Public Document Pack

Cabinet

Date: Monday, 23 January 2023
Time: 10.00 am
Venue: Council Chamber, County Hall, Dorchester, DT1 1XJ

Membership: (Quorum 3)
Spencer Flower (Chairman), Peter Wharf (Vice-Chairman), Graham Carr-Jones, Ray Bryan, Tony Ferrari, Laura Beddow, Andrew Parry, Gary Suttle, Jill Haynes and David Walsh

Cabinet Lead Members (6) (are not members of the Cabinet but are appointed to work alongside Portfolio Holders)
Simon Gibson, Andrew Kerby, Nocturin Lacey-Clarke, Byron Quayle and Jane Somper

Chief Executive: Matt Prosser, County Hall, Dorchester, Dorset, DT1 1XJ

For more information about this agenda please contact Democratic Services
Meeting Contact 01305 252234 - kate.critchel@dorsetcouncil.gov.uk

Members of the public are welcome to attend this meeting, apart from any items listed in the exempt part of this agenda.

For easy access to all the council's committee agendas and minutes download the free public app called Modern.Gov for use on your iPad, Android, and Window tablet. Once downloaded select Dorset Council.

Agenda

Page No

1. APOLOGIES

To receive any apologies for absence.

2. MINUTES 5 - 24

To confirm the mintues of the meeting held on 1 November 2022

3. DECLARATIONS OF INTEREST

To disclose any pecuniary, other registrable or non-registrable interest as set out in the adopted Code of Conduct. In making their disclosure councillors are asked to state the agenda item, the nature of the interest and any action they propose to take as part of their declaration.

If required, further advice should be sought from the Monitoring Officer in advance of the meeting.

4. PUBLIC PARTICIPATION

Representatives of town or parish councils and members of the public who live, work, or represent an organisation within the Dorset Council area are welcome to submit up to two questions or two statements for each meeting. Alternatively, you could submit one question and one statement for each meeting.

All submissions must be emailed in full to kate.critchel@dorsetcouncil.gov.uk by 8.30am on Wednesday 18 January 2023.

When submitting your question(s) and/or statement(s) please note that:

- no more than three minutes will be allowed for any one question or statement to be asked/read
- a question may include a short pre-amble to set the context and this will be included within the three-minute period
- please note that sub divided questions count towards your total of two
- when submitting a question please indicate who the question is for (e.g. the name of the committee or Portfolio Holder)
- Include your name, address and contact details. Only your name will be published but we may need your other details to contact you about your question or statement in advance of the meeting.
- questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda
- all questions, statements and responses will be published in full within the minutes of the meeting.

Dorset Council Constitution Procedure Rule 9

5. QUESTIONS FROM COUNCILLORS

To receive questions submitted by councillors.

Councillors can submit up to two valid questions at each meeting and sub divided questions count towards this total. Questions and statements received will be published as a supplement to the agenda and all questions, statements and responses will be published in full within the minutes of the meeting.

The submissions must be emailed in full to kate.critchel@dorsetcouncil.gov.uk 8.30am on Wednesday 18 January 2023.

Dorset Council Constitution – Procedure Rule 13

6.	**FORWARD PLAN**	25 - 32
	To consider the Cabinet Forward Plan.	
7.	**QUARTER 3 2022/23 FINANCIAL MONITORING REPORT**	33 - 48
	To consider a report of the Portfolio Holder for Finance, Commercial and Capital Strategy.	
8.	**MEDIUM TERM FINANCIAL (MTFP) AND BUDGET STRATEGY REPORT**	49 - 140
	To consider a report of the Portfolio Holder for Finance, Commercial and Capital Strategy.	
9.	**DORSET COUNCIL'S RESPONSE TO HAMPSHIRE COUNTY COUNCIL'S MINERALS AND WASTE PLAN CONSULTATION**	141 - 152
	To consider a report of the Portfolio Holder for Planning.	
	Recommendation from People and Health Overview Committee	
10.	**DORSET ATTENDANCE STRATEGY**	153 - 188
	The Portfolio Holder for Children, Education, Skills and Early Help to present the recommendation from the People and Health Overview Committee of 19 December 2022.	
11.	**COUNCIL TAX PREMIUMS ON SECOND HOMES AND EMPTY PROPERTIES**	189 - 194
	The Deputy Leader of the Council to present the report.	
12.	**DORSET COUNCIL PLAN PRIORITIES UPDATE:CLIMATE AND ECOLOGY, ASSETS AND PROPERTY**	
	The Portfolio Holder for Highways, Travel and Environment to give a brief verbal update.	
13.	**PORTFOLIO HOLDER /LEAD MEMBER(S) UPDATE INCLUDING ANY POLICY REFERRALS TO REPORT**	
	Cabinet Portfolio Holder(s) and Leader Members to report.	
14.	**URGENT ITEMS**	
	To consider any items of business which the Chairman has had prior	

notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.

15. EXEMPT BUSINESS

To move the exclusion of the press and the public for the following item in view of the likely disclosure of exempt information within the meaning of paragraph 3 of schedule 12 A to the Local Government Act 1972 (as amended).

The public and the press will be asked to leave the meeting whilst the item of business is considered.

16. NEW HOUSEHOLD RECYCLING CENTRE FOR THE EASTERN AREA OF DORSET — 195 - 258

Para 3

To receive a report of the Portfolio Holder for Culture, Communities and Customer Services.

Dorset Council

CABINET

MINUTES OF MEETING HELD ON TUESDAY 1 NOVEMBER 2022

Present: Cllrs Spencer Flower (Chairman), Peter Wharf (Vice-Chairman), Graham Carr-Jones, Ray Bryan, Tony Ferrari, Laura Beddow, Andrew Parry, Gary Suttle and Jill Haynes

Apologies: Cllrs David Walsh

Also present: Cllr Cherry Brooks, Cllr Simon Christopher, Cllr Les Fry, Cllr David Gray, Cllr Brian Heatley, Cllr Sherry Jespersen and Cllr Carole Jones

Officers present (for all or part of the meeting):
Matt Prosser (Chief Executive), Aidan Dunn (Executive Director - Corporate Development S151), Jonathan Mair (Director of Legal and Democratic and Monitoring Officer), John Sellgren (Executive Director, Place), Kate Critchel (Senior Democratic Services Officer), Vivienne Broadhurst (Executive Director - People Adults), Jennifer Lowis (Head of Strategic Communications and Engagement) and Jonathan Price (Interim Corporate Director for Commissioning)

75. **Minutes**

The minutes of the meeting held on 4 October 2022 were confirmed as a correct record and signed by the Chairman.

76. **Declarations of Interest**

There were no declarations of interest to report.

77. **Public Participation**

There was 1 question and 1 statement from the public. These are attached at Appendix 1 to these minutes.

78. **Questions from Councillors**

There were no questions from councillors to report.

79. **Forward Plan**

The draft Cabinet Forward Plan for December 2022 was received and noted.

80. **Quarter 2 2022/23 Financial Monitoring Report**

The Portfolio Holder for Finance, Commercial and Capital Strategy presented the report and proposed its recommendation. The Portfolio Holder advised that since

Quarter, officers had work to reduce the rate of overspend and at the end of quarter 2, the Council was forecasting net budget pressures of £7.8m. Further measures should reduce the rate of net spend in the second half of the year.

2022/23 continued to be a challenging time for local government with inflationary and demand pressures impacting on income and expenditure. All directorates were working to make further reductions and prepare for the 2023/24 budget setting.

Cllr J Haynes seconded the motion.

In response questions, the Portfolio Holder and the Executive Director for Corporate Development advised that: -

- In respect of the Dedicated School Grant, officers had met with the Department of Education to discuss this matter and they had asked the council to present a recovery plan and were open to whether the timescale of the agreement maybe able to be extended.
- In respect of the contingency fund, the Executive Director confirmed that a detailed response would be forwarded to the councillor concerned. However, he acknowledged that financial pressure had been experienced in the areas of the Pay Award and home to school transport.
- In respect of the sundry debt, it was confirmed that other methods of collections were being considered and there would be a balanced judgement some of the debt being written off.

Decision

(a) That the Senior Leadership Team's forecast of the full year's outturn for the Council, made at the end of Quarter 2 including progress of the work to deliver savings that were incorporated into the budget, be noted.

(b) That the spend to date on the approved capital programme for 2022/23 and the likelihood of significant slippage alongside the risk of inflation, interest rates and delivery concerns, be noted.

(c) That the impact of financial projections for 2022/23 on the developing budget strategy and Medium-Term Financial Plan (MTFP), be noted.

(d) That the commencement of a procurement process for an insurance protection contract be agreed and the subsequent decision to award the contract be delegated to the Portfolio Holder for Finance, Commercial and Capital Strategy, in consultation with the Executive Director, Corporate Development.

Reason for the decision

The Council has responsibilities to deliver its corporate plan priorities and it must do this within the resources made available through the revenue and capital budgets for 2022/23. This report summarises the Council's forecast financial performance for the year at the half-way point.

81. **Wild Woodbury Suitable Alternative Natural Greenspace**

In the absence of the Portfolio Holder for Planning, the Deputy Leader set out the report and proposed the recommendation. The report sought a decision for grant funding £895,034.98 to Dorset Wildlife Trust (DWT) of heathland mitigation funds collected via the Community Infrastructure Levy to allow delivery of the SANG.

