children and young people within Dorset having the best start to life.

19.14 Partly due to the above Children's Services were awarded Families First for Children Pathfinder (FFCP) Wave 1 status, a two-year project running until

March 2025. This project is between the Department for Education (DfE) and three local authorities across England. Dorset will work with local partners to co-design and deliver end-to-end service reform, implementing new Family Help services, child protection arrangements and support for kinship care.

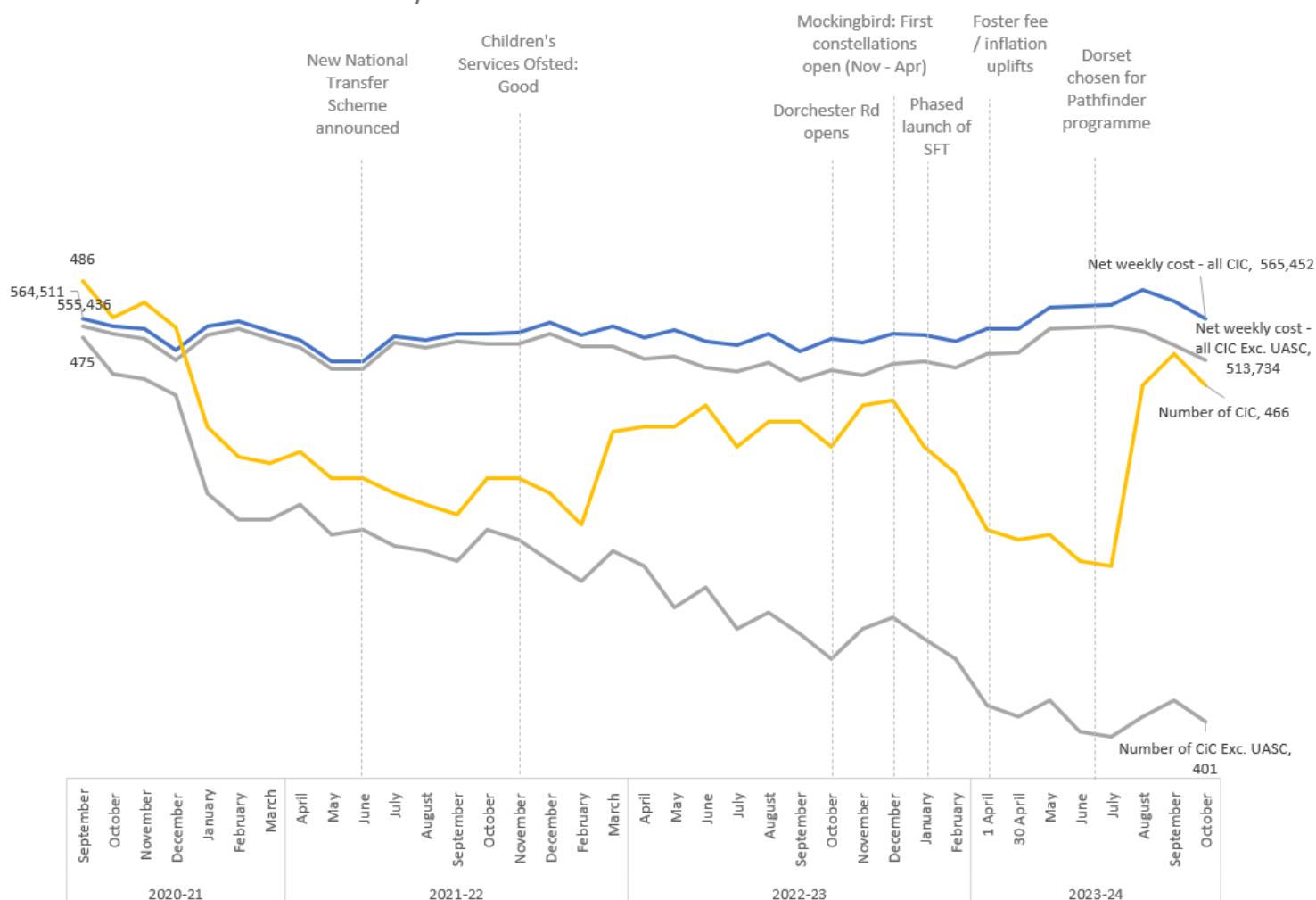
- 19.15 This is the government’s children’s social care implementation strategy, Stable homes, built on love. It responds to recommendations from the independent review of children’s social care, the Child Safeguarding Practice Review Panel report on child protection in England and the Competitions and Market Authority’s market study of children’s social care provision. The pathfinder will test delivery of key strategy commitments.
- 19.16 Dorset is part of the DfE pathfinder Families first for children (FFC). This provides an extra £4.5m of funding which can be used between July 2023 and March 2025.
- 19.17 Remodelling budgets to deliver these priorities remains a critical activity.
- 19.18 2024/25 will be the fourth year of the Children’s Services transformation programme, with projected in-year savings of £4.25m.
- 19.19 Budget increases centre on two main themes for 2024/25; pressures that impact all council services, such as pay inflation, general inflation and cost of increments and pay awards (£5m); and specific budget increases for Children’s services, totalling £5.9m.
- 19.20 Specific budget increases cover nine areas designed to support Children’s priorities, including the best start to life for all children and young people. A summary is provided in the table below.

Area	Description	£m
Pay related and General changes	As per all Directorates, additional funding for pay awards, increments and other pay adjustments. This also includes fees and charges and gas and electricity changes.	5.01
High Needs Block Recharge update	The School and Early Years Finance (England) Regulations 2022 have been reviewed to identify appropriate expenditure for the HNB recharge. Changes annually.	0.250
Children in Care Financial Growth	Our CiC population is declining, however costs are not reducing at the same level. If numbers of CiC hadn't fallen, then £5m est per annum / work through in the model. Even where our children in care numbers remain stable, it is highly likely we will see unit costs per child increase as a result of inflation and increasing complexity of children's needs.	1.35

Area	Description	£m
Children who Are Disabled Services - Intensive Support Packages	Increased need in support packages for children with complex needs to live at home. This covers overnight short breaks demand and cost pressures.	0.5
Impact of the National Transfer Scheme for Unaccompanied Minors	To help create a service to support our unaccompanied young people.	0.3
Birth to Settled Adulthood Head of Service	Funding required to lead the Birth to Settled Adulthood team, part of the Birth to Settled Adulthood transformation project. This is an essential post required to lead a redesigned service which will provide an improved service to children and young people with additional needs, and in time, create savings/cost avoidance for the Council.	0.11
Financial pressures identified in July 2023	Linked to Children in Care Financial Growth area. Although numbers are travelling in the right direction, the cost (often linked to inflation and complexity) is increasing.	2.0
Local Alliance Group Funding	Funding for the six Local Alliance Groups to permanently receive £100k pa. This was piloted with temporary funding in 2023-24 and it is in line with Pathfinder model. Following the initial temporary roll out of funding to our localities, we are seeing creative local solutions that support our children and young people ensuring they are receiving the right help at the right time, avoiding an escalation in need.	0.6
Traded Services income removal	Due to the increased demand supporting our children and young people with SEND, and to refocus resource into delivering the Safety Valve requirements, the ability to generate income from 'selling' excess capacity within Specialist Teachers, Education Psychologist and related teams has disappeared.	0.6
Growing our own: Student Social Workers	Part of a strategy to have 21 Student Social Worker positions by 2025	0.22

19.21 The Children in Care model has been updated to reflect the cost of the current cohort in 2024/25, assumed new entrants and leavers, inflation and the application of the transformation programme as most transformation projects within Children's affect the Children in Care cohort, historically, now and in the future.

Dorset Council: Children in Care - net weekly cost and number of children



19.22 Nationally, Children’s Services budgets are under significant pressures. Understanding the national context and identifying appropriate risks is important when setting a budget. There is one clear message; Children’s Services nationally are experiencing significant service pressures and will potentially be subjected to a major policy shift within the next 1-2 years.

19.23 The County Council Networks (CCN) states the national picture for local authority, and Children’s Services budgets:

“New analysis has revealed that England’s largest councils face overspending their budgets by over £600m this year...While all council frontline services are experiencing higher than expected costs, increasing demand and an acute rise in the costs of placing children in care mean in-year spending on children’s services is spiralling out of control, with almost half (£319m) of the projected £639m overspend attributable to this service.”

19.24 “The number of vulnerable children requiring care has risen dramatically post-pandemic, while inflation and a broken provider market in statutory care placements mean councils face no choice but to pay spiralling fees,” said Barry Lewis, the CCN’s vice chair and finance spokesperson.

