

# Cabinet

30 January 2024

## Quarter 3 financial management report 2023/24

### For Decision

**Portfolio Holder:** Cllr G Suttle, Finance, Commercial & Capital Strategy

**Local Councillor(s):** All

**Executive Director:** A Dunn, Executive Director, Corporate Development

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**Report Status:** Public

#### Brief Summary:

This report comes to Cabinet with information about the Council's projected financial performance for the full 2023/24 financial year, being made at the end of Quarter 3, which reports on the period 1<sup>st</sup> April 2023 to 31<sup>st</sup> December 2023.

The Quarter 3 revenue budget is forecasting a variance of 1.01% which equates to £3.5m, the Capital budget has spent 67% of the profiled spend for 2023/24. Turning to the Council's sundry debt (unpaid invoices) this has reduced by £1.5m since Quarter 2 with 72% of old year debts now collected. In terms of collection of council tax and business rates, the in year performance remains slightly ahead when compared to the same point last year.

#### Recommendation:

Cabinet is asked to:

1. note SLT's forecast of the full year's forecast outturn, for the Council, made at the end of Quarter 3 including progress of the savings incorporated into the budget;
2. Consider and as required identify the priority areas for changes to be made to close the in-year budget gap;

3. Agree that Portfolio Holders will work with officers to continue to identify and develop further in-year efficiencies and savings to minimise use of reserves;
4. note the capital programme for 2023/24 and updated capital plan for 2023/24 – 2027/28;

### **Reason for Recommendation:**

The Council has responsibilities to deliver within its corporate plan and it must do this within the resources made available through the revenue and capital budgets agreed by Full Council for 2023/24. This report summarises the Council's forecast financial performance for the year at the end of the third quarter.

The operating environment for Local Authorities across the UK remains challenging given the ongoing impact through the recovery phase of the pandemic as well as international conflict driving inflation. These external factors are bringing pressure to bear through increased demand, rising costs and complexity in addition to reducing funding. As a result effective control and monitoring of activities and budgets has never been more important.

It is therefore essential to understand the developing financial performance and projected position this year. This ensures that resources are deployed to deliver the Council's services in line with the Council plan's priorities, and to that the organisation remains in good financial health and is sustainable. The Council makes a significant contribution in supporting employment, training and economic prosperity as well as being provider and commissioner of critical public services. Balancing all of these strategic and often competing priorities is a responsibility which should not be taken lightly.

### **1. Financial Implications**

Financial implications are covered within the body of this report.

### **2. Climate Implications**

As shown in Appendix B

### **3. Well-being and Health Implications**

The Council's has total service budgets of £358m of which £227m (63%) is spent within the Adults & Housing and Children's directorates which aims to improve aspects of well-being and health across Dorset. Further resources are available through the Public Health Ring Fenced Grant allocation of £15m.

#### **4. Other Implications**

None specific.

#### **5. Risk Assessment**

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

Current Risk: High

Residual Risk: High

Pressure on prices continues to build and these affect a significant quantum of the Council's budget. Whether directly, through the goods and services we buy, or indirectly, such as those costs incurred in our supply chain that are subsequently passed on to us, prices are under pressure, meaning that the risk is escalating.

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 other Local Authorities, 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).

#### **6. Equalities Impact Assessment**

No specific equalities issues have emerged in drafting the Council's various reports on financial performance and position.

#### **7. Appendices**

Appendix A - Savings Plans

Appendix B – Climate wheel

#### **8. Background Papers**

[2022/23 draft outturn report](#)

[2023/24 budget strategy report](#)

## 9. Budget Setting 2023/24 and context

9.1 For 2023/24 Dorset Council once again set a strategic budget and MTFP against a one-year settlement from Government.

9.2 The Council's *budget requirement* is £347.6m and was funded from:

- Council tax (£292.1m)
- Business rates (£50.2m)
- Rural services delivery grant (£2.8m)
- New homes bonus (£1.8m)
- Revenue support grant (£0.7m)

More detail is set out in the budget strategy report at the link above.

9.3 2022/23 ended with an overspend of 0.5%. As mentioned earlier and elsewhere in this report, risk remains and needs careful monitoring and reporting during the year. The latest Office for National Statistics data published for December 2023 reported that CPI inflation in the UK was 4.0%. 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 difference.

9.4 Whilst the Council made some provision for inflation in its 2023/24 budgets, and has a contingency budget to support price fluctuations, it is also important to remember that pressure on costs cannot and should not be managed by the Council alone. To reduce the impact of inflation the Council must work with partners and suppliers to minimise the impact on service delivery as well as continuing to lobby for increased funding for Dorset.

9.5 The Council's budget is essentially fixed in cash terms and its ability to raise income is limited. There are national controls in place around council tax and business rates and ability to generate income from trading is relatively limited in the short-term as well as potentially at odds with wider economic development ambitions.

9.6 There are also major policy changes within our planning horizon – such as the social care funding reforms which have been delayed to October 2025 and work on education funding formulae. There continues to be significant political change around ministerial offices which may make setting and implementing policy extremely challenging.

Overall projection

- 9.7 At the end of Quarter 3, the Council is forecasting net budget pressures of £3.5m which represents 1% of the Council’s budget requirement (£347.6m). The variances are summarised in the table below.
- 9.8 Overall the quarter 3 position improved by £8.5m since quarter 2 of 2023/24, principally due to improvements in the release of contingency and business rates.
- 9.9 Whilst this improvement to the Councils net position is welcome we must recognise that this is driven by one-off changes within Central Finance driving a £15.9m underspend/ over recovery.
- 9.10 It is therefore important to not lose focus on the mitigation work to address the overspend of £19.4m across Service budgets as shown in the table below. Much of the underlying pressures associated with need and complexity will feature operationally in 2024/25 and the pre-existing and emerging transformation activity will be key to delivering on the balanced budget which will be brought to Full Council for approval in February 2024.
- 9.11 Any overspend at the end of the year will need to be met from the Council’s reserves and efforts should be made to replenish reserves to protect against future risks. Section 11 of this report provides more information about the current reserve position.