In seconding the proposal, Cllr R Bryan advised that letters had been forwarded to the central government in respect of the continuing damage to the heathland by wildfires, in relation to portable bar-b-ques. He was asking ministers to consider legislation in order to protect the natural environment.

Decision

(a) That Dorset Council enters into a funding agreement above £500,000 (£895,034) with Dorset Wildlife Trust (DWT) to deliver 12.5 hectares of strategic Suitable Alternative Natural Greenspace (SANG) for heathland mitigation.

(b) That authority be delegated to the Portfolio Holder for Planning to enter into a contract funding agreement for DWT to deliver the Wild Woodbury SANG should be delegated to the Portfolio Holder for Planning on terms to be recommended by the Executive Director of Place.

Reason for the decision

Cabinet was required to consider all key decisions with financial consequences of £500,000 or more. The project formed part of the Heathland Interim Mitigation Strategy for the emerging Purbeck Local Plan which was currently undergoing an examination into its soundness.

The project had been considered and approved by the Heathland Mitigation Steering Group which includes representatives from Natural England.

82. **Pimperne Neighbourhood Plan**

The Portfolio Holder for Culture, Communities and Customer Services presented the report on behalf of the Planning Portfolio Holder. Members were advised that the neighbourhood plan review had been subject to independent examination and the examiner had recommended that the Council should make (adopt) the plan with the modifications specified in his report.

The recommendation was proposed by Cllr L Beddow and seconded by Cllr A Parry.

Members took the opportunity to congratulate Pimperne Parish Council and members of the Neighbourhood Plan Group in producing a successful neighbourhood plan review.

Concerns were expressed around the delay of the new Local Plan and the consequence to the five-year land supply, which was impacting on planning committee decisions. In response, the Chairman indicated that he had written to the minister concerned seeking flexibility on the five-year plan for land supply for Dorset.

Decision

That the revised timetable for the production of the Dorset Council Local Plan, the Minerals Plan, the Waste Plan and various Neighbourhood Plans within the Local Development Scheme be acknowledged and that it will come into effect as of the date of this committee (1 November 2022).

Reasons for decision

To formally make the neighbourhood plan review part of the statutory development plan for the Pimperne Neighbourhood Area. In addition, to recognise the significant amount of work undertaken by Pimperne Parish Council and members of the Neighbourhood Plan Group in preparing the plan review and to congratulate the Council and Group on their success.

83. **Dorset Council 20mph speed limit process and Guidance**

Cllr S Gibson, Lead Member for Highways presented the report and the recommendation from the Place and Resources Overview Committee of 6 October 2022.

The Portfolio Holder for Highway, Travel and Environment proposed the recommendation, and this was seconded by Cllr G Carr-Jones.

Members spoke in support of the proposal and the Portfolio Holder confirmed that a policy review would take place after a year by Place and Resources Scrutiny Committee. The Chairman of Place and Resources Scrutiny Committee also requested that an update report be presented to the committee after 6 months of operation. In response Chairman suggested that this should be discussed outside of the meeting.

Decision

(a) That the policy for setting the principles, criteria, and process for 20mph schemes, as amended below, be approved.

“That the wording in Appendix B, relating to the requirement to undertake a survey of residents and the requirement to have a threshold level of support of 60% from the respondents of households affected by the proposed 20mph scheme, should be removed, and changed to ‘must be able to demonstrate and quantify community support for the initiative’, to be in line with the wording of ‘criteria c’”

(b) That the policy be reviewed 1 year after adoption.

Reason for decision

To ensure speed limit consistency across Dorset.

84. **Dorset Council Plan Priorities Update: Adult Social Care**

The Portfolio Holder for Adults Social Care and Health addressed the committee on the progress in adult social care.

The written statement is attached at Appendix 2 to these minutes.

85. **Portfolio Holder /Lead Member(s) Update including any Policy referrals to report**

The Portfolio Holder updates are attached at Appendix 3.

86. **Urgent items**

There were no urgent items considered at the meeting.

87. **Exempt Business**

There was no exempt business.

Appendix 1 Public Participation
Appendix 2 - Dorset council Plan Priorities Update: Adult Social Care
Appendix 3 - Portfolio Holder Reports

Duration of meeting: 10.00 - 11.10 am

Chairman

....

This page is intentionally left blank

Appendix

Public Participation – Cabinet 1 November 2022

Question from Philip Eades

I note from an answer given at Cabinet 27 May 2022 that the Council identified 44,000 non-direct debit Council Taxpayers in Bands A to D who are entitled to the £150 rebate this financial year

How many of these 44,000 have been paid their £150 and what publicity has the Council undertaken to ensure these Council Taxpayers claim their money? Were all 44,000 written to individually to advise of their eligibility for this £150?

Response from the Portfolio Holder for Finance, Commercial and Capital Strategy

Response

The council paid the £150 rebate to 41,740 non-direct debit customers. The 44,000 quoted was a slightly earlier estimate of how many non-direct debit payers there were with entitlement to the sum, at the time. All non-direct debit customers were written to on 19 May 2022, to be informed they were potentially entitled to the sum. There was also a social media campaign to encourage applications, Citizens Advice Bureaux promoted take up and there was also information on the Council's website.

Of those contacted 26,499 made an application and were paid the £150. The 15,241 who did not respond to the letter were awarded the £150 by way of a credit to their council tax account so they did not lose out on the payment. In each case where a customer's council tax account was credited, a letter was sent to them on 15 September 2022 to confirm this.

In total there have been 120,971 awards of the £150 totalling £18,145,650.

This page is intentionally left blank

Dorset Wildlife Trust
Brooklands Farm
Forston, Dorchester
Dorset, DT2 7AA

Tel: 01305 264620
enquiries@dorsetwildlifetrust.org.uk
dorsetwildlifetrust.org.uk

Dorset Council Cabinet meeting 1st November 2022
Statement from Dorset Wildlife Trust
Wild Woodbury Suitable Alternative Natural Greenspace (SANG)

Dorset Wildlife Trust is extremely grateful for the funding from both BCP and Dorset Councils, through Poole Harbour nutrient mitigation payments, that funded the acquisition of 150 hectares of land at Court Farm Bere Regis, now referred to as Wild Woodbury. We have already in a year seen the results of changed land management that has allowed nature recovery on the site to start. We have also established monitoring programmes that will demonstrate over time the impact of change on soil and water quality.

As well as the benefits for wildlife, water, soils and climate on the site, we aim to develop strong connections with the community and to provide open access to those parts of the site closest to Bere Regis. Designation of 12.5 hectares of the land as a Suitable Alternative Natural Greenspace, alongside the capital and long term funding being discussed today, will enable that.

In developing this programme, we have consulted extensively with the community, including attending a village meeting, where there was overwhelming support for the project, consultation on the name of the site, regular liaison with the Parish Council, involvement of Bere Regis school, drop-in days attended by 130 residents and an online consultation. These have all informed the SANG delivery plan which we have worked up with Dorset Council and Natural England, and we are therefore confident that it will have a high level of local support.

As part of the plan, accessibility to the site will be hugely improved from a baseline of the current rights of way, and access for people with limited mobilities will be enabled as far as practicable. The funding will enable creation of dedicated car parking, though many visitors will be expected to come from the village as well. At the entrance to the site pedestrian and vehicular traffic will be separated through the reinstatement of a previous pedestrian route. Whilst encouraging healthy lifestyles and good mental and physical health through time spent in nature, we also hope to be able to offer more formal green prescribing at the site in conjunction with health services.

Dorset Wildlife Trust has for many years helped inform and strongly support the Dorset Heathlands Planning Framework. As owners and managers of several heathland sites which are impacted by recreational access, including Upton and Winfrith Heaths, we fully understand and support the need for SANGs and their aims to attract people away from internationally important heathland reserves where recreational pressures are harmful to protected habitats and species. At Wild Woodbury the

Registered in England as Dorset Wildlife Trust.
Registered office: Brooklands Farm, Forston.
Registered Charity No. 200222.
Registered Company No. 688439.
VAT Registration No. 785 7124 96.
Printed on environmentally friendly paper.

Dorset Wildlife Trust
Brooklands Farm
Forston, Dorchester
Dorset, DT2 7AA

Tel: 01305 264620
enquiries@dorsetwildlifetrust.org.uk
dorsetwildlifetrust.org.uk

SANG plans are entirely complementary to and will be delivered in tandem with wildlife recovery plans that are funded from separate sources.

We will continue to encourage visitors to support local businesses including the pubs and shop in the village, whilst developing plans for future use of the redundant farm buildings. These are at their early stages but which will be designed to complement public and community use of the site and SANG area.

Finally, and for the avoidance of doubt, plans have been worked up on the basis that the funding amount is exclusive of VAT, should VAT be found to be chargeable.