- 19.25 The “broken provider market” is a reference to the scarcity of placements that has resulted in more children placed far from home or in inappropriate placements and driven higher fees, as set out by last year’s report on the sector by the Competition and Markets Authority. (Community Care, November 2023).
- 19.26 Dorset does buck this trend though, for example a reduction in children in care, however Dorset Council is not immune to the cost pressures and rises associated. Increasingly, complex care needs are also contributing to the increased budget requirement in 2024/25.
- 19.27 Dorset Council is part of the National Transfer Scheme for Unaccompanied Asylum-Seeking Children (UAS Children). Nationally set thresholds require Dorset to care for 67 unaccompanied children during 2022/23. Home Office funding does not necessarily cover the full costs for supporting these young people, and therefore increased budget is needed to create a team and cover other costs, such as interpreters. We continue to lobby the Home Office for adequate funding to cover actual costs.
- 19.28 In summary, there is still significant risk within the 2024/25 Children’s Services budget, including the continued delivery of the ambitious transformation programme, wider demand pressures and complexity, appropriate funding and support from partner organisations and delivery of the Pathfinder programme.
- 19.29 To mitigate some of this risk, ringfenced Social Care grant of £6.4m (before required commitments) has been made available to the Directorate. This grant will provide a degree of stability as Children’s services enters what continues be a very challenging and changeable period.

Place Directorate

- 19.30 The overall budget proposed for the Place Directorate is an increase from £86.8m in 2023/24 to £109.975m in 2024/25, an increase of £23.3m or around 27%.
- 19.31 At the time of writing, the quarter 2 2023/24 forecast for the (in-year) Place Directorate net expenditure is an overspend of circa £14m. More detail is available in the quarterly finance management reports presented to Cabinet. The main themes reported are:
- a) Inflation linked expenditure that is higher than budgeted across all areas but particularly waste services where the payment of inflation is a legal contractual requirement
 - b) Income forecast not achieving the budgeted level due to economic factors, weather and visitor numbers to Dorset being lower than previous years.
 - c) Some savings targets not achieved
 - d) Market conditions and market prices
 - e) Central government changes

19.32 The 2024/25 budget rebases a number of budgets to deal with these issues where local action or other agreed mitigation has not addressed the shortfall.

19.33 The main components of the budget increase are:

- | | |
|---|-----------|
| a) pay awards and other related central adjustments | £6.7m |
| b) general inflation allowance at 3.2% | £1.6m |
| c) increased fees and charges income | (£2.5m) |
| d) service specific pressures | £22.1m |
| e) savings proposals | (£4.538m) |

19.34 Within the service specific pressures, the significant numbers are as follows:

- | | |
|---|--------|
| a) Realignment of Dorset Travel including SEND transport | £12m |
| b) Realignment of Car Parking budget | £3.5m |
| c) Realignment of Waste recycle budget | £1.1m |
| d) Realignment of Planning income budget | £0.9m |
| e) Anticipated removal of DFE funds for joint use leisure centres | £0.73m |
| f) Cost of POPS (Persistent Organic Pollutants) | £0.5m |

Dorset Travel

19.35 The realignment of Dorset Travel budgets comes about after a number of years of increasing costs. The financial pressure of home to school transport has been a significant national problem in recent years, and has been well documented, most recently in the County Councils Network report 'From Home to the Classroom: making travel to school services sustainable'. Transport contracts have increased by 8% year on year since 2015. The increase of cost is two years of exceptional increases due to fuel, driver and market pressures which have increased the budget by £12m. The budget rebase is necessary for a balanced Dorset Travel budget in 2024/25.

Parking

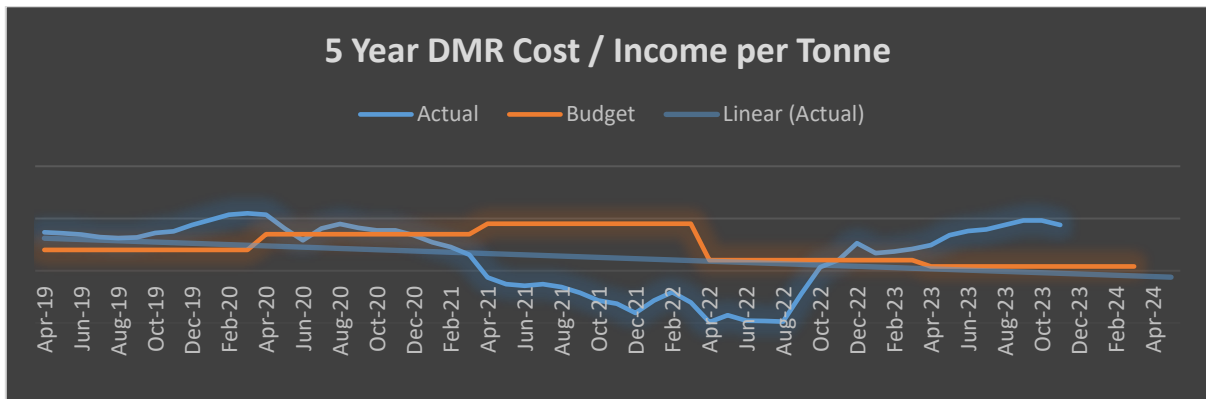
19.36 In recent years the budgets put forward by the Directorate for car parking have been too optimistic given the level of fees and charges. As a result the budget is proposed to be realigned to reflect the level of income expected based on the current fees and charges. The pressure from re-basing car parking income includes:

- | | |
|---|--------|
| a) Rebase of 23/24 income shortfall | £2.5m |
| b) Pressure as a result of not applying the required increase as set out in the fees & charges policy for discretionary charges | £0.6m. |

19.37 As always with car parking income, this figure can be impacted by many variables such as weather and the wider economic conditions. Summer 2023, in terms of rainfall, was the worst for a decade, which affected the predicted summer income. The service has put forward growth of £3.5m for realignment.

Recycling

- 19.38 The cost paid or income received for our collected recyclable waste Dry Mixed Recyclate (DMR) is dictated by national and international market conditions. The chart below shows the volatility of the recyclate price over recent years. A budget realignment of almost £1.1m is proposed to reflect the current, relatively high, costs being incurred for disposal which, even at this higher cost, remains cheaper than disposal costs of residual waste.



Planning income

- 19.39 The Planning income budget needs realignment by circa £1.65m. However, the statutory aspect of planning fees is controlled by central government, and price uplifts have recently been increased. It is estimated that the uplift in prices as determined by the government could offset circa £750k of the budget realignment needed, which is why this shows as £0.9m in the table above.

DfE funding

- 19.40 Joint use leisure centres are partly funded by the Department for Education (DfE). There is an expectation that the DfE will be reducing its financial contribution for 2024/25 and onwards. Therefore, if operating costs remain the same, Dorset Council could be facing a shortfall of circa £730k in DfE contributions. Discussions with DfE are not finalised at the time of writing and officers have submitted an application to DfE which if accepted would mitigate the impact.

Persistent Organic Pollutants (POPS)

- 19.41 The introduction of new processes at Household Recycling Centres (HRCs) to deal with Persistent Organic Pollutants (POPS) is being undertaken by our HRC contractor in order to comply with latest government requirements. The estimated cost is £0.5m.

Place – savings

19.42 Savings are included in the budget proposals.

19.43 £0.331m is a saving in relation to withdrawal from QE Leisure Centre, as previously agreed by Cabinet on 1 March 2022, withdrawal from the Joint Use agreement would take place on 31/03/2024, noting that the Council would support the Foundation Trustees during the transitional period including the release of £150k for the all-weather pitch, and noting that there is a good level of alternative provision in the area.

19.44 Place Directorate has put forward a partial contribution of £5m to offset the growth within the directorate.

- | | |
|---|----------|
| a) Economic Growth and Infrastructure: savings of | £2.055m. |
| Additional income assumptions in Planning | £0.777m. |
| Business support reduction in salaries | £0.085m. |
| Vacancy management/sickness management target | £0.484m. |
| Use of network development funds of | £0.125m. |
| Additional permitting and other income in Highways | £0.200m. |
| Changes in car parking income assumptions | £0.384m. |
| b) Place services: savings of | £2.347m. |
| Assumptions for reduction in agency cost | £0.159m. |
| Proposed saving from efficiencies within the continued operations of street cleaning | £0.350m. |
| Assumed changes in waste costs/prices | £0.355m. |
| Assumed reduction in vehicle parts costs | £0.030m. |
| Vacancy management/sickness management target | £0.170m. |
| Additional trade waste assumption | £0.350m. |
| Additional garden waste assumption | £0.200m. |
| Realignment of vehicle fuel budget | £0.250m. |
| Ash dieback cost reduction/contribution | £0.080m. |
| FCERM savings | £0.029m. |
| Apprentices savings | £0.054m. |
| Various income line uplifts | £0.174m. |
| Other | £0.146m. |
| c) Customer and Cultural service: savings of £0.457m. Planned through Our Future Council transformation, vacancy management, income and various operational efficiencies. | |
| d) Assets and Regeneration: savings of £0.141m. Planned through vacancies and a reduction in the Repairs and Maintenance (R&M) budget. | |