Directorate	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
People - Adults	148,223	151,627	(3,404)	(2.3%)	(549)
People - Children's	78,738	81,782	(3,044)	(3.9%)	272
Place	92,045	106,609	(14,564)	(15.8%)	(945)
Corporate Development	29,866	28,688	1,178	3.9%	251
Legal & Democratic Services	7,078	6,673	405	5.7%	116
Public Health	2,377	2,377	0	0.0%	0
<b>Total Service Budgets</b>	<b>358,328</b>	<b>377,756</b>	<b>(19,428)</b>	<b>(5.4%)</b>	<b>(854)</b>
Central Finance	(365,622)	(381,528)	15,906	(4.4%)	9,318
<b>Whole Authority</b>	<b>(7,294)</b>	<b>(3,772)</b>	<b>(3,522)</b>		<b>8,464</b>
Dedicated Schools Grant budgets	7,294	31,952	(24,658)		(17,780)

More detail on the specific Directorates is set out in the following paragraphs.

## Children's Services

People Services - Children	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Quality Assurance	2,625	2,771	(145)	(5.5%)	3
Care & Protection	57,441	59,996	(2,555)	(4.4%)	(83)
Commissioning and Partnerships	4,363	4,846	(483)	(11.1%)	311
Director's Services	3,376	3,239	137	4.0%	11
Education and Learning	11,637	11,635	2	0.0%	30
DSG Recharges	(704)	(704)	0	0.0%	0
<b>Total Directorate Budget</b>	<b>78,738</b>	<b>81,782</b>	<b>(3,044)</b>	<b>(3.9%)</b>	<b>272</b>
Dedicated Schools Grant budgets	7,294	31,952	(24,658)		(17,780)

- 9.12 The Children's Services forecast is £81.78m compared with a net budget of £78.7m an overspend of £3.04m (3.9%).
- 9.13 Within Care and Protection there is a £2.56m overspend after applying the Social Care grant, announced in the Autumn 2022 statement.
- 9.14 Dorset is part of the temporary mandate National Transfer Scheme, accepting transfers of children into our care to provide crucial placements for up to 67 children (Dorset's threshold and subject to change).
- 9.15 The National Transfer Scheme provides a degree of funding to support unaccompanied children, however this mainly covers the direct placement costs. The funding varies depending upon the number of unaccompanied children, the age of the child or young person and whether the child is part of the National Transfer Scheme. Unaccompanied Asylum Seeking Children (Pre and Post 18) are forecast to cost £0.45m more than budget. Supporting young people post 18 and interpreters are the main cost pressures.
- 9.16 The support required to meet the needs of children who are disabled is forecast to overspend by £0.77m. This predominantly is for other services that are not direct payments or for short breaks. The cause is a mixture of inflation, increased complexity and a possibly the difficulty finding providers through the direct payment mechanism.
- 9.17 At the end of Quarter 3, only one 2023-24 transformation saving is rated as red. This is £0.5m for the Birth to Settled Adulthood project. £0.3m of the original Birth to Settled Adulthood Saving has transferred to Adults. £0.4m of transformational savings are defined as amber and £3m are rated green. The Children's Services Transformation team monitor and review the progress of these projects monthly.

- 9.18 When comparing historic trends, excluding Unaccompanied Asylum Seeking Children, since September 2020 the number of Children in Care (CiC) has reduced from 475 to 396 (402 in September 2023). The net weekly cost has from £555k to £574k, which demonstrates the extent to which continued increasing placement costs, due to increased complexity, the market and inflation, is impacting the financial position of the service.
- 9.19 Pressure on external placements for our children in care population remains, however this has partially been offset by the Social Care grant. The impact of inflation, over the budget allocated in the budget, is estimated to be around £1.1m. Dorset is not forecasting budgetary pressures using agency social workers.
- 9.20 This is not an issue Dorset are experiencing alone. Department for Education, 'Consolidated annual report and accounts: For the financial year ended 31 March 2023', 18 July 2023, retrieved 18 August 2023, p. 111,
- The DfE has now labelled the risk of market failure for children in care placement as "critical to very likely" over the 2023/24 financial year due to rising prices and its assessment that local authorities are increasingly unable to afford appropriate placements to meet the needs of children in their care.*
- 9.18 This is the forecast outturn position at the end of the third quarter in what is be a changeable year. The main risks for Children's Services, that may further impact the outturn position, are: inflation (including cost of living upon the children and families we support as this may increase demand), delivering capital projects on time and budget (there are revenue implications for late projects), new placements and placement changes, delivery of transformation and tactical savings and legislative changes, including the delivery of the Families first for children pathfinder programme, announced in July 2023.

## Adults Services & Housing

People Services - Adults	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend/ Underspend £'000		Change since Q2 £'000
Adult Care Packages	117,117	118,734	(1,617)	(1.4%)	(680)
Adult Care	15,313	15,237	76	0.5%	111
Commissioning & Improvements	7,469	7,452	17	0.2%	16
Directorate Wide	2,853	2,853	0	0.0%	0
Housing & Community Safety	5,471	7,350	(1,879)	(34.4%)	3
<b>Total Directorate Budget</b>	<b>148,223</b>	<b>151,627</b>	<b>(3,404)</b>	<b>(2.3%)</b>	<b>(549)</b>

9.19 The Adults Services & Housing forecast is £151.627m compared with a net budget of £148.223m, an overspend of £3.404m (2.3%).

### Adult Social Care

9.20 The total Adult Social Care budget, which covers the headings; Adult Care Packages, Adult Care, Commissioning & Improvements and Directorate Wide, is forecast is £144.276m compared with a net budget of £142.752m, an overspend of £1.524m (1.07%).

9.21 The forecast overspend within Adult Care Packages is £1.617m and is based on the current cohort of adults being supported.

9.22 Across the Country demand pressure across Adult Care Packages spend is being experienced and since April 2023 in Dorset, an additional 222 people are receiving care above the financial baseline set at the start of the year. Meaning the average weekly gross cost of care being provided has risen from £3.23m in April to £3.42m in September 2023. The weekly gross cost has remained relatively static within quarter 3 and rose to £3.47m showing signs that the Directorate is managing costs despite seeing an increase in need. This change is to the gross cost and therefore before client contributions, joint funding or Continuing Health Care, so the net cost to the Council is somewhat reduced when factoring this in. As a result income and contributions towards care costs have also seen an increase over the last 9 months.