Thank you for listening

Imogen Davenport
Conservation Director – Nature-based Solutions
Dorset Wildlife Trust
idavenport@dorsetwildlifetrust.org.uk

Adult Social Care – Cabinet Update November 22

- We've set out before our ambition to help residents of Dorset live 'A Better Life'. We are now starting to shape the strategies which show how we intend to do it, and with a particular emphasis on those who need most support. At its heart, we want more of our residents to stay living within their communities, connected to the things and people who matter to them, and with good early information, advice and support when it can help them. And, of course, the right levels, types and quality of care services available when they are needed.
- We are looking at a potential 7% year-on-year increase in people coming forward in need of care and support. It means we need to continue working with our community partners to intervene earlier, where we can, to prevent or delay people needing intensive help or reaching a crisis point. Focused work with all partners on prevention and reablement will support our individual residents but also help prevent a call on the wider Council budget over the next 3-4 years by supporting self-funders in our community.
- As well as supporting the over 65 years population in Dorset, ASC also provides services and supports people between the ages of 18-65 with complex and enduring needs which includes 890 with a Learning Disability, 208 people with Mental Health conditions and 329 people with a Physical Disability, this cohort often have complex needs requiring 24/7 support and specialist accommodation. Since Cabinet approved the implementation of the new commissioning framework in April 2022, we have built 98 providers registered to deliver care and support for working age adults, of which 50% are new to Dorset Council. This step forward means that we now have new capability which also includes options to commission services jointly with Health and Children's services to better support young people approaching 18.
- It is worth noting the directorate has been successful in delivering £9.6m in savings to date from 2020/21 with a further £1m expected by end of this financial year. We can do this, but as the needs increase, then so does our challenge.
- The Government's reform agenda sets a 10-year vision for support and care in England. This is a significant programme of work, and we will need to adapt and change the way in which we work. Through working as a partner in the Integrated Care System as set out in the reform agenda there is an opportunity to revisit how social care is delivered and how local authorities work with public health and community organisations alongside wider health partners. We have refreshed our A Better Life Programme to ensure it meets this agenda alongside delivering improved quality within our financial envelope.
- The Local Government Association (LGA) & County Councils Network (CCN) have recommended a delay to the Secretary of State on the implementation of the charging reforms, and whilst we await confirmation of this, we continue to work on the assumption other elements of the reform programme will run to plan. Some of the Government reforms will significantly drive new demand to the front door of the council.
- Adult Social Care is working with the system to tackle the ongoing challenges due to high demand still present on hospital discharge and managing high risk in the community with limited care availability and significant cost pressures. Winter Plans are being actively worked on with partners to support the deficit in workforce availability and increasing high demand, both immediate and medium term. It is certainly a challenging time for Adult Social Care, and we are working hard to set a budget for next year that is within the councils budget envelope.
- Care Dorset Ltd went live on 3 October following a significant amount of work, and a successful transfer of services and staff from Tricuro Ltd to Care Dorset. Care Dorset will play a significant role in developing our market sufficiency. This will see an increase in our community reablement offer including additional investment and

building stronger links with the Voluntary and Community Sector and Technology Enabled Care prescribing. We are working with Care Dorset to make a series of interventions to meet market shortfall and stimulate better quality and options that will provide better outcomes for individuals.
- Parallel work is underway with the long-term home care provision where we are piloting different ways of contracting and introducing greater trusted assessment.
- As part of building these partnerships with providers, and as a result of the government fair cost of care exercise, we have supported this move in year through use of Reform Grant and NHS funding with providers receiving an uplift to a fairer cost of care rate which will help to promote business longevity and sustainability.
- The birth to settled adulthood programme is progressing well. The service re-design element is progressing with plans to identify improvements for preparation for adulthood and a seamless transition for our children and young people.

All of the above has been delivered at a time when the system has been under enormous pressure with increasing health and care needs, acute hospital demand, finite workforce, inflationary pressures and the cost-of-living crisis.

Our data tells us over the next 10yrs:

- People **aged 65 and over will rise by 23%** in 2032
- People aged 85+, **will increase by 480 people per year**
- People with **a learning disability in Dorset** to rise by **33% by 2032.** Dorset reports long term Mental Health problems, which is higher than the national average.
- There are 7092 people living with dementia in Dorset – this will **increase to 9000 by 2032.**
- A rise of **38% in the demand for home care by 2032**.
- A **16% increase** in the need for short-term community support services.
- Today there are **300 people** who have been assessed who are waiting for a care.
- There are **35 people a week** leaving hospitals who require Council funded care.
- A finite workforce available – **growth in supply is outweighed by growth in demand**
- Pressure in the Market with **providers carrying large debt, pension and equity issues**
- There **is a significant unmet need for accommodation with care**, including extra care, recovery & rehabilitation and supported living

To help address the increasing demand the directorate have mapped a 10yr plan which brings together Transformation, Investment & Reform. The programme will focus on 4 key pillars:

1. <u>Ensuring demand is short term where appropriate</u> with a successful prevention model at the heart. To help address the increasing need at to our front door and make sure people have the right information, advice and guidance and bolster our community support. We will also roll out a Technology Enabled Care (TEC) programme that can help offer solutions to aid care and support to help residents remain independent in their own environments for longer.
2. <u>Meet need more sustainability</u>, where we will develop an accommodation with care programme which improves our extra care, supported living and reablement and recovery services. We will also look to develop the Integrated Care System, working closely with health and other partners on whole market intervention

3. Delivering sustainable Care at a sustainable cost, where we will deliver the market sustainability plan and fair cost of care exercise to help support the marketplace. We will continue onboarding providers to the Dorset Care Framework and continually review spend on packages in commissioned care across Residential & Nursing Care, Supported Living, Home Care, Extra Care and partner spend to ensure best value for money.
4. Assure care and support is quality care, where we will deliver the annual assurance framework including inspection regime from the Care Quality Commission (CQC) and develop ambitious plans to support getting the right workforce in to care.

The programme will improve outcomes for the people of Dorset and will help to deliver good quality support and financial sustainability with greater grip and control on spend. We want to deliver a thriving marketplace with greater sufficiency and control; an effective and efficient workforce; A fully integrated ICS with better flow, including those from hospital; Improved accommodation with support offer with greater choice for our residents and effective demand management plans through an enhanced prevention model.

This page is intentionally left blank

Appendix

PORTFOLIO HOLDER/LEAD MEMBER UPDATE SUMMARY

PORTFOLIO:[1]	Culture, Communities & Customer Services
CABINET DATE:[2]	1/11/2022
KEY ACTIVITIES SINCE THE LAST REPORT:[3]	**Member webinar – Library consultation part 2** **'Summer Sofa Sessions' comms outreach programme review and planning for next summer** **Annual DAPTC clerks conference** **Briefed MPs on cost of living support provided to residents by Dorset Council** **LGA overview and scrutiny peer review interview** **Meeting with Kent County Council to share our learning on community libraries** **Briefing on Dorset Music Service and wider opportunities** **Engagement on Dorset History Centre – Parchment and Pixels** **Community grant funding panel round 4** **Fortnightly meetings;** **Cost of living group** **Connected communities work** **Dorset Together** **Food Security group**

[1] Enter the portfolio area

[2] Insert the date of the Cabinet meeting to which this summary update is to be reported

[3] Provide brief details of the meetings attended, key activities or project milestones completed since the last report

DELEGATED DECISIONS MADE:[4]	
ANTICIPATED ACTIVITIES/MILESTONES FOR NEXT PERIOD:[5]	

[4] Enter details of any delegated decisions made since the last meeting

[5] Provide details of key activities, project milestones or significant meetings anticipated in the next period

PORTFOLIO HOLDER/LEAD MEMBER UPDATE SUMMARY

PORTFOLIO:[1]	Children, Education, Skills & Early Help
CABINET DATE:[2]	1.11.22
KEY ACTIVITIES SINCE THE LAST REPORT:[3]	Cllr Parry, Kerby & Quayle where delighted to be invited to visit to The Blandford School an opportunity to meet with Governors, Teachers, Staff & Pupils. Official Opening of "College House" Children's Home & The at 45 Dorchester Road. "Ribbon Cutting" performed by Cllr Parry (Cabinet Member) & Cllr Wheller (Chair of Corporate Parenting) Dorset Virtual School Governing Board Meeting inc appointment of new governor Kate Venables Pineapple Project – keeping our streets safer. Pilot will be in Weymouth with launch event scheduled 1st November 2022.
DELEGATED DECISIONS MADE:[4]	Appointment of Corporate Director for Education & Location – Amanda Davis
ANTICIPATED ACTIVITIES/MILESTONES FOR NEXT PERIOD:[5]	

[1] Enter the portfolio area

[2] Insert the date of the Cabinet meeting to which this summary update is to be reported

[3] Provide brief details of the meetings attended, key activities or project milestones completed since the last report

[4] Enter details of any delegated decisions made since the last meeting

[5] Provide details of key activities, project milestones or significant meetings anticipated in the next period

This page is intentionally left blank

Dorset Council

PORTFOLIO HOLDER/LEAD MEMBER UPDATE SUMMARY

PORTFOLIO:[1]	Corporate Development and Transformation
CABINET DATE:[2]	1st November 2022
KEY ACTIVITIES SINCE THE LAST REPORT:[3]	Informal Cabinet Asset Strategy Board Festival of the Future (running for 5 days attended 3) Further detail on CPMI financial data reference performance board Leadership Performance board Regular update with Executive director for corporate service Updates on HR and recruitment matters Cabinet Meeting on next steps for Digital Place Meeting with Chief exec regarding recruitment Full Council and present refresh of council plan Interviews for corporate director for finance Staffing Committee

[1] Enter the portfolio area

[2] Insert the date of the Cabinet meeting to which this summary update is to be reported

[3] Provide brief details of the meetings attended, key activities or project milestones completed since the last report

DELEGATED DECISIONS MADE:[4]	None
ANTICIPATED ACTIVITIES/MILESTONES FOR NEXT PERIOD:[5]	Ongoing Performance Management processes as next steps for the council to include benchmarking on both performance and financial spend and aligned to the delivery plan for Corporate Plan Further work on timeline for transformation bids New T's & C's for Dorset council awaiting more EQIA dater before union ballot Reporting of abuse to staff and training Wash up for Festival of Future and review of next steps Final decision on bids for front of house and committee room refurbishments Further work on gigabit roll out Budget Café and work on savings

[4] Enter details of any delegated decisions made since the last meeting

[5] Provide details of key activities, project milestones or significant meetings anticipated in the next period

The Cabinet Forward Plan - February to May 2023
Publication date: 1 February 2023

Explanatory Note:

This Forward Plan contains future items to be considered by the Cabinet and Council. It is published 28 days before the next meeting of the Committee. The plan includes items for the meeting including key decisions. Each item shows if it is 'open' to the public or to be considered in a private part of the meeting.