- 19.45 The £0.5m of savings include reduced forecasts for growth to net the total down to £4.538m, make up the balance of £5m. Detail of these mitigations are included in the earlier description of the growth.
- 19.46 It should be acknowledged that the budget as proposed has uncertainty in some areas, meaning that it is not risk-free. The major issues for volatility remain unchanged:
- a) Income via fees and charges are often dependant on the wider economic landscape.
 - b) SEND Transport costs will be subject to volumes of children in the system as well as their specific requirements.
 - c) Recyclate waste is a global commodity and is subject to market fluctuation, with our costs pegged on a monthly basis.
 - d) Achievement of savings will be subject to the ability to pause recruitment sufficiently long enough to achieve vacancy targets.
 - e) Income uplifts of 5% (as corporately mandated) are not always achievable where there are existing contractual/legal arrangements which conflict.
 - f) Limiting inflation uplifts to 3.2% across the board may not always be achievable.
 - g) New legislation being introduced without new burden funding, for example the removal of charging for DIY waste at HRC's
 - h) Some existing tactical savings (as implemented in prior year budgets) still need resolution and these include:-
 - i. car parking income at County Hall
 - ii. a review of a significant quantity of leases where tenants are holding over and where rent reviews and/or uplifts haven't been applied
 - iii. a reduction in the cost of interim staff in Assets & Regeneration
 - i) Some transformation savings will require investment in new technology or new solutions to achieve new ways of working or development of customer platforms. These will be subject to business case approval.
- 19.47 There are a number of items in the list above which have been identified as having the possibility of a significant influence on the budget. As these are known, it is therefore crucial that within the directorate robust action plans are put in place to ensure the risks which have been foreseen, are closely monitored and mitigated.
- 19.48 The Joint Archives Board met on the 8 November 2023 and set out the 2024/25 budget considerations. The proposals are based on assumptions and principles that are consistent with those used for the rest of the Dorset Council budget. The recommendation was agreed that the Joint Archives Service face a "standstill" budget. That assumption has been built into the overall DC 2024/25 budget assumptions.

[JAB Nov 2023 Budget Monitoring and Budget 2024-25 Report.pdf](#)
(dorsetcouncil.gov.uk)

Public Health Dorset

- 19.49 Public Health Dorset is a shared service established to provide public health functions to the two unitary authorities, Dorset Council and BCP Council. In order to fulfil statutory duties to improve health and wellbeing, and reduce inequalities in health, both Councils receive a ring-fenced grant from the Department of Health and Social Care. This is passed to councils via the DLUHC. The grant must be used to provide mandated public health services, but it can also be used to support wider interventions to improve health and wellbeing.
- 19.50 Each of the Councils retains part of the grant to deliver services outside the scope of the shared service agreement, but still within grant conditions.
- 19.51 When announcing the 2023/24 Grant allocations, Local Authorities were advised of an **indicative** allocation for 2024/25 of £15.288m equating to £39.53 per head based on population projections.
- 19.52 On 7 December 2023 the joint board agreed that the growth in this allocation would be retained by each respective partner Council. Each partner received delegation to the Director of Public Health in consultation with the Portfolio holders and section 151 officers to allocate towards enhancing service delivery in line with the conditions of the grant i.e. to support public health outcomes in each Council.

Corporate Services

- 19.53 The overall budget proposed for Corporate Services is an increase of £2.7m, to £38.369m.
- 19.54 The proposals incorporate identified budget pressures of £4.1m partially offset by cost reductions of £1.4m. The increase is largely related to pay, pension and inflationary changes together with reductions in some income streams. Further details are identified in Appendix 1.
- 19.55 Corporate Services consists of the Corporate Development Directorate, Business Insight, Intelligence and Communications, and the Legal and Democratic Services teams.
- 19.56 From January 2024 Customer and Cultural services will move from the Place Directorate to the Corporate Development directorate. Budgets will be realigned and reported on in the Quarter 4 2023/24 financial management report.

19.57 The role of Corporate Services is fourfold:

- a) to set strategic direction and support performance, strategy and delivery
- b) to provide direct support and services to residents (e.g., the Revenues and Benefits team and the Land Charges Service)
- c) to support the rest of the organisation so they can provide the best services they can within financial and legal constraints.
- d) to provide those essential corporate & democratic services required of a Council of our size and scale.

19.58 During 2023/24 the department has continued to provide crucial services which have enabled the Council to function as well as continuing to deliver significant front-line response including business grants, enhanced business rates reliefs, and other national initiatives.

20 Transformation and savings opportunities

20.1 Work continues to identify savings and transformation over the longer term for continuing input into the MTFP and the Budget Strategy. This work is regularly reviewed through the relevant Boards and Committees.

20.2 As part of setting the 2024/25 budget a required saving from the Our Future Council transformation programme is £12m.

20.3 In November 2022, cabinet endorsed “Our Future Council” transformation programme to support the council in delivering a balance budget, as set out in the medium-term financial plan. The Council committed to transforming the way council services operate through use of technology, improving how systems operate, enabling customers to self-serve, through improved online access, and by reviewing our existing and future use of assets. This is aligned with the council’s priority of ‘becoming a more responsive and customer focused council’.

20.4 Through this programme the council aims to move beyond convergence and comprehensively review how it is organised and how we could work even more closely with our communities and partners. Central to this 7-year transformation plan is a renewed emphasis on our priorities, customers, and communities, with a resolute commitment to placing people and outcomes above our internal organisational boundaries and bureaucracy.

20.5 Recognising any major transformation programme will require time to deliver during 2024/25 any non-delivery will be underwritten by use of reserves. This may seem like stating the obvious, as any overspend experienced in a financial year which cannot be offset elsewhere during the year ultimately results in a drawdown of reserves. The reason for including this statement in the report is to be explicitly clear with the Council that this will be required in the event the savings requirement is not achieved in-year.

- 20.6 The Council has a track record of delivering significant savings since becoming a Unitary, as evidenced by the report to Cabinet in September 2023 outlining savings delivered so far are in excess of £96m. This track record of delivery provides a level of assurance that the required OFC savings are achievable.
- 20.7 There have been well documented instances of Local Authorities setting transformation targets which have for one reason or another not been delivered. This is therefore a commitment which cannot be made lightly, and in the event that the savings requirement is not met by the time the Council sets its 2025/26 budget, then these savings will need to be made another way. This offer of an effective 'underwrite' is for 2024/25 only.
- 20.8 This underwrite, provides a financial buffer to allow the work to be brought forwards and delivered during 24/25, with the full year effect being realised in 25/26 at the latest.
- 20.9 Therefore, to allocate up to £12m reserves in this way is seen as temporary, not recurrent.

21 Risk

General uncertainty, the pandemic and a single-year settlement

- 21.1 There is risk in any set of budget proposals. Like every council – and Government itself - we are facing a number of potential scenarios each of which carry varying levels of volatility and uncertainty in our planning assumptions. Whilst Government has provided some policy ambition for 2024/25, these aims will be subject to the regular process of consultation as well as national and global events between now and when the next settlement is announced.
- 21.2 The Council is limited in what can be done at this stage to mitigate much of the environmental and economic risk, but we will remain focused on delivery of the work programmes required to support services to Dorset's residents, within the budget available. Continuous monitoring of the agreed budget will be key to ensuring we keep abreast of the operating environment and make important, well-informed, timely decisions about our activities and their consequences.
- 21.3 As the following risks have been somewhat foreseen, it is crucial that the Council continues to develop and deploy appropriate mitigation measures if these risks, or new risks materialise.

Inherent volatility in demand

- 21.4 The continued economic uncertainty means there remains considerable risk around our planning assumptions for growth in demand and pressure on costs. The funding proposals set out in this paper provide for reasonable forecasts of growth in demand for Adults' Services and Children's Services but both locally and nationally, demand for people services continues to challenge capacity and budgets.

Transformation and savings risks

- 21.5 Included within the proposals are a £12m savings requirement to be delivered. As mentioned earlier in the report there is an inherent risk in any transformation programme or other tactical savings plan in ensuring the right work is done in sufficient time to realise savings in line with the plan. These things are not always entirely within the Council's control – some will involve consultation; others require specific resources to be deployed to deliver them. As we saw during the pandemic and have continued to see during 2023/24 with Dorset being required to respond to National initiatives sometimes these plans cannot be delivered because officer time and effort is reprioritised elsewhere on urgent but unplanned activities that arise.

Inflation

- 21.6 For the purposes of this report, references to inflation are typically referring to the Consumer Prices Index (CPI) produced by the Office for National Statistics (ONS). This tracks how prices have changes in the 12 months prior.
- 21.7 There is also still significant inflationary pressure in the economy. The November 2023 inflation rate eased to 3.9% and opinion remains divided on whether this is a shorter-term, temporary phenomenon, or whether it will be longer-term, and sustained. Either way, it is important for the Council to include an element of price increases in its financial plans although we cannot provide for all of this because our budgets are effectively cash limited.
- 21.8 Whilst inflation has eased, this does not mean prices are reducing. Prices are still continuing to rise, just more slowly. This is a subtle, but significant point when setting a £376m budget.

21.9 As an example, based on ONS figures, a service which cost £100m in November 2021, if increased by CPI 10.7% would cost £110.7m in November 2022. By November 2023 CPI now means this costs £115m. Therefore, the cost has effectively increased by 15% over 24 months. This demonstrates the level of pressure faced when setting the 2024/25 budget.