9.23 Overall, the forecast position has worsened within Q3 by £0.549m. This relates to the increase in demand as demonstrated below. Additional savings of £0.3m were transferred in relation to the Birth to Settled Adulthood (B2SA) programme. This has resulted in an increase in the overspend as savings were already included in the forecast.

	Apr '23	Sept '23	Dec '23	Change Q2 to Q3
Clients	3,908	4,053	4,125	+72
Average weekly cost	£825	£838	£841	+3
<b>Total weekly cost</b>	<b>£3,224,178</b>	<b>£3,396,536</b>	<b>£3,470,404</b>	<b>+£73,990</b>



- 9.24 The main risk for the ASC budget is growing demand and in particular the support as part of the Integrated Care System (ICS) for rapid hospital discharge to relieve pressure across the acute system. Strike action across the health system continues to put additional pressure on service with planning and mitigation arrangements adding additional strain to operational management arrangements, as well as disrupting the hospital discharge process.
- 9.25 For 2023/24 there is an ongoing savings programme in place is set to deliver £9.073m including the additional B2SA savings. At this stage £8.144m (90%) have been achieved and it is assumed that the remaining savings will be achieved.

### **Housing**

- 9.26 The Housing forecast is £7.350m compared with a net budget of £5.471m, an overspend of £1.879m (34.34%). The forecast has remained static within Q3.
- 9.27 There has been a sharp increase in people presenting to the Council as homeless, or at risk of homelessness during the past year. This is in line with trends across the country, with rising budget pressures and variances being higher in many authorities. Demand is running at between 300 and 400 households presenting as homeless every month, which is 17% higher than last year. Around 100 households join the Housing Register every month. There is also a rise in demand for supported or specialist accommodation, including mental health referrals, care leaver needs, and hospital discharge requirements.
- 9.28 There is a shortage of private rented housing being available and rents are rising well above inflation. This is also leading to temporary accommodation costs rising above inflation and leading to the variance. Performance in reducing reliance on bed and breakfast usage is strong, with that reducing to 80, currently, but unit costs are higher across all of the 350 temporary accommodation placements, so is maintaining higher budget impact. Work to prevent homelessness is also strong, but is not able to fully mitigate the larger cost position – as experienced across the country.

- 9.29 The gap between B&B charges and what can be recovered from Housing Benefit is widening (the Local Housing Allowance cap is still frozen at 2011 rates, so any rise in charges means that the 'subsidy gap' widens and the Council has to pay). The rise in family homelessness and use of B&B makes this worse due to the subsidy arrangements only applying to one room, and second and third rooms being charged entirely to the Council.
- 9.30 Continuing work is under way to prevent and alleviate rising housing pressures. This includes leveraging in Government grants, securing effective commercial arrangements with providers, working with partners making best use of current temporary accommodation resources.

### Public Health

- 9.31 The current shared service budget is £26.539m with a forecast underspend of £0.051m which will be transferred to the Public Health reserves.
- 9.32 Assumptions that underlie the position are:
- i. Clinical Treatment Services – the award of the drugs and alcohol contract from October 2023 is included, and the impact of separate drug and alcohol grants that cover some areas of spend. Sexual Health requirements around Pre-Exposure Prophylaxis (PrEP) are included within the forecast.
  - ii. Early intervention – the agreed increase in contract value is reflected.
  - iii. Health Improvement – delivery of NHS Health Checks and adult obesity has increased, but smoking cessation activity in the community decreased. In LiveWell Dorset staffing costs. Income from NHS Dorset supports the Treating Tobacco Dependency work.
  - iv. Health Protection and Healthy Places – forecast overspend is due to planned non-recurrent schemes.
  - v. Public Health Intelligence – forecast overspend is due to a combination of one-off schemes and fixed term staffing costs, previously covered by COMF. These posts end March 2024.
  - vi. Resilience and Inequalities – additional income from partners supports specific pieces of work. We also funded further non-recurrent schemes.
  - vii. Public Health Team (and operational costs) – likely impact of the latest 23/24 pay award offer included in the forecast.

## Place Directorate

Place	Net Budget	Forecast	Forecast (Overspend)/		Change since Q2 £'000
	£'000	Outturn £'000	Underspend £'000		
Assets and Regeneration	2,636	4,637	(2,001)	(75.9%)	(333)
Highways	3,529	6,252	(2,723)	(77.1%)	(68)
Planning	5,036	6,066	(1,030)	(20.5%)	(596)
Travel	27,962	35,021	(7,059)	(25.2%)	(126)
Business Support	1,919	1,874	46	2.4%	3
Environment and Wellbeing	7,599	8,038	(439)	(5.8%)	(235)
Community and Public Protection	3,536	3,873	(338)	(9.5%)	(23)
Waste - Commercial & Strategy	14,708	15,057	(349)	(2.4%)	474
Waste - Operations	16,288	16,509	(220)	(1.4%)	42
Customer Services, Library Services and Archives Services	8,177	8,520	(344)	(4.2%)	(570)
Directors Office	656	763	(106)	(16.2%)	489
<b>Total Directorate Budget</b>	<b>92,045</b>	<b>106,609</b>	<b>(14,564)</b>	<b>(15.8%)</b>	<b>(945)</b>

9.33 The forecast for Place Directorate for quarter 3 is a projected overspend position of £14.564m (15.82%) with projected £106.6m net spend against a net budget of £92m. This is a deterioration of £0.945m since quarter 2.

9.34 In terms of changes since quarter 2, there are no new issues to report and 11 of the 12 service headings remain overspent. The only changes are to reflect the progress against proposed mitigation. In terms of the variance between quarters, the largest change is in Planning, which continues to see an adverse situation in respect of income budgets.

9.35 The issues for the current year are discussed in more detail below but generally fall into these categories:

1. Demand led spend (e.g., Dorset Travel)
2. Market costs in excess of the 6% inflationary uplift (e.g., Dorset Travel, Waste contracts)
3. Inability to achieve budgeted income from current levels of fees and charges
4. Slippage of savings targets

## Assets and Regeneration

- 9.36 The Assets and Regeneration forecast of overspend is now an adverse forecast of £2.001m.
- 9.37 A number of savings are in progress but proving challenging, with a total shortfall of approximately £1m against total savings target of £1.306m. Savings were to be delivered through a reduction of spend on interim staff, rent reviews, reduction in property running costs through disposals as well as other minor savings. The worsening position reflects the progress of these initiatives.
- 9.38 Income shortfalls are forecast in respect of rental income (£405k), income at County Hall car park (£165k) and income recovery from the capital programme (£100k).