Definition of Key Decisions

Key decisions are defined in Dorset Council's Constitution as decisions of the Cabinet which are likely to -

(a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the relevant local authority's budget for the service or function to which the decision relates (***Thresholds - £500k***); or

(b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority."

In determining the meaning of *"significant"* for these purposes the Council will have regard to any guidance issued by the Secretary of State in accordance with section 9Q of the Local Government Act 2000 Act. Officers will consult with lead members to determine significance and sensitivity.

Cabinet Portfolio Holders 2021/22

Spencer Flower	Leader / Governance, Performance and Communications
Peter Wharf	Deputy Leader / Adult Social Care and Health
Gary Suttle	Finance, Commercial and Capital Strategy
Ray Bryan	Highways, Travel and Environment
Graham Carr-Jones	Housing and Community Safety
Jill Haynes	Corporate Development and Transformation
Laura Beddow	Culture, Communities and Customer Services
Andrew Parry	Children, Education, Skills and Early Help
Tony Ferrari	Economic Growth, Assets & Property
David Walsh	Planning

Subject / Decision	Decision Maker	Date the Decision is Due	Other Committee(s) consulted and Date of meeting(s)	Portfolio Holder	Officer Contact
February					
Commissioning Strategies for Adult Social Care **Key Decision** - Yes **Public Access - Open** To adopt final versions of the suite of commissioning strategies to form the basis of the Council's priorities under the portfolio for the coming five years.	**Decision Maker Cabinet**	**Decision Date 28 Feb 2023**	People and Health Overview Committee 19 Dec 2022	Deputy Leader and Portfolio Holder for Adult Social Care and Health	*Jonathan Price, Interim Corporate Director for Commissioning jonathan.price@dorsetcouncil.gov.uk* *Executive Director, People - Adults*
Update on Children in Care Strategy and Plan **Key Decision** - Yes **Public Access - Open** To review a proposal to increase fees for foster carers to ensure the offer of Dorset Council is comparative to neighbouring authorities and recognises the work that out foster carers do for our children.	**Decision Maker Cabinet**	**Decision Date 28 Feb 2023**	People and Health Overview Committee 31 Jan 2023	Portfolio Holder for Children, Education, Skills and Early Help	*Louise Drury, Head of Service Children in Care and Care Leavers louise.drury@dorsetcouncil.gov.uk* *Executive Director, People - Children (Theresa Leavy)*
Procurement Forward Plan Report - over £500K (2023-24) **Key Decision** - Yes **Public Access - Open** Cabinet is required to approve all key decisions with financial consequences of £50K or more.	**Decision Maker Cabinet**	**Decision Date 28 Feb 2023**		Portfolio Holder for Finance, Commercial and Capital Strategy	*Dawn Adams, Service Manager for Commercial and Procurement dawn.adams@dorsetcouncil.gov.uk* *Executive Director, Corporate Development - Section 151 Officer (Aidan Dunn)*

Subject / Decision	Decision Maker	Date the Decision is Due	Other Committee(s) consulted and Date of meeting(s)	Portfolio Holder	Officer Contact
Dorset Council - Determination of School Admissions Arrangements 2024 - 25 **Key Decision** - Yes **Public Access - Open** Statutory requirement for an annual determination of the Council's School Admissions Arrangements.	**Decision Maker Cabinet**	**Decision Date 28 Feb 2023**	People and Health Overview Committee 31 Jan 2023	Portfolio Holder for Children, Education, Skills and Early Help	*Ed Denham, School Admissions Manager ed.denham@dorsetcouncil.gov.uk Executive Director, People - Children (Theresa Leavy)*
Data and Business Intelligence Strategy **Key Decision** - Yes **Public Access - Open** Agreement for taking forward the Data and Business Intelligence Strategy as an organisation.	**Decision Maker Cabinet**	**Decision Date 28 Feb 2023**		Portfolio Holder for Corporate Development and Transformation	*David Bonner, Service Manager for Business Intelligence and Performance david.bonner@dorsetcouncil.gov.uk, Deborah Smart, Corporate Director – Transformation, Innovation and Digital deborah.smart@dorsetcouncil.gov.uk Executive Director, Corporate Development - Section 151 Officer (Aidan Dunn)*
National Planning Policy Consultation Response **Key Decision** - Yes **Public Access - Open** To agree Dorset Council's response to the consultation on changes to National Planning Policy.	**Decision Maker Cabinet**	**Decision Date 28 Feb 2023**		Portfolio Holder for Planning	*Terry Sneller, Local Plan Team Leader terry.sneller@dorsetcouncil.gov.uk, Hilary Jordan, Service Manager for Spatial Planning hilary.jordan@dorsetcouncil.gov.uk Executive Director, Place (John Sellgren)*

Subject / Decision	Decision Maker	Date the Decision is Due	Other Committee(s) consulted and Date of meeting(s)	Portfolio Holder	Officer Contact
Dorset Council Plan Priorities: One Customer Account and Digital Innovation **Key Decision** - No **Public Access - Open** To receive a report from the Portfolio Holders for Corporate Development and Transformation and for Culture, Communities and Customer Services.	**Decision Maker Cabinet**	**Decision Date 28 Feb 2023**		Portfolio Holder for Corporate Development and Transformation, Portfolio Holder for Culture, Communities and Customer Services	*Executive Director, Place (John Sellgren)*
Capital Programme Update **Key Decision** - Yes **Public Access - Open** Agreement to the 2023/24 Capital Programme.	**Decision Maker Cabinet**	**Decision Date 28 Feb 2023**		Portfolio Holder for Finance, Commercial and Capital Strategy	*Heather Lappin, Head of Strategic Finance heather.lappin@dorsetcouncil.gov.uk Executive Director, Corporate Development - Section 151 Officer (Aidan Dunn)*
Potterne Park **Key Decision** - Yes **Public Access - Fully exempt** Negotiations in respect of a Council owned asset.	**Decision Maker Cabinet**	**Decision Date 23 Jan 2023**		Portfolio Holder for Economic Growth, Assets and Property	*Peter Hopkins, Corporate Director - Assets and Property peter.hopkins@dorsetcouncil.gov.uk Executive Director, Place (John Sellgren)*
March					
Climate and ecological strategy - refresh **Key Decision** - Yes **Public Access - Open**	**Decision Maker Cabinet**	**Decision Date 28 Mar 2023**	Place and Resources Scrutiny Committee	Portfolio Holder for Highways, Travel and Environment	*Steven Ford, Corporate Director for Climate and Ecological Sustainability Executive Director, Place (John Sellgren)*

Subject / Decision	Decision Maker	Date the Decision is Due	Other Committee(s) consulted and Date of meeting(s)	Portfolio Holder	Officer Contact
A refresh of the Climate and ecological strategy.					
Dorset Council Plan Priorities: Update: County Deals/Community Safety **Key Decision** - No **Public Access - Open** To receive a report from the Portfolio Holders for Economic Growth, Assets and Property and Housing and Community Safety.	**Decision Maker Cabinet**	**Decision Date 28 Mar 2023**		Portfolio Holder for Economic Growth, Assets and Property, Portfolio Holder for Housing and Community Safety	*Andrew Billany, Corporate Director of Housing, Dorset Council andrew.billany@dorsetcouncil.gov.uk* *Executive Director, People - Adults*
Council decision making building in climate and ecological considerations **Key Decision** - Yes **Public Access - Open** A new decision making tool to embed climate and ecological considerations.	**Decision Maker Cabinet**	**Decision Date 28 Mar 2023**	Audit and Governance Committee 16 Jan 2023	Portfolio Holder for Highways, Travel and Environment	*Steven Ford, Corporate Director for Climate and Ecological Sustainability* *Executive Director, Place (John Sellgren)*
April					
Dorset Council Plan Priorities Update: Housing for Local People **Key Decision** - No **Public Access - Open** To receive a report of the Portfolio Holder for Housing and Community Safety.	**Decision Maker Cabinet**	**Decision Date 25 Apr 2023**		Portfolio Holder for Housing and Community Safety	*Andrew Billany, Corporate Director of Housing, Dorset Council andrew.billany@dorsetcouncil.gov.uk* *Executive Director, Place (John Sellgren)*