Illustrative example of compound impact of CPI since November 2021				
Cost in Nov'21 (£)	CPI Nov'22	Cost in Nov'22 (£)	CPI Nov'23	Cost in Nov'23 (£)
100	10.70%	110.70	3.90%	115.02
300	10.70%	332.10	3.90%	345.05
375	10.70%	415.13	3.90%	431.31

21.10 Our approach to inflation to provide for general inflation at 3.2% and further specific inflation within service budgets where we know there will be particular pressures. It will be necessary for us to continue to carry out effective contract management so that we ensure that a robust and value for money approach is taken to supplier increases. We cannot afford to simply increase contract prices by inflation. We will work positively with our supply chain to discuss all aspects of contract performance – including pricing – but this must be within the context of overall affordability within the Council's budget. It is also the reason that we are recommending that some of the unallocated funding from the settlement is added to contingency for the time being.

High Needs Block

21.11 Dorset Council, like many other authorities nationally, has an accumulated overspend on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG).

21.12 The Regulations in place to provide for the current accounting treatment of this deficit were due to fall away on 1 April 2023 but this has now been deferred until 1 April 2026. The immediate risk of this overspend falling to the Council to fund has therefore subsided but longer-term risk remains that the overspend will fall to be funded by councils.

21.13 As mentioned earlier in the report Dorset Council is already implementing an ambitious plan to deliver additional, high-quality capacity and to achieve outstanding provision within the budget envelope, but this will take time as well as the resources the Council has already committed to the programme. Dialogue with DfE continues as part of the government's national Safety Valve programme.

Future national strategy implementation

21.14 There is considerable risk around the implementation of future national strategies for care services. We know that adult social care cap and associated reforms have been deferred to October 2025 but as we have seen, additional funding is still being provided, as mentioned earlier the financial implications are not clear.

21.15 There are further reforms which will impact on the MTFP in due course and these will be built into the Council's financial model as and when more policy and financial detail is available.

Risk management and reporting

21.16 The Council has robust governance and reporting processes around risk and concerns around containing expenditure within the budget can be escalated through this framework at any time. The S151 Officer is required to provide assurance as part of the Budget Strategy, and this is set out later in this report.

21.17 The S151 Officer has also commissioned SWAP to continue to review the work that has been done to underpin the assurance statement that is given in this budget report and that will be reported to the Audit and Governance Committee in due course.

22 Reserves, balances, contingency and resilience

General funds

22.1 The balance of Dorset Council's general fund closed at £34.75m on 31 March 2023. Any overspend in the current year will impact on that balance unless it is financed via the use of other reserves.

22.2 In 2018 the Shadow Council commissioned an independent report from the Chartered Institute of Public Finance and Accountancy (CIPFA) which recommended that the Council should retain a **minimum of 5%** of its budget requirement as a general fund reserve. The S151 Officer recommends this approach is continued for 2024/25 and with reference to the net budget requirement calculation set out in Appendix 1, Cabinet is recommended to agree a **minimum level** for the general fund of £18.8m.

22.3 However, as in previous years with similar risk and volatility of planning assumptions, prudence would suggest a need to hold a higher level of general reserves to provide for risks which are not mitigated through specific, earmarked, reserves. Cabinet is therefore recommended to continue to set a level of general reserve at 10% of its budget requirement. This 10% recommendation sets an operating range therefore be set between £18.8m to £37.6m. Outside of these parameters, intervention will be required to lower or raise the general fund balance.

22.4 As reported in the 2022/23 outturn [report](#) General Fund reserves have increased from £28.2m as at 31st March 2020 to £34.75m as at 31 March 2023. An update on the reserves position as at 31st March 2024 will be included in the 2023/24 outturn report presented to Cabinet in the summer of 2024. The increase in General Fund reserves demonstrates the continued commitment to this prudent financial management.

Other reserves and reserves strategy

- 22.5 As well as the general fund, the Council has other earmarked reserves which are earmarked for a specific purpose. Typically, these are set aside to mitigate against specific risks that may arise during the year or beyond or they are restricted to only being used for a specific purpose e.g. s106 balances. These reserves cannot be repurposed without impacting on the mitigation they provide against the risk profile of the organisation. A fuller narrative on risks and reserves was provided as part of the 2022/23 outturn [report](#) to Cabinet and no change to those reserves is proposed at this stage other than for the general fund.
- 22.6 As reported in the 2022/23 outturn [report](#) earmarked reserves have increased from £85.4m as at 31st March 2020 to £140.1m as at 31st March 2023. An update on the reserves position as at 31st March 2024 will be included in the 2023/24 outturn report presented to Cabinet in the summer of 2024.
- 22.7 In its policy announcement on 12 December, Government signalled its intention to sustain focus on the levels of councils' reserves, particularly given the substantial increases in balances seen at some councils during the pandemic years. The Government will explore a potential user-friendly publication on local authority reserves, using data currently collected through the local authority revenue expenditure and financing (outturn) statistics. The exact use to which this information will be put remains uncertain at this stage.

Contingency budget

- 22.8 It is prudent for any organisation to set a contingency budget to provide for unforeseeable circumstances arising during the year. The key is to set the contingency budget as accurately as possible, so it strikes a good balance between allowing the organisation to manage risk whilst not causing a diversion of material funds away from front line services where there are clearly continuing pressures.
- 22.9 For 2023/24, the contingency budget was set at £8.6m and provided for some fairly specific risks around inflation and pay award costs being in excess of funding provided in services own base budgets. These risks remain, although as part of the proposed 2024/25 budget a number of these risks and reasons for using the contingency in 2023/24 have now been provided for as part of rebasing some elements of the budget in 2024/25. As a result there is the potential to prudently reduce the amount required in the contingency budget. Therefore, it is recommended that the Council sets the contingency budget at £5m.

Resilience

- 22.10 The proposed level of the general fund, the specific, earmarked reserves available, and the contingency budget all support resilience alongside a robust budget process that has taken place during the budget setting process.

22.11 The Council is also continuing to develop its value for money framework and reports are regularly taken to Audit & Governance Committee on this subject. Value for money is a key and continuing cornerstone of good governance and it is essential that it is embedded in every financial decision we make. Given the financial pressures that are building in the system, and continuing price and demand pressures on the Council's budgets, value for money is essential in managing what are essentially cash-limited funds whilst delivering excellent value services for residents.

23 Capital programme [Note Section to be updated with latest Q3 figures for 30th January Cabinet]

23.1 The Council's capital programme has been significantly impacted by inflation in the construction sector which continues to cause delays to work.

23.2 Increases in the Minimum Revenue Provision budget (MRP) and Interest Paid budget have been factored in to the 2024/25 revenue budget to meet the needs of the existing capital programme. Since the capital programme was set, interest rates have continued to rise which has meant the revenue impact to the capital programme has increased.

23.3 At this stage, the S151 Officer is therefore advising against further projects being approved as part of the budget setting process. If the Council proceeds within the currently agreed capital total, there will be no further pressure on the revenue budget in 2024/25.

23.4 Given the finite resources, both in terms of financial resources as well as capacity within staff/contractor resources the Capital programme over the short term is essentially fully committed.

23.5 However, there are opportunities to deliver additional projects through exploring the following options:

- a) **Self-funding** – projects which deliver future reduced costs or generate income that are at least equal to the financing costs of the delivery are able to be added to the programme without putting further pressure on central financing costs. Examples of this could include housing projects where the cost of spot purchasing short term temporary accommodation is more expensive than the fixed financing costs and ongoing property management costs.
- b) **Increased capital receipts** – the capital programme assumes £12.1m of receipts over the 4-year plan. In the event that additional capital receipts are realised, this can be used to fund further capital delivery without incurring additional interest costs.

- c) **Changes to interest rates** – The UK is currently experiencing much higher interest rates than have been seen in recent years. At the time of writing 30 year borrowing via PWLB is in excess of 5%. If interest rates were to materially reduce, this would reduce the financing costs associated with capital programmes. This could mean the current budgets for interest payable, could then be allocated to new projects as the Council could afford higher levels of capital spend.
- d) **External contributions** – projects which are fully or partially funded by external contributions (grants, S106/CIL, developers contributions etc.) all have reduced financing costs as these external contributions reduce the amount of money required to be borrowed to deliver the scheme.

23.6 The Capital Strategy and capital programme for the MTFP period, which totalled almost £350m, was agreed by Cabinet in March 2023. Since that date there have been further updates, so the programme as at **Q2 of 2023/24** stands at £357.2m for the next five years, as summarised in the table below.