## Highways

- 9.39 The Highways service is forecasting an overspend of £2.723m, which mostly relates to the Parking Services (adverse forecast £2.628m). As previously reported in relation to Parking Services, it is clear that there will be a significant gap between the budget set and the actual levels of income being received.
- 9.40 The table below shows income received in the year to date for all car parks for which the Council Highways department control. This excludes harbour car parks, which fall under Harbour Revision Order meaning income is ringfenced.

	All Car Parks except harbours			
Month	2023	2024	Difference	Percentage Increase
	£	£	£	
April	633,786	699,300	65,514	10%
May	726,287	850,030	123,743	17%
June	804,234	954,610	150,376	19%
July	948,410	1,051,266	102,856	11%
August	1,279,473	1,401,743	122,270	10%
September	759,855	939,241	179,386	24%
October	674,210	780,556	106,346	16%
November	459,312	473,790	14,478	3%
<b>Total</b>	<b>6,285,567</b>	<b>7,150,537</b>	<b>864,970</b>	<b>14%</b>

- 9.41 It can be seen that overall income for 2023/24 is 14% higher than at the same point in time for 2022/23.

- 9.42 The total forecast income from on-street and off-street parking fees is £9.150m for the current year, in comparison to £8.1m achieved in the prior year. Due to the budgeted income being set at £11.75m income (2023/24) and £10.4m (for 2022/23) the shortfall remains.

### **Planning**

- 9.43 The service is forecasting an overall £1.030m forecast adverse variance. The variance primarily relates to the current experience of poor income levels. Statutory fees were uplifted by central government in early December. Income levels will be kept under review.

### **Dorset Travel**

- 9.44 The Dorset Travel position is a forecast of an overspend of £7.059m.
- 9.45 The forecast adverse variance is a reflection of ongoing cost pressures in the market and volumes, in relation to all aspects of Dorset Travel services, and in particular in respect of SEND transport. This area is the subject of considerable focus by SLT and Transformation resources.
- 9.46 The table below shows the costs and volumes in relation to SEND transport and how this has changed since the start of the 2023/24 financial year.

<b>Date of data extract</b>	<b>4<sup>th</sup> April 2023</b>	<b>8<sup>th</sup> December 2023</b>	<b>Difference</b>	<b>Increase</b>
Number of routes	875	900	25	3%
Total Cost of routes (£)	12,074,470	14,542,388	2,467,918	20%
Average Cost per route (£)	13,799	16,158	2,359	17%

- 9.47 A route covers from home to school and can be transporting single or multiple pupils.
- 9.48 When considering this data across a financial year it must be noted that this spans the start of a new academic year in September which is the renewal point for routes and prices.
- 9.49 As at April 2023 there were 875 routes being run at an average cost of £13.8k each.
- 9.50 When looking at the routes in December 2023, it can be seen that the volume of routes risen by 3% but that the average cost for all routes has increased by 17% meaning that the total additional cost to Dorset Council is almost £2.5m.
- 9.51 Routes represent the majority of the cost in SEND transport, which also covers Personal Travel Budgets and provision for Learning Centres.

## **Environment and wellbeing**

- 9.52 The Environment and Wellbeing service have a forecast overspend of £439k. The main pressures remain similar to those reported during the last financial year: income at leisure centres, costs pressures on utility costs (especially leisure centres), and costs due to dealing with ash tree die-back.

## **Community and Public Protection**

- 9.53 Community and Public Protection have a forecast adverse variance of £338k. As previously reported, there is high expenditure in relation to high profile cases being undertaken by the Coroner service, now forecast at £126k overspend. In addition, additional management costs and adverse income in respect of the Bereavement service (£137k) and £70k not yet achieved in relation to an ongoing saving target of £70k in Regulatory Services (but due for achievement in 2024/25) are also major factors.

## **Waste – Commercial and Strategy**

- 9.54 Waste – Commercial and Strategy is forecasting an overspend of £349k. The main issues driving the forecasted overspends are a significant increase in the DMR (Dry Mixed Recyclate) gate fee, although this has been largely offset by a current favourable market for recycled glass. In addition, there is an inflation pressure across all of the Waste Disposal contracts, where there has been a contractual indexed linked uplift applied in excess of the centrally funded inflation built into the base budget. There are also a number of newer cost pressures in this service, notably the imminent removal of household DIY waste charges at Household Recycling Centres (HRCs) as well as significant excess costs relating to the disposal, haulage and management of POPs (Persistent Organic Pollutants). These adverse forecasts are partially offset by good forecasts for Garden Waste and Trade Waste income.

## **Waste Operations and Fleet**

- 9.55 Waste Operations is forecasting an overspend of £220k, primarily within Fleet. £150k of which is an income shortfall for external MOTs that is at risk. This forecast overspend also includes the unbudgeted costs of leased sweepers at £142k which cannot be released as yet due to operational requirements. There is a favourable forecast on vehicle fuel prices following the lower diesel unit price compared to the same period a year ago. The balance is unfunded expenditure relating to resources.

## Customer and Cultural Services

- 9.56 Customer and Cultural Services is forecasting an adverse £344k. Service budgets are underspending by £156k. This underspend mainly relates to activity supporting schemes such as the Homes for Ukraine scheme - being funded by the central government grant. Additional underspends are forecasted due to salary savings on vacant posts. However, this area now also contains a budget savings aspiration of £0.5m which is not expected to be achieved this year. To note that the £0.5m was previously held under Directors Office.

## Director's Office

- 9.57 The Director's Office forecast is an adverse variance of £106k, consisting of £95k of unbudgeted costs in relation to the (cancelled) Tour of Britain 2022 and other management costs.