Subject / Decision	Decision Maker	Date the Decision is Due	Other Committee(s) consulted and Date of meeting(s)	Portfolio Holder	Officer Contact
Dorset Council Plan Priorities Update: Working with the Integrated Care System **Key Decision** - No **Public Access - Open** To receive a report of the Portfolio Holder for Social Care and Health.	**Decision Maker Cabinet**	**Decision Date 25 Apr 2023**		Deputy Leader and Portfolio Holder for Adult Social Care and Health	*Executive Director, People - Adults*
May					
Dorset Council Plan Priorities Update: Value for Money (Unitary Council Benefits) **Key Decision** - No **Public Access - Open** To receive a report of the Portfolio Holder for Finance, Commercial and Capital Strategy.	**Decision Maker Cabinet**	**Decision Date 16 May 2023**		Portfolio Holder for Finance, Commercial and Capital Strategy	*Executive Director, Corporate Development - Section 151 Officer (Aidan Dunn)*
June					
Library Strategy **Key Decision** - Yes **Public Access - Open** The proposed library strategy is in the process of going through the second phase of consultation.	**Decision Maker Cabinet**	**Decision Date 20 Jun 2023**	Joint Overview Committee	Portfolio Holder for Corporate Development and Transformation	*Elizabeth Crocker Elizabeth.Crocker1@dorsetcc.gov.uk Executive Director, Place (John Sellgren)*

Subject / Decision	Decision Maker	Date the Decision is Due	Other Committee(s) consulted and Date of meeting(s)	Portfolio Holder	Officer Contact
Finance Report - Outturn 2022/2023 **Key Decision** - No **Public Access - Open** To consider the Council's performance against its revenue budget in 2021/22 and the impact this has upon reserves, including the general fund.	**Decision Maker Cabinet**	**Decision Date 20 Jun 2023**		Portfolio Holder for Finance, Commercial and Capital Strategy	*Heather Lappin, Head of Strategic Finance heather.lappin@dorsetcouncil.gov.uk* *Executive Director, Corporate Development - Section 151 Officer (Aidan Dunn)*

Private/Exempt Items for Decision
Each item in the plan above marked as 'private' will refer to one of the following paragraphs.

1. Information relating to any individual.
2. Information which is likely to reveal the identity of an individual.
3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).
4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
6. Information which reveals that the shadow council proposes:-
   (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
   (b) to make an order or direction under any enactment.
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Cabinet

23 January 2023

Quarter 3 financial management report 2022/23

For Decision

Portfolio Holder: Cllr G Suttle, Finance, Commerical & Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Heather Lappin
Title: Head of Strategic Finance
Tel: 01305 221713
Email: heather.lappin@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report comes to Cabinet with information about the Council's projected financial performance for the full 2022/23 financial year, being made at the end of Quarter 3.

Recommendation:

Cabinet is asked to:

1. note SLT's forecast of the full year's outturn for the Council, made at the end of Quarter, 3 including progress of the work to deliver savings that were incorporated into the budget.
2. note the spend to date on the approved capital programme for 2022/23 and the likelihood of significant slippage alongside the risk of inflation, interest rates and more general delivery concerns.
3. note the impact of the pay award for 2022/23 and the impact this will have on base budget position going into 2023/24.
4. note the assumptions about the final quarter of the year and risks around those which might have impacts on the 2023/24 budget strategy beyond those specifically incorporated into the Council's financial model.

Reason for Recommendations:

The Council has responsibilities to deliver its corporate plan priorities and it must do this within the resources made available through the revenue and capital budgets for 2022/23. This report summarises the Council's forecast financial performance for the full year at the end of the third quarter.

Reviewing and challenging the developing financial performance and projected position this year is a cornerstone of good governance. This ensures that resources are deployed to deliver the Council's services in line with the planned priorities, and that the organisation remains sustainable and in good financial health. The closing quarter of the year will be critical in ensuring that the Council positions itself well and accurately in terms of its budget assumptions for 2023/24 and beyond.

This report does not cover the budget or medium-term financial plan (MTFP) for 2023/24, these are covered by a separate report to this same Cabinet meeting.

1. Financial Implications

Financial implications are covered within the body of this report.

2. Climate Implications

The Council's budget continues to fund action set out in the climate and ecological emergency action plan, including a £10m capital expenditure commitment over the term of the current MTFP.

3. Wellbeing and Health Implications

The Council has continued its focus on keeping people safe and well.

The Council has continued to play an essential role in distributing government grants to individuals and businesses as well as delivering high-quality public services.

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

Increasing prices and pay costs continue to cause pressure for the Council's budget, despite a small reduction in the headline rate of inflation of 10.7% in November 2022.

Inflation affects a significant quantum of the Council's budget. Whether directly, through the goods and services we buy, or indirectly, in our supply chain which then impacts on us.

The continuing volatility of prices and supply-side issues in the economy make it necessary for the S151 Officer, the Council's Chief Finance Officer, to continue to assess the risk as *high*.

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 summaries

8. Background Papers

2021/22 draft outturn report

2022/23 budget strategy report

2022/23 Qtr1 financial management report

2022/23 Qtr2 financial management report

9. Budget setting 2022/23 and context

9.1 2022/23 is Dorset Council's fourth year and the budget and MTFP continues to reflect savings from reorganisation being channelled into front line services.

9.2 The Council's *budget requirement* is £331.6m and this was funded from rural services delivery grant (£2.5m), new homes bonus (£3.8m), business rates (£46.3m) and council tax (£279m). More detail is set out in the budget strategy report at the link above.

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

9.4 The Council's commercial ambitions are, however, set out in the commercial strategy and to support this, a fees and charges policy has been developed through the Council's regular governance process and is included as an appendix to the budget strategy report on the same agenda as this report.

9.5 The report to Cabinet at the end of Qtr2 (link above), set out a projected overspend for the full year of £7.8m. This report covers the changes in performance and predictions since that time.

10. Forecast of financial performance at Quarter 3

Overall projection

10.1 At the end of Qtr3, the Council is forecasting net budget pressures of £8.376m, as summarised in the table below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	148,575	152,209	(3,634)	(2.4%)
People - Children's	75,876	77,668	(1,793)	(2.4%)
Place	87,022	92,881	(5,860)	(6.7%)
Corporate Development	24,944	25,231	(288)	(1.2%)
Legal & Democratic Services	6,533	5,967	566	8.7%
Public Health	5,452	5,452	0	0.0%
Total Service Budgets	348,402	359,409	(11,007)	(3.2%)
Central Finance	(357,956)	(360,587)	2,631	(0.7%)
Whole Authority	(9,554)	(1,178)	(8,376)	
Dedicated Schools Grant budgets			(16,911)	

Pay costs

10.2 Before turning to directorate specific narratives, it is worth understanding the impact of the pay award for 2022/23 on the Council's budget.

10.3 The pay award has been agreed as £1,925 increase to each spinal column point across the entire pay scale. The % increase is therefore different for each spinal point rather than an overall % increase for all employees.

10.4 The higher than budgeted pay award has added an extra £6.4m to the pay bill than was originally budgeted, but this has been met by the contingency budget allocation.

10.5 The increase will also flow through to the 2023/24 base budget. This has been factored into our financial planning.

10.6 Directorate-specific narrative is set out in the following paragraphs.

Children's Services

10.7 The Children's Services forecast is £77.668m compared with a net budget of £75.876m, an overspend of £1.793m (2.4%). The September position was a £1.5m overspend.

10.8 The main overspend areas and changes since the September position are discussed below.

10.9 Most of the overspend sits within Care and Protection, the social care side of the Directorate.

10.10 External placements for children in care are forecast to overspend by £2.8m (£2m in September) as capacity and availability of suitable placements and placement moves remain a challenge. The external placement overspend is partially caused by delays within the capital programme, including Dorchester Road.

10.11 However in-house residential care and fostering services help offset the external placement overspend through vacancies, including lower numbers of foster families. Although underspends are helpful, both in-house residential care and fostering reduce the reliance on external placements and plans are in place to redress the balance.

10.12 There is an increased requirement and cost pressures of £1.3m (£0.695m in September) for direct payments, externally purchased overnight short breaks and bespoke support packages for disabled children and young people with complex needs, although Dorset do receive NHS contributions towards this cohort. Public Health funding of £0.5m was agreed during the third quarter.

10.13 A pressure of £0.367m (£0.22m in September) exists for supporting unaccompanied, asylum-seeking children (UASC). Dorset is part of the temporary mandate National Transfer Scheme, accepting transfers of children into our care to provide crucial placements.

10.14 The Scheme set a quota for all local authorities to be required to accommodate the equivalent of 0.07% of the local child population. This was revised upwards in a letter from the Minister for Safe and Legal Migration on 24 August to 0.1% of the local child population. These thresholds could change again.

10.15 For Dorset, this represents a rise from 47 young people to 67 young people. We are currently looking after 42 young people and are responsible for 37 care leavers who were formerly asylum-seeking children.