Capital Programme	Total Budget					
	2023/24	2024/25	2025/26	2026/27	2027/28	Total Budget
	£'000	£'000	£'000	£'000	£'000	23/24-27/28
Full external funding	10,712	9,340	485	95	0	20,632
Partial external funding	72,490	8,311	0	0	0	80,801
Partial external funding	0	40,310	23,652	29,563	0	93,525
Council funded	25,688	33,560	25,315	(7,811)	(10,400)	66,352
Funded from other Reserves	0	0	0	0	0	0
Capital Receipts Applied	1,000	9,100	1,000	1,000	1,000	13,100
Minimum Revenue Provision	10,053	12,553	13,953	15,103	17,000	68,662
Self Funded	840	5,705	4,065	2,565	914	14,089
Total funding	120,783	118,879	68,470	40,515	8,514	357,161

23.7 The budget movements in 2023/24 are outlined in the table below;

Directorate	01/04/2023 £,000	Adjustments £,000	Re-profiling £,000	New funding £,000	31/12/2023 £,000
Adults & Housing	17,346	0	-9,637	4,759	12,468
Childrens	17,580	152	-5,151	6,480	19,061
Place	95,501	-8,515	-29,531	25,908	83,363
Corporate	4,978	1,558	-1,145	500	5,891
Total	135,405	-6,805	-45,464	37,647	120,783

23.8 The spend to date against the 2023/24 capital budget is shown below:

Directorate	No. of projects	Project Budget £,000	Spend / Commitments £,000	Variance £,000	% Spent
Adults & Housing	15	12,468	8,866	3,602	71%
Childrens	18	19,061	8,195	10,866	43%
Place	149	83,363	47,651	35,711	57%
Corporate	9	5,891	1,461	4,430	25%
Total	191	120,783	66,173	54,609	55%

23.9 There are likely to be further projects and programmes that arise during the year through funding from external resources, and these will be incorporated into the programme and reported to Cabinet each quarter.

23.10 Members may wish to note the proposals to continue with a capital contingency budget and a minor works budget. Both of these currently work well and allow flexibility to address unforeseeable pressures that arise in the year without recourse to Cabinet in advance.

24 Engagement with and scrutiny of the budget [Note, section to be updated post-scrutiny, factoring in committee feedback]

24.1 *The proposals set out in this Budget Strategy and MTFP have been developed over a considerable period. The Council operates a ten-year, rolling financial model and this is consolidated into a five-year MTFP, the first year of which is the budget. Although the proposals for 2024/25 have therefore been some time in the making, it is in the year of preparation that any budget proposals come under most scrutiny.*

24.2 *In order to make the development of the budget inclusive, there have been a number of cross-party engagement sessions for all members as well as specific budget task and finish groups which have taken place during the year. There are also specific directorate-focused arrangements in place for Portfolio Holders and Lead Members and any member can ask questions or request information about financial management at any point.*

24.3 *As well as quarterly financial reports to Cabinet to keep all members abreast of budget development, there is also a separate and specific paper on early stages of budget process, principles and strategy which went to Cabinet in November 2023. Following this, was a good level of member engagement before during and after the two informal briefing events that took place prior to the meeting of the People and Health Scrutiny Committee and the Place and Resources Scrutiny Committee on 12 & 17 January 2024. Feedback from both Committees along with Cabinet responses [will be] set out in Appendix 6 [Appendix 6 will be available for Cabinet].*

24.4 Cabinet [will be] receiving all of these, post-scrutiny proposals for consideration and recommendation to full Council in February 2024.

25 Consultation, communication and equality

- 25.1 The 2024/25 budget proposals are driven by the Dorset Council Plan and priorities. The Plan was initially agreed by Council in February 2020 following wide consultation with partners, the public, local businesses, Town and Parish Councils, employees, and other stakeholders throughout Dorset. More than 1,600 responses were received through the consultation, and these were used to shape - and continue to shape - the new Council's priorities, as reflected in the budget proposals and MTFP.
- 25.2 As an integral part of the Council's budget planning, the process of setting Council Tax involves consultations with major precepting authorities, including the Office of the Police and Crime Commissioner, the Dorset and Wiltshire Fire and Rescue Service, and local precepting authorities such as town and parish councils. During this budgetary procedure, the Council engages with these preceptors to thoroughly understand and incorporate their individual budget requirements. These consultations specifically focus on proposed plans for Council Tax levels and the respective precept needs of the preceptors.
- 25.3 This collaborative approach ensures that Council Tax rates are set in a manner that aligns not only with the Council's financial strategy but also takes into account the needs of the preceptors within our community.
- 25.4 The Executive Director for Place also leads consultation with the business sector and managers throughout the organisation share information regularly with businesses in the supply chain to ensure they are aware of and can contribute to the conversations around priorities and resources.

26 S151 Officer assurance

- 26.1 Part 2 (Section 25) of the Local Government Act 2003 requires officers with responsibilities under s151 of the Local Government Act 1972 to make a statement regarding the robustness of estimates and the adequacy of reserves at the time the budget is set.
- 26.2 There are also other safeguards aimed at ensuring local authorities do not over-commit themselves financially. These include:
- a) the Chief Financial Officer's powers under section 114 of the Local Government Act 1988, which requires a report to the Cabinet and to all members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget;
 - b) the Local Government Finance Act 1992, which requires a local authority to calculate its budget requirement for each financial year, including the revenue costs which flow from capital financing decisions. The Act also requires an authority to budget to meet its expenditure after taking into account other sources of income. This is known as the balanced budget requirement;

- c) the Prudential Code, introduced under the Local Government Act 2003, which has applied to capital financing and treasury management decisions;
- d) the assessment of the financial performance and standing of the authority by the external auditors, who give their opinion on the Council and the value for money it provides as part of their annual report to those charged with governance.

- 26.3 The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management in each of the Council's service directorates. Dorset Council's scheme of financial management sets out the responsibilities of all those involved in managing budgets and incurring commitments on behalf of the Council. The revised financial strategy statement is also a key document in setting out financial management arrangements, responsibilities and strategy for the Council.
- 26.4 Whilst financial projections are based on realistic assumptions, known demand and well-formed models, some budgets are subject to a degree of estimation error as actual expenditure can be determined by factors outside of the Council's control, for example demand for provision for adults with complex needs. Some activity is also subject to more volatility and things can change very quickly and unexpectedly.
- 26.5 It is also generally not appropriate or affordable to increase budgets simply to reflect overspends in current or previous years. A reasonable degree of challenge to manage within the resources available is necessary and monitoring of expenditure, in order to take corrective action if necessary, is particularly important during a time of budget reductions.
- 26.6 The Council has well-developed arrangements for financial monitoring during the year. Budget performance is reported quarterly through the Cabinet and scrutinised by a number of other committees, including Audit & Governance Committee. There is also a well-defined model of finance staff working as business partners alongside service managers to support financial management and control. The Council's financial management system also operates on a self-service basis, enabling all officers to interrogate financial information at any point in time.
- 26.7 Finance business partners routinely report to Directorate Leadership Teams each month and the S151 Officer meets weekly with the Cabinet Member for Finance, Commercial & Capital Strategy. There is also an officer group - Capital Strategy and Asset Management Group (CSAM) - that monitors progress against the current capital programme and deals with the pre-Cabinet governance arrangements for managing the bidding and financing process for all capital expenditure proposals to Cabinet.

- 26.8 Member involvement in budget development has been extensive again this year, particularly through meetings of the Performance Leadership Board, regular update reports to the Portfolio Holder, Leader and Deputy Leader, the wider Cabinet and in all-member briefings as well as the task and finish groups.
- 26.9 The budget itself has also been subjected to all-councillor scrutiny, firstly through two briefing sessions, led by Portfolio Holders and Executive Directors, then more formally through the People and Health, and the Place and Resources Scrutiny Committees which were held in January 2024. These budget proposals have therefore been developed by the Council's officer group, led by the Executive Directors, and with significant input from members, and co-ordination by the finance team. In order to gain further assurance about the affordability of the Council's strategy and plans, each Executive Director is taking personal responsibility for their budget through a formal sign-off process which will also form part of their performance assessment during the year.
- 26.10 The Internal Audit Service have worked alongside the Council observing the budget setting process. Taking all these factors into consideration, I consider that the estimates prepared in line with the strategy explained in this report to be robust.
- 26.11 I also consider the levels of reserves, as set out earlier in this report, to be adequate for the risks that the Council is currently able to anticipate. The deferring of the end date of the Regulations around the DSG overspend is helpful in providing this assurance but the longer-term risk remains and the Council is focused on delivering the conditions of the Safety Valve agreement which will eventually remove this risk.
- 26.12 Despite the steps taken to gain assurance and the processes, controls and monitoring that the Council has in place, the challenge and complexity of managing activity and associated expenditure within these estimates should not be underestimated. Against the backdrop of the events of the last two and a half years, and our inability to be more certain over funding arrangements beyond the first year of our MTFP, the future will therefore remain challenging and balancing future years' budgets will require sustained transformation. Continued, close monitoring – as referenced in our processes, above - will be required during the year and prompt action will be needed if performance and forecasts vary materially from budget.