## Corporate Development

Corporate Development	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Financial & Commercial	9,257	9,050	207	2.2%	0
Human Resources & Organisational Development	3,553	3,227	326	9.2%	75
ICT Operations	8,635	8,326	309	3.6%	0
Chief Executive's Office	1,230	1,198	33	2.6%	18
Communications and Engagement	1,355	1,280	75	5.6%	39
Community Grants	1,868	1,868	0	0.0%	0
Directors Office	221	208	13	5.9%	10
Transformation, Innovation, Digital & Climate	3,747	3,532	214	5.7%	109
<b>Total Directorate Budget</b>	<b>29,866</b>	<b>28,688</b>	<b>1,178</b>	<b>3.9%</b>	<b>251</b>

- 9.58 The **Corporate Development** forecast is £28.688m compared with a net budget of £29.866m, an underspend of £1,178k (3.94%). In an attempt to support the Council's budget position, Corporate Development have implemented a number of spend control measures.
- 9.59 **Finance & Commercial** is forecasting an underspend of £207k. This comprises savings in pay related costs of £282k, other savings and additional income of £152k, which is offset by a forecast overspend in external audit fees of £227k.
- 9.60 **HR & OD** is forecasting an underspend of £326k, which is in the main related to savings in pay related costs. The risk in this area is potential income shortfall as more LEA funded schools transfer to academy status and joining multi academy trusts outside of the Dorset area.

- 9.61 **ICT Operations** is forecasting an underspend of £309k to budget. This is the result of pay savings through vacancies of £114k, an underspend on infrastructure costs of £113k and an increase in income of £82k. Opportunities and risks have been identified and are being monitored.
- 9.62 **Chief Executive's Office** is forecasting an underspend of £33k, which is savings in pay related costs.

### Communications and Engagement and Community Grants

- 9.63 **Communications** is forecasting an underspend of £75k, this is the result of staff vacancies. This service is also showing a favourable variance of £43k from additional income generated by work related to the Poole Harbour Oil Spill and other matters, this will be used to fund the unbudgeted edition of the Dorset Council News.

### Transformation, Innovation & Digital

- 9.64 **Digital & Change** is forecasting an underspend of £47k, which is related to savings in pay related costs.
- 9.65 **Business Intelligence** is forecasting an underspend of £137k, which is savings in pay related costs.

### Legal & Democratic Services

Legal & Democratic	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change since Q2 £'000
Assurance	1,539	1,562	(23)	(1.5%)	(27)
Democratic & Elections Services	3,025	2,919	106	3.5%	91
Land Charges	(359)	(265)	(93)	26.0%	(33)
Legal Services	2,873	2,458	416	14.5%	85
<b>Total Directorate Budget</b>	<b>7,078</b>	<b>6,673</b>	<b>405</b>	<b>5.7%</b>	<b>116</b>

- 9.66 The Legal & Democratic forecast is £6.673m compared with a net budget of £7.078m, an underspend of £405k (5.7%).
- 9.67 Within **Assurance** the adverse variance of £23k has arisen following a restructure that resulted in a redundancy cost of £46k. The Risk Service has moved to within Transformation, Innovation & Digital so this cost will also be transferred in the next quarter.
- 9.68 The **Democratic & Elections Service** is forecasting an underspend of £106k, which consists of pay related savings £35k; additional income of £65k and an underspend in supplies and services of £10k.
- 9.69 The **Land Charges** service is forecasting an overspend of £93k. This comprises an income shortfall of £161k, which is largely due to reduced demand for searches as the housing market slows. The number of searches processed, and income trend is being closely monitored each month. This is offset by savings from vacant posts of £68k.



- 9.70 Within **Legal Services** there are a number of vacant posts, which has resulted in a forecast pay saving of £644k. This is offset by an income shortfall of £137k and agency costs of £117k.

### Central Finance

Central Finance	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend/ Underspend £'000		Change since Q2 £'000
General Funding	(31,341)	(31,263)	(78)	0.2%	(78)
Capital Financing	13,937	11,112	2,825	20.3%	728
Contingency	4,951	220	4,731	95.6%	3,414
Precepts/Levy	18,440	18,476	(37)	(0.2%)	3
Central Finance	(366,133)	(374,630)	8,497	(2.3%)	5,242
Schools Balance	(7,396)	(7,396)	0	0.0%	
Retirement Costs	1,921	1,952	(32)	(1.7%)	9
Dorset Council Wide	0	0	0	0.0%	0
<b>Total Central Budgets</b>	<b>(365,622)</b>	<b>(381,528)</b>	<b>15,906</b>	<b>(4.4%)</b>	<b>9,318</b>

- 9.71 The forecast for central budgets is £381.528m compared with a net income budget of £365.622m, is a net forecast surplus of £15.906m (4.4%).
- 9.72 **Capital Financing** is showing a £2.825m underspend, which comprises of a £1.6m reduction in interest paid and £1.8m increase in investment interest. This has been offset by an overspend of £522k against the MRP budget. The reduced spend on interest is because actual borrowing is less than forecast due to slippage in the capital programme. Interest receivable is forecast to be greater than budget due to interest rates on money market funds being much higher than expected.
- 9.73 **Contingency** The budget has been released in line with its purpose, to offset the now confirmed additional cost of the pay award and inflationary pressures across the Council. The remaining £220k is held awaiting confirmation of Teachers and Soulbury pay changes.
- 9.74 **Central Finance** is showing a £8.497m underspend as there is a council tax surplus forecast of £1.8m and business rates forecast of £6.6m. The business rates surplus will offset the business rates pressure in the services that have been impacted by the increased rateable values.

## Dedicated Schools Grant (DSG)

DSG	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000	Change since Q2 £'000
Dedicated Schools Grant budgets	7,294	31,952	(24,658)	(17,780)

- 9.75 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.
- 9.76 There are four blocks within the DSG: Schools Block (SB), Early Years Block (EYB), High Needs Block (HNB) and Central Services Schools Block (CSSB).
- 9.77 Dorset's DSG allocation is £316m before recoupment including additional grants and the use of the Growth Fund reserve. The quarter two permitted overspend position is £6.87m. This is the position stated in the original Safety Valve agreement signed in February 2022.
- 9.78 For context, the 2022-23 outturn was £19.96m against a required DSG Safety Valve agreed overspend of £10.4m. The Q3 forecast overspend is £24.6m, thus increasing the cumulative forecast deficit, after all Safety Valve partner contributions to £45.8m.
- 9.79 As a result of the financial position the Department for Education (DfE) continue to have conversations with Dorset Council, culminating in a revised plan that has been scrutinised by external parties. This recovery plan is part of the Council's Enhanced Monitoring and Support programme and is supported by DfE advisors. This work seeks to identify a future year HNB break-even point and therefore cumulative deficit position.
- 9.80 This is a national issue. The chair of the Association of Directors of Children's Services' resources and sustainability policy committee said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn.". This was as at 2022 position, and the national cumulative deficit is likely to have increased.