10.16 The National Transfer Scheme provides a degree of funding to support unaccompanied children, however this mainly covers the direct placement costs, so excludes costs such as interpreter fees, and social worker resource. The funding varies depending upon the number of unaccompanied children and whether the child is part of the National Transfer Scheme.

10.17 During quarter three, the Outdoor Education Service transferred from the Place directorate to Children's, bringing a £0.18m overspend.

10.18 Other favourable budget changes are predominantly pay-related due to careful vacancy management.

10.19 At the end of Qtr3, £3.79m (88%) of the total £4.3m transformation and tactical programme is designated as 'green', and therefore has been achieved or will be achieved. £0.22m (5%) is currently earmarked as 'amber', with the remaining £0.3m (7%) designated 'red', meaning this will not be achieved in this financial year.

10.20 Around £1.2m of savings have been achieved through methods other than originally intended. Children's Services has a dedicated transformation team which manages and resources the projects, however some of these are taking longer to implement than originally estimated. Children's

Services are committed to delivering the savings, and therefore work continued during quarter 2 to identify ‘Plan B’ options to deliver the savings in the event of project slippage.

10.21 This is the forecast position at the end of the third quarter in what could be a very 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 and/or the need for increased fees), delivering capital projects on time and budget (there are revenue implications for late projects), delivery of transformation and tactical savings and legislative changes (i.e. Care Review, Education White Paper), although the impact is likely to be felt in future years.

Dedicated Schools Grant (DSG)

10.22 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.

10.23 There are four blocks within the DSG: Schools Block (SB), Early Years Block (EYB), High Needs Block (HNB) and Central Services Schools Block (CSSB).

10.24 Dorset’s DSG allocation is £299m for 22/23 before recoupment including additional grants and the use of the Growth Fund reserve. The December forecast overspend is £16.9m, all within the High Needs Block.

10.25 Dorset Council signed a £42m *Safety Valve* agreement with the Department for Education (DfE) in March 2022 to help eradicate the cumulative DSG deficit and support a return to a balanced in-year DSG position by 2026/27. Dorset Council will contribute £33m as part of the agreement.

10.26 As part of this agreement with the DfE, Dorset Council agreed a planned overspend for the year of £10.4m. However, the spend for the full year (based on expenditure to the end of December) is forecast to be higher at £16.9m (£15.1m at September)

10.27 The reasons for the higher forecast include:

- there are significantly more children in independent specialist placements than budgeted
- inflation, capital delays and school place changes.

- The number of children and young people with an EHCP remain within the forecast model, however the placement mix (for example % of children and young people with an EHCP in a mainstream school) is not as budgeted.

10.28 If the Council is unable to achieve the agreed level of deficit with the DfE then it could jeopardise the second tranche (2022/23) of *Safety Valve* funding of £6.25m.

10.29 The *Safety Valve* agreement contains ten conditions, including the financial delivery. Dorset are on track to deliver eight of the conditions, with risks around the capital programme and therefore overall financial delivery.

10.30 The Dorset SEND capital strategy is still a key component of the *Safety Valve* agreement and supporting children and young people with SEND in Dorset, however rising construction costs and labour shortages are impacting on project costs and project timelines. This includes DfE free school projects.

10.31 An updated SEND capital report was approved by cabinet in September, this will allow for an additional 228 places by 2025/26 which will play a key part in the success of the *Safety Valve* agreement. At this stage it is anticipated that the *Safety Valve* agreement will be achieved, however the time taken to achieve a balance in-year position might take longer due to the issues highlighted above.

Adults Services & Housing

10.32 The Adults Services & Housing forecast is £152.2m compared with a net budget of £148.6m, an overspend of £3.634m (2.4%). The forecast has improved by £0.342m since Qtr2.

10.33 The forecast overspend within Adult Care and Commissioning is £2.180m. The forecast has improved by £432k since Q2. This compares positively to the forecast overspend position for the same period in 2021/22 of £7.3m. The improvement since Q2 is due to the following:

- £273k of savings have been achieved in Q3 within Commissioned Care packages.
- An improvement of the forecast within Adult Care Operations staffing teams due to vacancies. We have recruited into permanent posts during this quarter. The service is redesigning, part of this process will be looking to set a new workforce strategy.

10.34 This forecast assumes achievement of £3.7m of savings from the £4m target. £3.169m have been delivered to date with the remaining £0.536m due in the last quarter. Positive progress has been made in the last quarter and the Directorate is committed to achieving the remaining savings by year end.

10.35 During Q3 the Department of Health and Social Care announced the Adult Social Care and Discharge Fund. Dorset Council have been allocated £1.422m, Bournemouth, Christchurch and Poole (BCP) were allocated £1.458m and the Integrated Care Board (ICB) were allocated £6.444m to support both Dorset Council (DC) and Bournemouth, Poole and Christchurch (BCP). The funding allocated must be spent by the 31st March 2023 and is being issued in two tranches of which we have received one. This is welcomed by the Directorate as we are anticipating £15m spend on discharges from hospital in year compared to £4.1m pre pandemic.

10.36 The fund is to be used flexibly on interventions that best enable to discharge of patients from hospital to the most appropriate location for their ongoing care. The funding is design to free up the maximum number of hospital beds and reduce the bed days lost. It is crucial the health and care systems and providers work together across health and social care. As a result, DC has collaborated with BCP to produce a joint programme called Home First Accelerator programme which will give maximum impact.

10.37 The Home First Accelerator Programme sees in additional investment in reablement and work to contractualise and optimise home care capacity using a Provider led approach.

10.38 Housing is currently projecting an overspend of £1.454k. The forecast for Housing has worsened by £0.090m in the last quarter.

10.39 There is a continued increase in family homelessness and room rates are increasing in tandem with other inflationary rises, and set against the fixed Local Housing Allowance rate, means that the cost per unit is increasing above what was set in the budget. This is also a demand led budget meaning pressures and demands are subject to change and can have a budgetary impact.

10.40 As mentioned in the Quarter 2 report measures are under way to increase the supply of non-B&B accommodation (including using Council assets), continue the good work of the restructured Housing Team in preventing homelessness and accelerating the drive to use other temporary accommodation for families instead of B&Bs.

<u>Public Health</u>

10.41 The public health grant for 2022/23 for BCP Council is £20.616m and for Dorset Council is £14.613m. Agreed local authority contributions for the year gave a shared service budget of £25.614m after retained amounts.

10.42 Forecast at Qtr3 for the shared service is currently £279k underspent. This is based on equivalent health improvement activity, developments within early intervention and LiveWell Dorset spend being to budget and no further cost pressures.

10.43 PH Dorset generally has a net nil budget (grant transferred from partner councils is equal to expenditure) but the position for 2022/23 is a *positive* budget, due mainly to the use of Public Health reserves for fixed-term safeguarding capacity. No overall variance from budget is anticipated.

10.44 There are external factors that could create financial risk or volatility in 2022/23 for the service which include ongoing Covid-19 response work, wider health protection work, the development of the Integrated Care System, and additional short-term changes to national grant funding.

Place Directorate

10.45 The Place Directorate forecast is £92.881m compared with a net budget of £87.022m, an overspend of £5.860m (6.7%). The forecast at Qtr2 was an overspend of £5.261m, so there has been a net £599k worsening since that point. There have some relatively minor changes in both directions (i.e. some improvements, some worsening's) across the Directorate since the Qtr2 report, however the primary cause for concern is the steady worsening of the Dorset Travel position. More on this below.

10.46 Just as it was at Qtr2, the Qtr3 forecast has inflation as the major issue for Place budgets, at over £3m additional cost. The larger items are utility costs, for which the two main areas are our buildings and our streetlighting (total utilities projected overspend £778k), materials price increases within Highways such as road salt (£136k), disruption in the local travel market (discussed further below), waste disposal contracts tied to inflation indices (£683k) and directly purchased vehicle fuel (this has reduced in recent months, now projected at £358k overspend compared to £750k as at Qtr2). Major issues are explored further below.

10.47 Assets and Property are showing a forecast adverse variance of £68k, a considerable improvement from the adverse projected position of £456k at Qtr2. The improvement arises from unbudgeted savings such as business rates on unoccupied buildings, business rates at South Walks House which is now a cost to the occupier since it was rented out, and unbudgeted income in respect of Coombe House. Nonetheless, significant issues remain as follows:

- gas and electricity prices on the property estate – £301k forecast of overspend
- public conveniences – £102k pressure including planned savings not being realised
- no County Hall car parking income – £168k
- housing service – cost recovery £65k.

10.48 Highways had previously forecast an overspend of circa £1.3m around the time of Qtr2, with much of this relating to the car parking budget line. This has now worsened to an adverse variance of £1.465m, with car parking income still being the main issue. Car parking income is in fact very buoyant but will not achieve the income budget as set. There are also overspends in relation to increases in road salt prices, plus legislative change from red diesel to white diesel.

10.49 Planning continues to show an adverse variance, £855k at Qtr2 and now £787k at Qtr3. The issues are still the level of Development Management income and as noted previously the costs of agency staff are also causing pressures.

10.50 Dorset Travel is forecasting a £2.960m overspend (£2.1m as at Qtr2) due to the issues around prices on external contracts for all aspects of travel (public transport, school transport, and SEND transport).