27 Summary and conclusions

- 27.1 The financial climate remains extremely challenging. Although the Spending Review will allow us to make progress in many key areas of transformation and service improvement, a single-year settlement for local government still hampers our ability to invest effectively in future service strategy.
- 27.2 There are clearly still challenges ahead meaning the Council started planning for 2024/25 early to develop and implement robust plans to fit within our assumed budget envelope and to keep all members well informed around budget development and strategy.
- 27.3 Members of the two scrutiny committees have considered the information in the draft budget proposals as part of their scrutiny processes and their feedback and recommendations are set out in Appendix 7 for Cabinet's consideration.
- 27.4 Whilst I believe these budget estimates to be robust and that reserves are adequate, significant risk remains due to the global economic environment.

Aidan Dunn

Executive Director of Corporate Development

Appendix 1 – Budget summary

Original Budget 2024/25	£'000 Pay	£'000 Non-Pay	£'000 Fees & Charges	£'000 Grants /Funding	£'000 Movement in Balances	£'000 Net Budget (2024-25)
People Services – Adults & Housing	33,835	214,532	(70,288)	(23,431)	(261)	154,387
Service user related	253	191,016	(55,341)	(16,398)	0	119,531
Adult Care Ops	21,834	330	(4,910)	(106)	0	17,147
Commissioning	5,375	12,549	(4,973)	(4,291)	(261)	8,399
Director Office	799	3,114	0	(736)	0	3,177
Housing	5,158	7,521	(5,063)	(1,900)	0	5,716
Building Better Lives	416	2	0	0	0	418
Corporate Development	33,744	77,510	(12,793)	(64,804)	(2,975)	30,682
Finance & Commercial	12,552	71,343	(9,001)	(64,804)	0	10,090
Human Resources	6,150	354	(2,253)	0	(279)	3,971
Digital & Change	3,102	91	(102)	0	(748)	2,343
ICT Ops	5,848	4,240	(1,320)	0	0	8,768
Director	(88)	155	0	0	0	67
BI & Performance	1,382	19	0	0	0	1,401
Comms & Engagement	1,253	159	(37)	0	0	1,375
Community Grants	386	972	0	0	0	1,358
Chief Executive Office	1,136	173	0	0	0	1,309
Transformation	1,494	0	0	0	(1,494)	0
Climate & Ecological	530	4	(81)	0	(454)	0
Place	73,798	108,169	(65,865)	(5,816)	(311)	109,975
Economy, Infrastructure, Growth	25,910	59,000	(27,511)	(4,799)	(645)	51,955
Place	34,936	37,520	(27,051)	(684)	588	45,309
Customer Services, Libraries, Archives	7,552	2,358	(1,756)	(333)	0	7,822
Directors Office	499	1,687	(1)	0	0	2,185
Assets & Regeneration	4,900	7,605	(9,547)	0	(254)	2,704
People - Children	50,962	54,137	(7,307)	(13,329)	0	84,462
Quality and Assurance	2,922	210	(329)	(19)	0	2,784
Care & Protection	22,379	44,801	0	(4,341)	0	62,838
Commissioning & Partnerships	8,020	(2,882)	(3,314)	(667)	0	1,158
Education & Learning	13,686	3,508	(2,316)	(1,659)	0	13,219
Director's	3,954	8,500	(895)	(6,643)	0	4,916
DSG Recharge	0	0	(454)	0	0	(454)
Legal & Democratic	5,973	2,853	(1,139)	0	0	7,687
Assurance	1,227	585	(61)	0	0	1,751
Democratic & Electoral	1,145	2,118	(136)	0	0	3,127
Land Charges	482	1	(750)	0	0	(268)
Legal	3,119	150	(192)	0	0	3,077
Public Health	4,284	22,859	(13,521)	(13,622)	0	0
Public Health	4,284	22,859	(13,521)	(13,622)	0	0
Central Finance	7,178	10,897	(4,697)	(29,147)	4,829	(10,939)
General funding	5,473	(167)	(697)	(29,034)	(12,041)	(36,467)
Capital financing	0	10,257	(4,000)	0	11,901	18,158
Contingency	0	0	0	0	4,969	4,969
Precepts	0	788	0	(112)	0	676
Retirement Costs	1,705	19	0	0	0	1,725
Total Non-Schools Budget	209,774	490,957	(175,610)	(150,149)	1,282	376,254
Schools Budget	0	330,108	0	(330,108)	0	0

Original Budget 2024/25	£'000 Pay	£'000 Non-Pay	£'000 Fees & Charges	£'000 Grants /Funding	£'000 Movement in Balances	£'000 Net Budget (2024-25)
Budget Requirement 2024/25	209,774	821,064	(175,610)	(480,257)	1,282	376,254
FUNDING						
Business rates Top Up						(63,976)
Revenue Support Grant (RSG)						(698)
Council Tax Surplus						(307,876)
New Homes Bonus						(938)
Rural Services Delivery Grant						(2,766)
						(376,254)

Appendix 1b

Cost type analysis – budget 2024/25

Cost Type	Original Budget 2024/25 £'000
Internal Charges (Expenditure)	9,467
Authority (Democratic)Costs	1,939
Pay Related Costs	209,774
Premises Related Costs	22,822
Transport Related Costs	35,719
Supplies and Services	445,450
Transfer Payments	133,029
Levies & Precepts	788
Third Party (Contracted Out) Payments	170,906
Net Schools Budget	945
Contingency and Movement in Reserves	1,282
Gross Expenditure	1,032,121

Government Grants (Specific)	(480,257)
Income, Fees & Charges	(175,610)
Gross Income	(655,867)

Budget Requirement	376,254
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Council Tax	307,876
Business Rates	63,976
New Homes Bonus	938
Rural Services Delivery Grant	2,766
Revenue Support Grant	698
Total Funding	376,254

Appendix 1c

Dorset Council summary movements in budget 2023/24 to 2024/25

	Adjusted base budget 23/24	Draft base budget 24/25	Increase in base after adjustments	%
Adults & Housing	£147,218,371	£154,387,356	£7,168,985	5%
Childrens	£77,760,595	£84,462,153	£6,701,558	9%
Corporate	£35,626,263	£38,368,703	£2,742,440	8%
Place	£86,648,730	£109,974,703	£23,325,973	27%
Central Finance	£299,017	(£10,939,359)	(£11,238,376)	N/A
Total	£347,552,976	£376,253,556	£28,700,580	8%

Council Tax, Business Rates and Central Grants Funding	(£347,552,976)	(£376,253,556)	(£28,700,580)	8%
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Appendix 1d

Adults Services & Housing – summary of movements

Adults and Housing base budget position 2023/24 after adjustments	£147,218,371
Pay inflation	£1,391,184
General Inflation	£6,130,881
Fees and Charges income	(£1,726,747)
Gas and Electricity costs	£154
Cost of increments & pay award	£950,234
Increase in business rates	£3,119
<u>Pressures</u>	
Growth in Adults	£6,920,160
Housing Benefit subsidy shortfall	£1,500,000
<u>Savings</u>	
Market management	(£5,000,000)
Working age accelerator	(£500,000)
HomeFirst Accelerator	(£926,000)
Accommodation with support	(£74,000)
Commissioned Community Care	(£1,500,000)
Adults and Housing current base budget for 2024/25	£154,387,356
Increase in base	£7,168,985

Appendix 1e

Corporate Development and Legal & Democratic Services – summary of movements

Corporate Services base position 2023/24 after adjustments	£35,626,263
Pay inflation	£1,802,013
General inflation	£141,153
Fees and Charges income	(£198,624)
Gas and Electricity costs	£0
Cost of increments & pay award	£1,014,056
Pressures	
Pay awards for 23/24 & 24/25 will increase Apprenticeship Levy	£70,220
Scrutiny Support Officer	£46,586
Graduates	£45,800
LGA registration Fees	£6,400
IT additional costs for DC overall support	£614,000
Income shortfall due to reduced demand	£63,000
External Audit Fees	£288,700
Savings	
Automate invoice processing within the financial exchequer team	(£30,000)
Improved debt recovery by centralising invoicing/debt function – saving the organisation money in reduced debt write offs. Value is the net effect as would bring in an additional post to chase more debt.	(£150,000)
Risk based budget monitoring	(£50,000)
IT Savings	(£741,000)
Climate business rates retention	(£179,864)
Corporate Services current base budget for 2024/25	£38,368,703
Increase in base	£2,742,440

Appendix 1f - Place – summary of movements

£

Place base position 2023/24 after adjustments	£86,648,730
Pay inflation	£3,306,365
General inflation	£1,599,004
Increase in business rates	£176,920
Fees and Charges income	(£2,522,236)
Gas and Electricity costs	£398,417
Additional cost of pay award & increments	£2,814,808
Pressures	
Reduction in school joint use allocation	£729,995
DIY charges at HRC	£500,000
Permanent base budget of CD Assets and Property	£157,500
Realignment of DMR budget	£1,079,000
Leisure contracts increase	£54,000
Community Safety costs	£45,000
Waste disposal tonnages	£364,000
Housing cost recovery - saving no longer being achieved	£65,000
Public toilet closure - saving no longer being achieved	£84,000
Tourism income not achieved	£40,000
Ash die-back costs	£150,000
Coast and Greenspace general pressure	£17,000
Leisure general pressure	£3,000
Flood and coastal general pressure	£42,000
Dorchester Market	£68,000
POPs pressure	£508,000
Waste operations general pressure	£384,000
Fleet staff savings no longer being achieved	£50,000
Dorset Travel overspend in 2023/24	£6,900,000
Waste strategy contract prices over and above inflation	£452,000
Dorset Travel growth for 2024/25	£5,100,000
Waste Strategy HRC uplift	£234,000
Apprentices for Greenspace	£220,000