## **10 Progress against budgeted savings**

- 10.1 In setting the budget strategy for 2023/24, the Council closed a budget gap of £29m. The subsequent reports to Cabinet and Full Council set out how the gap was calculated and subsequently closed. Part of that process involved identification of transformational and tactical savings.
- 10.2 Appendix 1 sets the summary of the progress being made against the transformational and tactical savings and risk rates the achievement of savings. The shortfalls classified as red total (£3.4m) are included in the forecast – i.e., they are assumed not to be delivered in 2023/24.
- 10.3 At this stage, the forecast assumes all other savings will be achieved, though clearly this may change as the Council progresses through the year. There is a further £2.3m of savings currently RAG-rated as amber which will need to be delivered.

## **11 General fund position and other earmarked reserves at year-end**

- 11.1 The 2022/23 draft outturn report set out Cabinet's agreed, strategic approach to reserves management. Dorset Council therefore started the current financial year with a general fund balance of £34.75m which represents 10% of the Council's budget requirement as well as a further set of aligned, earmarked reserves was summarised in that document.
- 11.2 Any overspend for the year falls to the general fund to finance, although the Council has a contingency budget of £8.6m in place, established during the budget process for the current year and this will help mitigate some volume of price increases and unforeseen events with financial impact.
- 11.3 Best practice means that non-recurrent sources of funding e.g. reserves, should not be used to fund recurrent spend e.g. general service overspends. Therefore it is imperative that when considering the 2024/25 budget and MTFP that the Council finds a recurrent solution to all pressures which are deemed to be recurrent.
- 11.4 Whilst the Council has previously taken steps to ensure the financial position is sound there is recurrent and increasing pressure within the general fund services and the accumulated overspend on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) remains a threat to the sustainability of service delivery.

## 12 Capital programme and financing

- 12.1 The capital strategy and capital programme for the MTFP period, which totalled almost £350m, was agreed by Cabinet in March 2023.
- 12.2 The 2022/23 capital outturn was reported to Cabinet in June 2023 and the result of that was that there was programme slippage into 2023/24. This, along with the approved budget and updates since that date, mean a programme of £372.9m for the next five years, as summarised in the table below.

Capital Programme	Forecast	Total Budget					Total Budget 23/24-27/28
	2023/24	2024/25	2025/26	2026/27	2027/28		
Full external funding	7,227	14,656	485	95	0	22,463	
Partial external funding	58,485	28,026	0	0	0	86,511	
Partial external funding	0	33,503	23,652	28,838	0	85,993	
Council funded	19,781	43,219	26,302	(6,278)	(10,400)	72,624	
Funded from other Reserves	0	0	0	0	0	0	
Capital Receipts Applied	2,000	5,000	1,000	1,000	1,000	10,000	
Minimum Revenue Provision	10,588	11,566	12,966	14,116	17,000	66,236	
Self Funded	698	13,375	11,565	2,565	914	29,117	
Spend & financing profile revision		(30,000)	30,000				
<b>Total funding</b>	<b>98,779</b>	<b>119,345</b>	<b>105,970</b>	<b>40,336</b>	<b>8,514</b>	<b>372,944</b>	

- 12.3 The spend and commitments against the programme of £98.8m at 31 December 2023 was £66.5m (67%). The programme is under continuous review to monitor the progress of all approved projects and to identify any issues that may impact on the overall programme. Where slippage is identified the project budgets will be reprofiled within the overall programme.

- 12.4 The project budgets for the current year are outlined below;

Project spend	No. of projects	Project Budget £,000	Actual spend £,000	Variance £,000	% Spent
Adults & Housing	18	11,280	8,876	2,404	79%
Childrens	18	11,492	8,205	3,287	71%
Place	150	71,907	47,976	23,930	67%
Corporate	10	4,100	1,466	2,634	36%
<b>Total</b>	<b>196</b>	<b>98,779</b>	<b>66,523</b>	<b>32,256</b>	<b>67%</b>

12.5 The movements in the project budgets since the quarter two report are shown in the table below:

Directorate	Q2 Budget £,000	Adjustments £,000	Re- profiling £,000	New funding £,000	Q3 Budget £,000
Adults & Housing	13,784	4,220	-6,881	157	11,280
Childrens	22,185	-759	-9,934	0	11,492
Place	98,536	-854	-27,285	1,510	71,907
Corporate	6,663	10,454	-13,017	0	4,100
<b>Total</b>	<b>141,168</b>	<b>13,062</b>	<b>-57,117</b>	<b>1,667</b>	<b>98,779</b>

*Note: reprofiling shown as a negative (-) value refers to reprofiling spend to later years. This is based on the latest estimates and project progress, provided by project managers.*

12.6 Changes to the Capital scheme since the quarter two report include the following items.

12.7 There have been adjustments of £13.0m, which in the main is the addition of four new projects into the overall capital programme. These include B2SA Specialist Housing Development Fund £4.0m; ERP Replacement £11.0m; Dorset History Centre £0.5m and Bridport Connect – Demolition £0.2m.

12.8 There has been re-profiling of £57.1m into future years to more accurately reflect the timing of spend. This includes the additions to the capital programme referred to above £15.7m; LUF projects £9.2m; SEND capital strategy £6.0; Dorset Council Fleet Replacement Programme £4.0m; Parley West Link £2.3m and a number of smaller projects.

12.9 There has also been new external funding of £1.7m confirmed, which includes Electric Vehicle Charging Points - on public property £1.1m; Gigahub Connectivity £0.3m and Single Homelessness Accommodation Project £0.2m.