10.51 Environment and Wellbeing budgets have a forecast adverse variance of £448k, an improvement since the Qtr2 forecast of £695k. The majority of this relates to Leisure Services, for which income projections have been adverse but have improved somewhat in recent months. Leisure Services also no longer includes a negative variance for Outdoor Education Service, which has now moved to Children's Services.

10.52 Community and Public Protection (CPP) have a forecast adverse variance of £287k, a worsening of £67k since the Qtr2 forecast which was £220k adverse. Issues are as previously reported, with variances spread across all the services, with income forecasts, vacancy factor, savings targets and costs in the Coroner's service being the main causes. The worsening in this quarter is mainly in Coroners due to some high profile cases, which by their nature tend to incur additional expenditure.

10.53 The Waste (Commercial and Strategy) service is forecasting a favourable variance of £913k, a slight worsening since the Qtr2 forecast of £1.215m. Garden waste and Commercial waste services are doing well and the recyclate price was buoyant in the first half of the year but has since worsened considerably.

10.54 The Waste Operations (including fleet) Service is forecasting an adverse variance of £896k, an improvement since the Qtr2 forecast of an adverse £1.1m. The overspend primarily relates to the cost of vehicle fuel, which has improved in recent months, vehicle parts and some operational staffing overspends.

10.55 Customer Services, Libraries and Archives are forecasting an underspend of circa £0.5m, almost unchanged since Qtr2. This is largely a reflection of resources that have gone into supporting the Homes for Ukraine project, with appropriate costs now funded from that grant. This is one-off money and will not be repeated in future years. There are also vacancies.

10.56 Harbours are not specifically referenced here, as the regulations around harbour finances mean that they are ringfenced.

10.57 The overall position in the Director's Office is an overspend forecast of £418k, up from £290k at Qtr2. We have previously reported on an unfunded cost pressure of £260k in relation to historic Weymouth Harbour capital financing, and a net cost arising from supporting the Tour of Britain.

In addition, one-off changes in the Directorate management arrangements have seen an additional overspend of circa £90k.

Corporate Development

10.50 The Corporate Development forecast is £25.231m compared with a net budget of £24.944m, an overspend of £0.288m (1.2%). The forecast has worsened by £0.041m since Qtr2.

10.51 Finance and Commercial Services are forecasting an overspend of £657k, which in the main is due to an expected loss of court fee income from non-payment of business rates and council taxes.

It was originally anticipated that there would be court hearings in the early part of 2023, however, it has not been possible to secure any court dates, so the full budget of £913k is now forecast as a shortfall. The forecast also includes overspends in bank charges of £166k and the external audit fee of £58k.

These have been offset by reductions in the bad debt provisions of £486k and savings in pay related costs.

10.52 Dorset Care Record is forecasting an overspend of £109k, which is due to budget savings only being partially achieved due to contractual obligations.

Legal & Democratic Services

10.53 The Legal & Democratic forecast is £5.967m compared with a net budget of £6.533m, an underspend of £0.566m (8.67%). The forecast has improved by £0.232m since Qtr2.

10.54 The Assurance Service is forecasting a £92k underspend which comprises a £59k underspend due to staff vacancies, savings in supplies and services of £21k plus additional income of £12k.

10.55 Democratic Services are forecasting a £229k underspend due to savings identified within the service.

10.56 Legal Services are forecasting a £227k underspend due to staff vacancies and difficulties in recruiting.

Central budgets

10.57 The forecast for central budgets is £361m compared with a net funding budget of £358m, a net forecast underspend of £2.631m (0.7%). The forecast has worsened by £249k since Qtr2.

10.58 General Funding is forecasting an £8k underspend due to an expected increase in grant funding.

10.59 Capital Financing costs are forecasting a £1.06m underspend due to slower than expected progress implementing the capital programme leading to forecast borrowing costs being lower than budget.

10.60 There is currently £1.4m held in contingency, and this has been earmarked as follows:

- £0.3m earmarked to support Housing Services
- £1.1m earmarked for inflation pressures

£6.4m was reallocated from contingency to support the additional costs of the 2022/23 pay award.

11 Material movements of budgets

There were no material movements of budgets during Qtr3.

12 Progress against budgeted savings

12.1 Appendix A shows the latest summary of the progress being made against the savings that were agreed to balance this year's budget. It also risk-rates the achievement of these savings. The shortfalls classified as red total (£2.3m) and are included in the forecast – i.e. it is assumed they cannot be delivered in 2022/23.

12.2 At this stage, the forecast assumes all other savings will be achieved, though clearly this may change as the Council progresses through the remainder of the year. There is a further £1.03m of savings currently RAG-rated as amber which will need to be delivered or there will be a further shortfall in this year – and added pressures in the MTFP.

12.3 The directorate narratives earlier in this report also set out where in-year savings targets have been met using tactics other than in the plan and therefore whether there are any base budget issues to be considered because of delivery using a different approach.

12.4 Leadership Performance Board continues to monitor the transformation programme and associated savings. Work continues to identify strategies to deliver services within the funding available.

13 General fund position and other earmarked reserves

13.1 The general fund balance currently stands at £33.2m, in line with Council's agreed budget strategy for 2022/23. Any overspend for the year falls to the general fund to finance. There are also further reserves available to support the Council but most of these are earmarked for specific purposes and cannot be repurposed without impacting the risk for which they have been provided.

13.2 The Council also has a contingency budget in place but £1.1m of this has already been used to offset inflation on contracts across various services where prices could not be held at budgeted levels. There are further forecast inflationary pressures which are being contained within service budgets at present – such as within the waste service where increased recyclate prices have partially offset contract inflation on waste disposal contracts and other operational pressures such as fuel.

14 Capital programme and financing

14.1 The approved capital programme now stands at a total of £301.6m for the next five years and is summarised in the table below.

Total Budget 2022/23	Capital Programme	2023/24	2024/25	2025/26	2026/27	Total Budget 22/23-26/27
(23,136)	Full external funding	0	0	0	0	(23,136)
(29,922)	Partial external funding	(1,977)	(1,600)	(1,500)	0	(34,999)
(26,208)	Dorset Council part funding (borrowing requirement)	(1,094)	(3,798)	(1,078)	(2,500)	(34,678)
(59,957)	Dorset Council funding (borrowing requirement)	(35,076)	(27,694)	(22,092)	(5,497)	(150,316)
0	Dorset Council funding (reserves)	0	0	0	0	0
0	Dorset Council funding (capital receipts)	0	0	0	0	0
(10,053)	Minimum Revenue Provision	(10,053)	(12,053)	(13,053)	(13,303)	(58,515)
(149,276)	**Total funding**	**(48,200)**	**(45,145)**	**(37,723)**	**(21,300)**	**(301,644)**

14.2 Spend against the programme to the end of Qtr3 is low at just £48.2m, despite inflationary pressures and this reflects the difficulty in supply chains and markets. This is the main reason why the treasury budget is outperforming its targets this year and why there is likely to be further, significant slippage of the capital programme into 2023/24.

14.3 Delivery of such an ambitious capital programme is challenging at any time, but in the current climate it is even more complex. We are experiencing contractor inflation, supply chain issues and labour shortages, interest rate risks around borrowing and logistical fulfilment failure as a result of EU exit, the aftermath of a pandemic and war in Ukraine. These factors mean we need to keep an extremely close eye and a firm grip on our capital programme.

15 Sundry debt management

15.1 The net sundry debt position as at 31 December 2022 was £33.1m. £11.3m (34%) of this is less than 30 days old. The breakdown of this debt is as follows:

Directorate	Balance	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	20,566,803.49	4,604,037.00	2,916,367.74	5,288,988.71	7,757,410.04
Children's Services	1,670,664.43	1,419,549.26	70,001.74	57,339.92	123,773.51
Place	8,926,719.17	4,103,819.04	1,657,417.06	1,836,635.43	1,328,847.64
Corporate	1,900,940.43	1,158,991.20	113,548.00	315,244.31	313,156.92
Grand Total	**33,065,127.52**	**11,286,396.50**	**4,757,334.54**	**7,498,208.37**	**9,523,188.11**

15.2 The Council had been expecting increases in the level of overall debt given the economic circumstances. The introduction of *breathing space* and the limited capacity of the Courts Service over the past two years led the Council to commission SWAP internal audit services to review debt policy and process. Officers continue work to implement the auditor's recommendations and progress is being monitored through the Audit & Governance Committee.

16 Council tax and business rates debt management

Council tax

16.1 The in-year collection rate as at 31 December 2022 is 83.76%. This equates to £296m of a total council tax (all preceptors, not just Dorset Council element).

Financial Year	In year collected (%)
2022/23	83.76
2021/22	83.77
2020/21	83.30
2019/20	85.69

16.2 These headline figures need to be taken in the context of the wider economic realities that local taxpayers have lived through, although of course there is a legal requirement on all taxpayers to pay what is due. The collection and recovery processes have resumed, and the Council is working with taxpayers and remains confident that arrears will reduce, and collection rates will improve.

16.3 £8.5m of arrears from previous years have also been collected in the first nine months of the year.

Business rates (non-domestic rates – NDR)

16.4 The in-year collection rate is 82.43%. This equates to £78.6m which compares favourably with previous years. However, this does include the application of Covid-19 Additional Relief Funding (CARF) which was applied to business rate payers' accounts during September, and which will even-out over the final quarter of this year.