Out of Hours Service (full year effect - £400k)	£140,000
Realignment of Car Parking income	£3,500,000
Realignment of premises related costs	£304,600
Planning reduction of income	£900,000

Savings

Coombe House & SWH income	(£100,000)
Withdrawal from QE	(£331,000)
Asset & regeneration operational savings	(£140,969)
Waste trade and garden additional income	(£500,000)
Glass recycle savings	(£325,000)
Realignment of fuel	(£250,000)
Place Service operating efficiencies	(£582,000)
Economic Growth & Infrastructure Vacancy/Sickness management	(£484,000)
Highways operating efficiencies	(£225,000)
Increase in Highways income	(£484,299)
Increase income from Libraries, CSU and Archives	(£165,000)
Customer Services operating efficiencies	(£190,056)
Archives operating efficiencies	(£55,000)
Libraries operating efficiencies	(£47,000)
Holiday lets - trade waste	(£50,000)
Reduction in vehicle parts	(£30,000)
Place Services vacancy management	(£70,000)
Street cleaning reduction	(£350,000)
Reduction in agency costs - Waste ops	(£159,076)

Place current base budget for 2024/25	£109,974,703
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Increase in base	£23,325,973
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Appendix 1g - Children's Services – summary of movements

Children's base position 2023/24 after adjustments	£77,760,595
Pay inflation	£2,235,340
General inflation	£1,488,725
Fees and Charges income	(£112,591)
Gas and Electricity costs	£5,407
Increase in business rates	£9,986
Cost of increments & pay award	£1,383,773
Pressures	
Children in Care financial growth	£1,355,918
Grow our own social workers	£220,000
High Needs Recharges	£250,000
July forecast pressures	£2,000,000
Unaccompanied Children	£300,000
LAG Funding	£600,000
Removal of the part-traded services income target	£600,000
CWAD demand pressure	£500,000
B2SA Head of Service	£115,000
Savings	
Childrens Home Project	
Our Family Digital Offer	(£750,000)
Family Hubs	(£750,000)
Mockingbird	(£750,000)
Safeguarding Families Together	(£1,250,000)
Birth to Settled Adulthood	(£750,000)
Children's current base budget for 2024/25	£84,462,153
Increase in base	£6,701,558

Appendix 1h

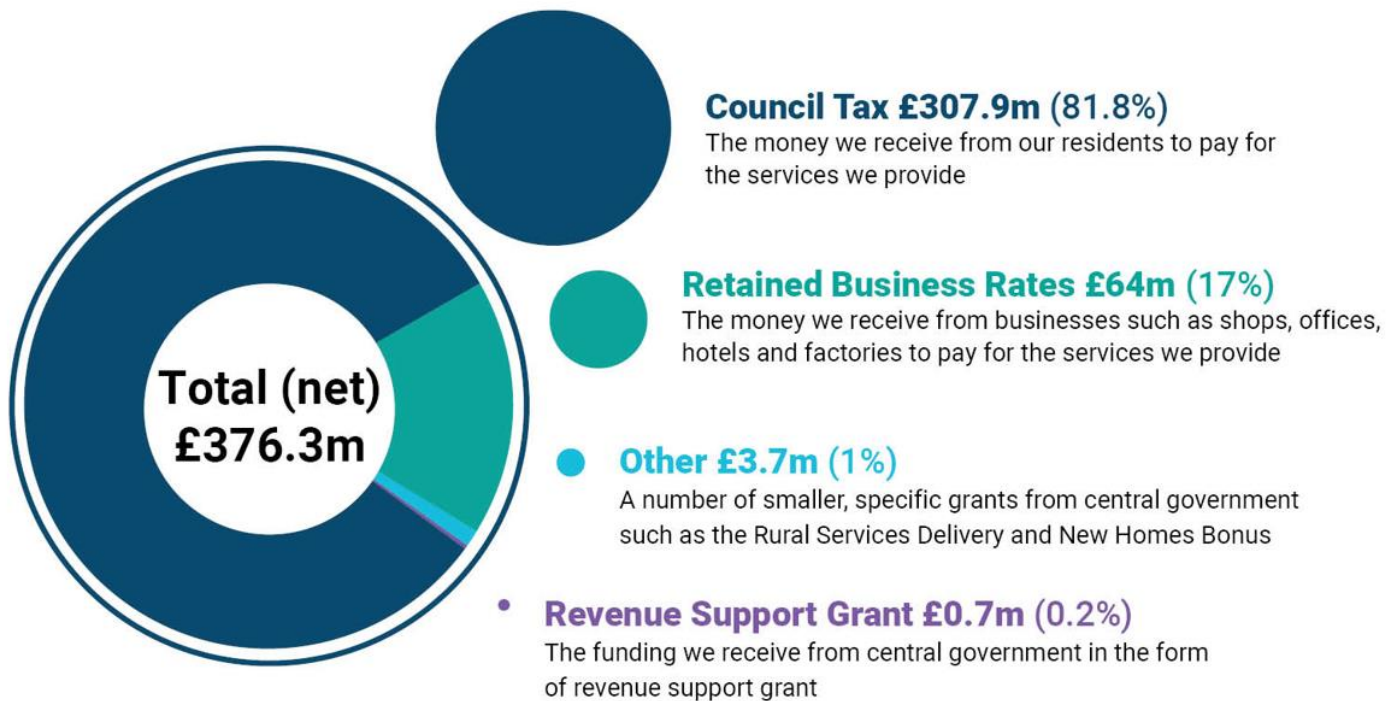
Central budgets – summary of movements

Central Finance base budget position 2023/24 after adjustments	£299,017
Changes to rates	(£190,025)
Decrease in grants	£141,980
Interest paid for capital programme	£660,000
Reduction in bad debt provision	(£500,000)
Contribution from Health	£2,500,000
Reduction in contingency	(£3,600,000)
Savings from Our Future Council Programme	(£12,040,831)
Increase in MRP	£1,500,000
Increase in levy costs	£50,500
LGPS secondary rate	£240,000
Central Finance current base budget for 2024/25	(£10,939,359)
Increase in base	(£11,238,376)

Appendix 1i

Sources of funding

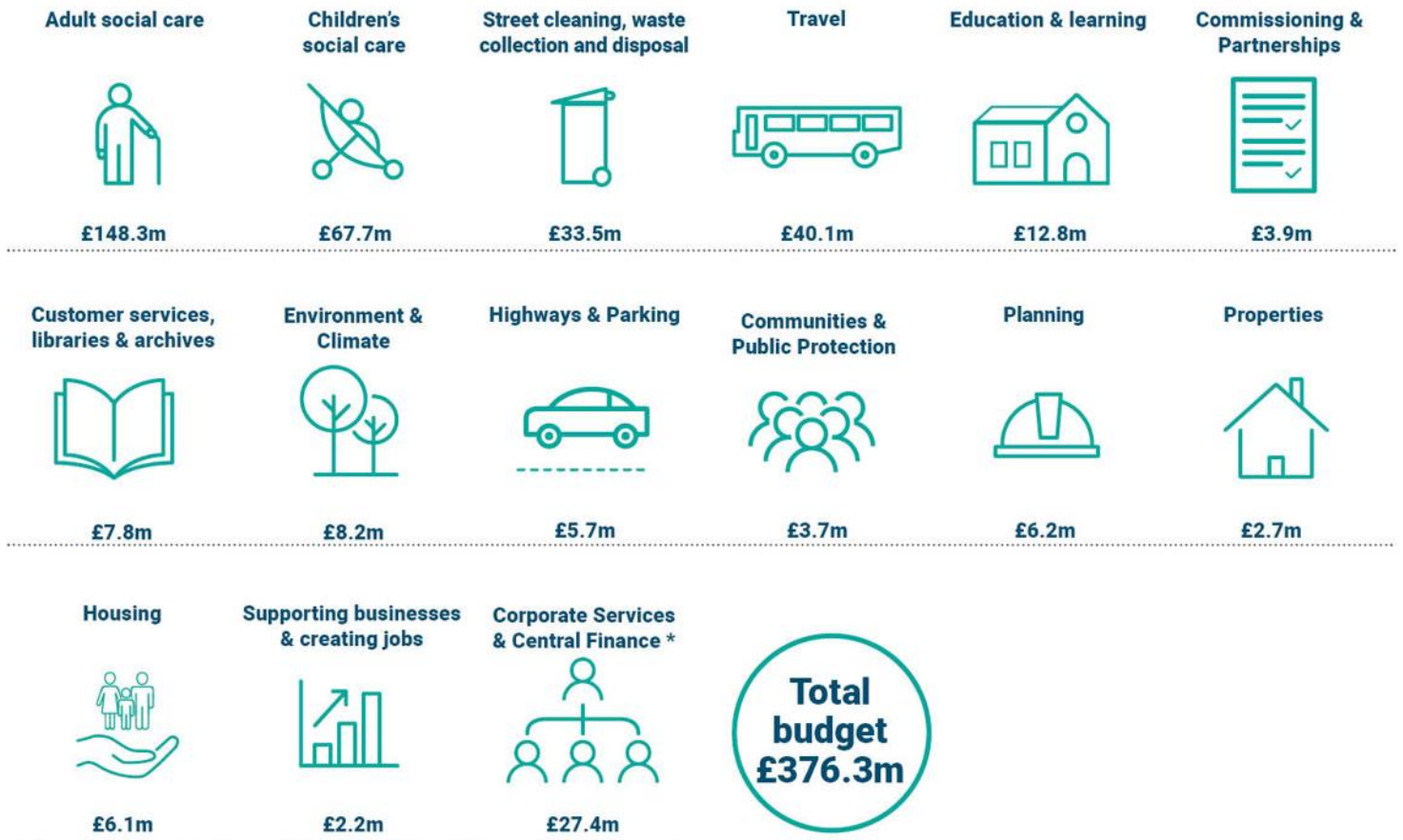
2024/2025 - Dorset Council sources of funding