12.10 The Climate budgets as part of the existing capital programme have been realigned as follows:

Project Name	Total 23/24 Budget	External Funding	2024/25	2025/26	2026/27	2027/28	Total Project Budget (Up to 27/28)
Building retrofit programme - Energy Efficiency measures	0	-1,250	500	1,250	525	0	2,275
Electric Vehicle charging Infrastructure - on DC Property	200	-35	125	125	125	0	575
Climate Schemes	300		542	806	1,091	0	2,739
Streetlighting schemes	499		600	575	575	0	2,249
Installation of new PV	100		231	250	250	0	831
Low Carbon Dorset	378	-507	479	0	0	0	857
<b>Total</b>	<b>1,477</b>	<b>-1,792</b>	<b>2,477</b>	<b>3,006</b>	<b>2,566</b>	<b>0</b>	<b>9,526</b>

- 12.11 The A354 Ferry Bridge Weymouth and the A30 bridge in Shaftesbury both need significant maintenance in the next 2 years which will be funded from the annual £5.67m maintenance corporate top up in the Highways EAP bid budget. Additional highways maintenance funding for Dorset in 2023/24 and 2024/25 will come from the Department for Transport (DfT) Road Resurfacing Fund (£2.068m each year for 2 years) announced in November 2023.
- 12.12 The position on the capital programme is reviewed by the Capital Strategy and Asset Management Group (CSAM) during the year.

### 13 Sundry debt management

- 13.1 The total value of debts (invoices) raised to date in 2023/24 is £186.6m, a breakdown by directorate is shown below:

Total debt raised	2023/24 £'000
Adults & Housing	55,499
Children's Services	5,533
Place	97,832
Corporate	27,738
<b>Total</b>	<b>186,602</b>

- 13.2 As at 31 December 2023 was £44.3m outstanding. This is a reduction of £1.5m when compared to the quarter two position.
- 13.3 Of total debt outstanding 45% of this is less than 90 days old.
- 13.4 The breakdown of the total sundry debt is as follows:

Directorate	2023/24 £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	28,425	4,730	5,529	7,755	10,412
Children's Services	1,760	1,002	466	121	171
Place	10,716	4,940	622	3,627	1,527
Corporate	3,428	1,504	1,444	265	215
<b>Grand Total</b>	<b>44,329</b>	<b>12,176</b>	<b>8,061</b>	<b>11,768</b>	<b>12,325</b>

- 13.5 £28.4m of the £44.3m of outstanding debt is within Adults & Housing. Of which, some relates to deferred payment arrangements, or care provided through gross without prejudice.
- 13.6 After adjusting for these the debt which is currently collectable is as follows:

<b>Collectable Debt</b>					
<b>Directorate</b>	<b>2023/24 £'000</b>	<b>Less than 30 days £'000</b>	<b>30-90 days £'000</b>	<b>90-365 days £'000</b>	<b>Over 365 days £'000</b>
Adults & Housing	19,108	4,130	4,618	4,106	6,254
Children's Services	1,760	1,002	466	121	171
Place	10,716	4,940	622	3,627	1,527
Corporate	3,428	1,504	1,444	265	215
<b>Total</b>	<b>35,012</b>	<b>11,576</b>	<b>7,150</b>	<b>8,118</b>	<b>8,167</b>

- 13.7 The Council has increased the number of staff working within the teams responsible for collecting overdue invoices and early signs such as the improvement between reports indicates this work is proving effective. To ensure debts are pursued more promptly the automated reminder process is being reviewed, with the intention of starting earlier and increasing the frequency of follow up. There is also work being undertaken to identify income streams where payment can be obtained up front without the need to create a debt in the first place.
- 13.8 At the end of 2022/23 the Collectable Debt arrears were £36.9m and to date £26.8m (72%) has been collected.

<b>Prior year arrears</b>	<b>Amount owed 31/03/2023 £'000</b>	<b>Collected in year £'000</b>	<b>Amount outstanding 31/12/2023 £'000</b>	<b>% Collected</b>
Pre 1 April 2019	1,455	93	1,361	6%
2019/20	1,275	313	961	25%
2020/21	1,874	402	1,472	21%
2021/22	6,375	4,363	2,012	68%
2022/23	25,955	21,579	4,376	83%
<b>Total</b>	<b>36,933</b>	<b>26,751</b>	<b>10,183</b>	<b>72%</b>

## Deferred Payments

13.9 Deferred payments are debts that relate to adult care provided by Dorset Council, which have been secured against the property of the customer. The Council will eventually receive full payment of the debt when the property is sold.

Deferred Payments					
Directorate	2023/24 £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	2,822	93	342	907	1,479

13.10 Gross without prejudice debts also relate to adult care, the debt is raised but not actively pursued whilst a care act assessment and subsequent financial assessment is undertaken to determine whether the recipient of the care is financially assessed as able to contribute towards the cost of their care.

Gross Without Prejudice					
Directorate	2023/24 £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	6,496	507	568	2,742	2,678

13.11 The write-offs processed during the year are shown in the table below. There is adequate provision to cover these debts, which are a relatively small proportion of the total outstanding debt (0.7%).

Debts written off	2023/24	
	No.	£'000
Adults & Housing	72	198
Children's Services	14	10
Place	48	102
Corporate	0	0
<b>Total</b>	<b>134</b>	<b>310</b>



## 14 Council tax and business rates debt management

### Council tax

- 14.1 The value of council tax debt raised in 2023/24 is £369.9m and £310.7m has been collected to date. The collection rate at 31 December 2023 is 84.00%, which is a slight improvement on the quarter three position in the previous year of 83.76%.
- 14.2 The collection and recovery processes have resumed after significant periods of closure/delay during the pandemic and the Council remains confident that arrears will reduce, and collection rates will continue to improve.
- 14.3 At the end of 2022/23 the arrears were £36.7m and by the third quarter of this year £6.5m (18%) has been collected.

### Business rates (non-domestic rates – NDR)

- 14.4 The value of business rates debt raised in 2023/24 is £95.0m and £79.7m has been collected to date. The collection rate at 31 December 2023 is 83.86%, which is a slight improvement on the quarter three position in the previous year of 82.43%.
- 14.5 At the end of 2022/23 the arrears were £14.2m and by the third quarter of this year £6.1m (43%) has been collected.
- 14.6 The write-offs processed by the Revenues & Benefits Service during the year are shown in the table below.

<b>Debts written off</b>	<b>2023/24 £'000</b>
Council tax	148
Business rates	233
Housing Benefit Overpayments	162
<b>Total</b>	<b>543</b>

## **15 Summary, conclusions and next steps**

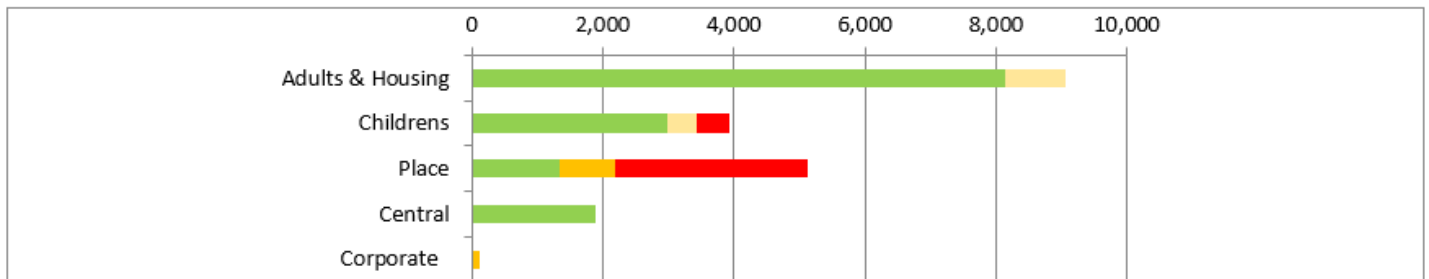
- 15.1 2023/24 continues to be an extremely challenging time for local government, with inflationary and demand pressures impacting on income and expenditure. There remains a large degree of financial uncertainty and, having reviewed expenditure for the third quarter of the year, Dorset Council's prudent financial forecast is a £3.5m (1.01%) budget pressure.
- 15.2 The Council has set aside contingency funding to manage some of this risk, but continued and sustained service demand may mean the current contingencies are insufficient without significant improvements in the latter part of the financial year. Without this, unearmarked reserves will be required to fund the 2023/24 general fund.
- 15.3 Whilst the improvement in the net Council position is welcome the key improvements in the budget under the heading of Central Finance are one-off and are not expected to reoccur in 2024/25. It is vital that the Council remains focused on continuing to build on its track record of delivering transformation and efficiencies to protect service delivery as the Council plans for the medium term.

Aidan Dunn

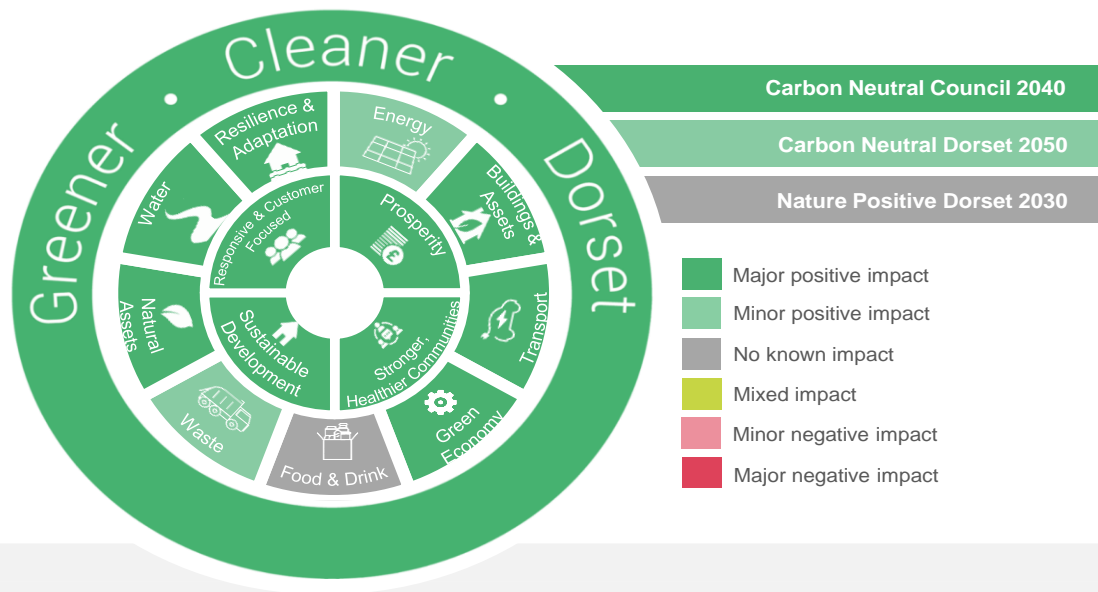
**Executive Director - Corporate Development (S151 Officer)**

## Appendix A

2023/24 Savings Plans	Officer assessment on savings target				
		Green	Amber	Amber 2	Red
	£000's	£000's	£000's	£000's	£000's
Adults & Housing	9,073	8,144	929	0	0
Childrens	3,935	2,998	437	0	500
Place	5,119	1,341	0	855	2,923
Central	1,888	1,888	0	0	0
Corporate	118	33	0	85	0
<b>Total Savings Plans</b>	<b>20,133</b>	<b>14,404</b>	<b>1,366</b>	<b>940</b>	<b>3,423</b>



## Appendix B – Climate Wheel



Quantitative Impact on CEE targets (if known)		
	Unit	Number of units (+/-)
2030 - Natural asset extent & condition	Ha	0
2040 - Operational Emissions	CO <sub>2</sub> (tonnes)	0

### ACCESSIBLE TABLE SHOWING IMPACTS

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?
<b>Energy</b>	
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	
<b>Buildings &amp; Assets</b>	
No recommendations found for this category	
<b>Transport</b>	
No recommendations found for this category	
<b>Green Economy</b>	
No recommendations found for this category	
<b>Food &amp; Drink</b>	
No recommendations found for this category	
<b>Waste</b>	
Look at ways to reduce the amount of waste produced	
<b>Natural Assets &amp; Ecology</b>	
No recommendations found for this category	
<b>Water</b>	
No recommendations found for this category	
<b>Resilience &amp; Adaptation</b>	
No recommendations found for this category	