Appendix 1j

How the budget is spent

2024/2025 - How will Dorset Council spend its money?



* Includes Revenues & Benefits, Finance, Procurement, Human Resources, IT, Legal and Democratic Services.

Appendix 1k – Budget changes from 2023/24 to 2024/25

	£'000 Net Budget 2024/25	£'000 Net Budget 2023/24	£'000 Change from 2023/24 - 2024/25
People Services - Adults	154,387	147,218	7,169
Service user related	119,531	118,417	1,113
Adult Care Ops	17,147	15,243	1,904
Commissioning	8,399	6,535	1,863
Director Office	3,177	2,606	572
Housing	5,716	4,030	1,686
Building Better Lives	418	387	31
Corporate Development	30,682	28,553	2,129
Finance & Commercial	10,090	9,006	1,084
Human Resources	3,971	3,538	433
Digital & Change	2,343	2,160	183
ICT Ops	8,768	8,581	188
Director	67	35	32
BI & Performance	1,401	1,323	79
Comms & Engagement	1,375	1,249	127
Community Grants	1,358	1,333	25
Chief Executive Office	1,309	1,161	148
Climate & Ecological	0	169	(169)
Place	109,975	86,649	23,326
Economy, Infrastructure, Growth	51,955	35,225	16,731
Place	45,309	40,959	4,350
Customer Services, Libraries, Archives	7,822	7,412	410
Directors Office	2,185	596	1,589
Assets & Regeneration	2,704	2,458	247
People - Children	84,462	77,761	6,702
Quality and Assurance	2,784	2,625	159
Care & Protection	62,838	57,437	5,401
Commissioning & Partnerships	1,158	4,034	(2,876)
Education & Learning	13,219	11,653	1,566
Director's	4,916	2,715	2,201
DSG Recharge	(454)	(704)	250

	£'000 Net Budget 2024/25	£'000 Net Budget 2023/24	£'000 Change from 2023/24 - 2024/25
Legal & Democratic	7,687	7,073	614
Assurance	1,751	1,525	226
Democratic & Electoral	3,127	3,021	106
Land Charges	(268)	(369)	101
Legal	3,077	2,896	181
Public Health	0	0	0
Public Health	0	0	0
Central Finance	(10,939)	299	(11,238)
General funding	(36,467)	(26,618)	(9,849)
Capital financing	18,158	15,998	2,160
Contingency	4,969	8,569	(3,600)
Precepts	676	626	51
Retirement Costs	1,725	1,725	0
Total Budget after adjustments	376,254	347,553	28,701

Appendix 2

Council tax resolution

(for Council paper only, intentionally blank for Cabinet and Scrutiny Committees reports)

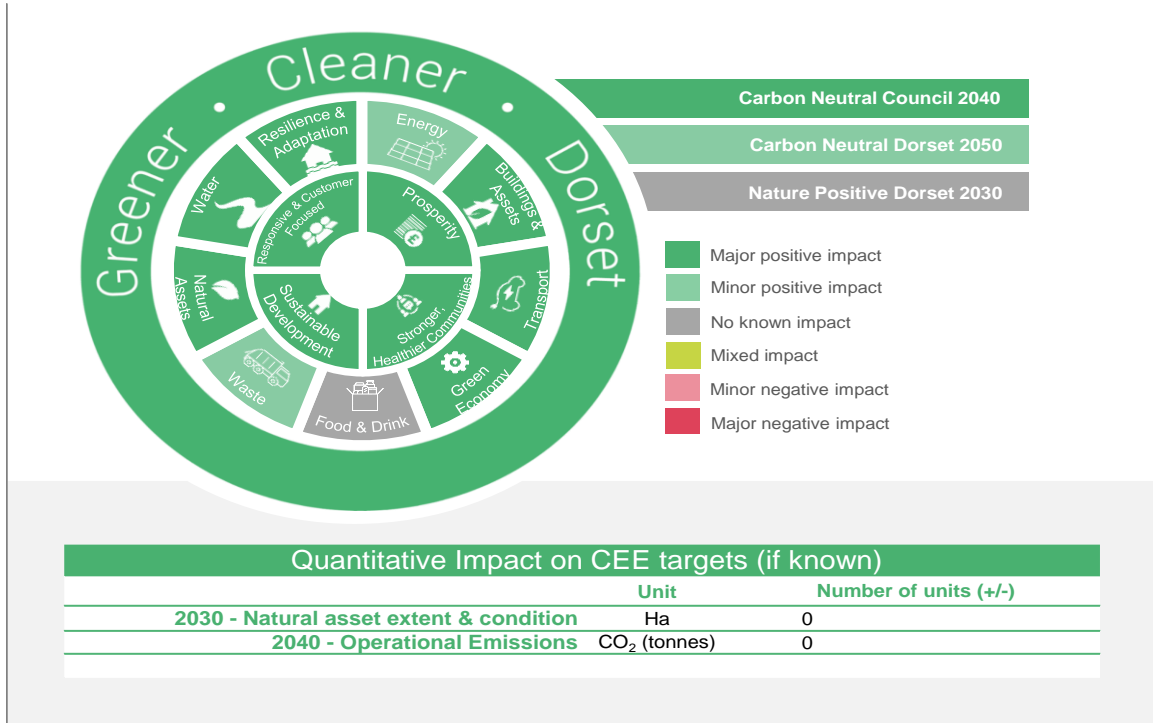
Appendix 3 – Capital Strategy

To be included in cabinet report

Appendix 4 - Treasury management strategy

To be included in cabinet report

Appendix 5 – Climate wheel



Natural Environment, Climate & Ecology Strategy Commitments	Impact
Energy	minor positive impact
Buildings & Assets	major positive impact
Transport	major positive impact
Green Economy	major positive impact
Food & Drink	No known impact
Waste	minor positive impact
Natural Assets & Ecology	major positive impact
Water	major positive impact
Resilience and Adaptation	major positive impact

Corporate Plan Aims	Impact
Prosperity	strongly supports it
Stronger healthier communities	strongly supports it
Sustainable Development & Housing	strongly supports it
Responsive & Customer Focused	strongly supports it

TABLE OF RECOMMENDATIONS

Recommendations	Responses -will this be incorporated into your proposal? How? And if not, why not?
Energy	
Find out energy use of buildings that are being brought into the Dorset Council carbon footprint, as this will affect our ability to hit our carbon reduction targets	
Find out energy use of any new build buildings that are being added to the Dorset Council carbon footprint, as this will affect our ability to hit our carbon reduction targets	
Support the acceleration of heating and energy and water efficiency through cavity and solid wall insulation, draught proofing, improved glazing and shading, and high energy and water efficient smart appliances	
Buildings & Assets	
No recommendations found for this category	
Transport	
No recommendations found for this category	
Green Economy	
No recommendations found for this category	
Food & Drink	
No recommendations found for this category	
Waste	
Look at ways to reduce the amount of waste produced	
Natural Assets & Ecology	
No recommendations found for this category	
Water	
No recommendations found for this category	
Resilience & Adaptation	
No recommendations found for this category	

Appendix 6 – Responses raised by Scrutiny Committee

To be included in cabinet report

Appendix 7 – Harbours Advisory Committee

The Harbours Advisory Committee met on the 22 November 2023 and set out the harbours 2024/25 budget considerations. The proposals are based on assumptions and principles that are consistent with those used for the rest of the Dorset Council budget. There are no specific items arising to draw to the attention of Cabinet or Council.

[Dorset Councils Harbours Budget and Fees Setting Report 1.pdf](#)

Appendix 8 – Flexible Capital Receipts Policy

To be included in cabinet report