17 Summary, conclusions, and next steps

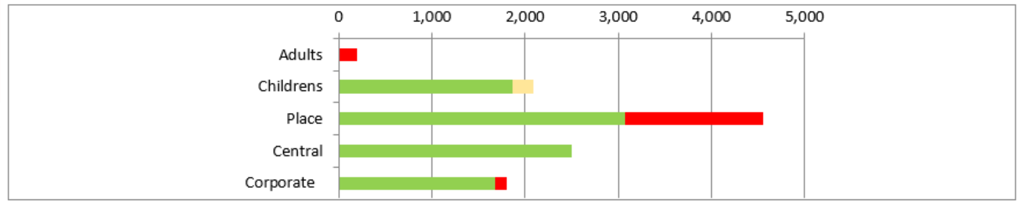
17.1 2022/23 continues to be an extremely challenging time for local government, with inflationary and demand pressures impacting on income and expenditure. There remains a large degree of financial uncertainty and, having reviewed expenditure at the end of the third quarter of the year, Dorset Council's financial forecast is a £8.4m budget pressure.

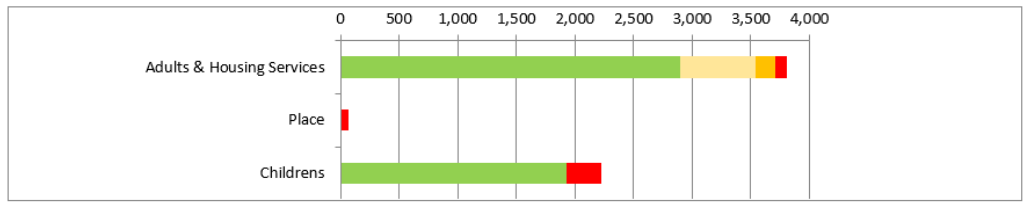
17.2 It is vital that the Council remains focused on living within its means, and in particular ensuring that savings and efficiencies continue to be actively sought out and delivered to ensure the 2022/23 budget moves towards financial balance. Of particular importance is tighter cost control in the Place Directorate. This, combined with strict vacancy management across the organisation are anticipated lead to improvement in the financial position by the end of the year.

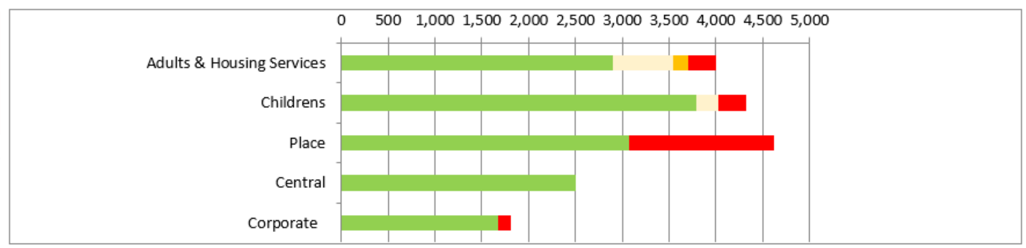
Aidan Dunn
Executive Director, Corporate Development (S151 Officer)

Appendix A

2022/23 Savings Plans		Green	Amber	Amber 2	Red
		Officer assessment on savings target			
	£000's	£000's	£000's	£000's	£000's
Tactical					
Adults	200	0	0	0	200
Childrens	2,092	1,869	223	0	0
Place	4,556	3,071	0	0	1,486
Central	2,500	2,500	0	0	0
Corporate	1,808	1,674	0	0	134
Total Tactical	**11,156**	**9,113**	**223**	**0**	**1,820**
Transformation					
Adults & Housing Services	3,805	2,896	644	165	100
Place	70	0	0	0	70
Childrens	2,228	1,928	0	0	300
Total Transformation	**6,103**	**4,824**	**644**	**165**	**470**
Total - Tactical and Transformation					
Adults & Housing Services	4,005	2,896	644	165	300
Childrens	4,320	3,797	223	0	300
Place	4,626	3,071	0	0	1,556
Central	2,500	2,500	0	0	0
Corporate	1,808	1,674	0	0	134
Summary Savings Plans	**17,259**	**13,937**	**867**	**165**	**2,290**







Cabinet
23 January 2023
Budget strategy and medium-term financial plan (MTFP)

For Recommendation to Council

Portfolio Holder: Cllr G Suttle, Finance, Commerical & Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Aidan Dunn
Title: Executive Director - Corporate Development (S151 Officer)
Tel: 01305 221000
Email: aidan.dunn@dorsetcouncil.gov.uk

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 1.9987% and 1.9987% in the social care precept, providing a band D council tax figure for Dorset Council of £1,905.93; an overall increase of 3.9974%;
3. to note the council tax base agreed by the S151 Officer earlier in this budget setting process;
4. no change to the current scheme of Local Council Tax Support as set out in this report;
5. the capital strategy set out in Appendix 3 and note the review in progress around the current capital programme and emerging bids;
6. the treasury management strategy set out in Appendix 4;
7. the assumptions used to develop the budget strategy and Medium-Term Financial Plan (MTFP), as set out throughout this report and summarised in Appendix 5;
8. the recommended balances on earmarked reserves and on general funds, including the minimum level of the general fund, the application of a further £3.5m of reserves to support the safety valve agreement, and the repurposing of £3m of the Council's other reserves for spend-to-save investment in transformation;

9. the fees and charges policy set out in Appendix 6;

10. 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 7);

11. recommendations 1-6 from the 8 December 2022 Harbours Advisory Committee meeting regarding fees and charges, budgets and asset management plans;

12. agree and recommend to Council the flexible use of £5.3m of capital receipts for the purposes of transforming the Council's asset portfolio over the next three to five years. Work with DLUHC is ongoing to confirm this.

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 8 for Cabinet consideration.

1. Executive summary

This report sets out proposals for Dorset Council's 2023/24 revenue and capital budgets and summarises the medium-term financial plan (MTFP), which covers the following four years to 2027/28. The report also includes the capital strategy and the treasury management strategy.

The budget proposals are built around the priorities identified in the Dorset Council Plan and were considered by the Dorset Council Scrutiny Committees on 10 and 12 January 2023. This paper contains details of Cabinet's responses to the matters raised by those Committees.

This budget continues to reflect members' priorities of resource allocation into front line services wherever possible and this is reflected in the areas of growth set out in the analysis in this paper.

In recent years, the Council's budget setting has taken place against a backdrop of a pandemic. Whilst the prominence of this global event may have waned, the impact is still being felt, not only through the virus still presenting itself and causing serious illness and death, but also in the aftermath of health and care systems coping with the continuing impact and the emerging arrangements, post-pandemic.

This budget is being set against a global economic backdrop of high inflation, economic volatility, a cost-of-living crisis and industrial action across many public services.

This paper also provides an update on funding announced in the local government finance settlement on 19 December 2022.

2. Financial implications

All covered within the report.

3. Well-being and health implications

None specifically identified in this report.

4. Climate implications

Protecting Dorset's natural environment is a key priority area, as articulated in the refreshed Council plan. Work is continuing to ensure that Council-wide approaches are embedded into both our operations and decision-making, and progress has been very strong with reductions in emissions of 26% from 2019 based on a number of significant financial commitments, including:

- The £10m Dorset Council capital has been invested into key areas such as fleet transition, electric vehicle infrastructure, street light replacements and estates.
- The £19m Salix Public Sector Decarbonisation scheme is now largely complete, with measures installed on over 200 buildings. Carbon emission reductions of around 20% on Dorset Council buildings have been achieved.
- An additional £2.7m has been secured for public electric vehicle infrastructure via the LEVI fund.
- The Low Carbon Dorset programme has completed projects with a total value of £15.1m, with another £2.3m total value contracted to complete by the end of January. The total value of projects is therefore likely to be £17.4m, and of this around £9m is match funding.
- Of the £4.5m allocated to Dorset for the Shared Prosperity Fund, around £400k has been provisionally allocated to support existing programmes.
- £385k of additional capital (including £285k of government funding) has been allocated to Healthy Homes Dorset programme to support Dorset Residents with home energy efficiency measures.
- £1.3m has been secured from Defra for Dorset to run the Farming in Protected Landscape scheme, which is being run by the Dorset AONB.
- Significant bids for funding have also been submitted to the Homes Upgrade Grant the Net Zero Pioneer funds.
- Appendix 1a shows the budget for climate change support costs of £0.2m. In addition to this there is further funding for climate change which sit within the relevant service areas.

As part of the ongoing re-alignment of resources towards the climate and ecological programme, during this financial year a Corporate Director has been appointed and four additional officers have now been added to the sustainability team. A climate and ecology operational group and Corporate Leadership Team (CLT) sub-group is now in operation, alongside a dedicated programme manager and programme support resources.

Communications support is now well embedded into the programme, and revenue support has been provided from the transformation team alongside wider Council support for the Low Carbon Dorset project. Significant officer time from throughout Dorset Council is now committed to running projects such as electric vehicle infrastructure, fleet and estates transformation. It is expected that this corporate approach and realignment of resources will accelerate further during the next few years.

5. Other Implications

Nothing specific.

6. Risk assessment

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

Current Risk: High

Residual Risk: High

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.

The Council is forecasting an overspend in 2022/23. The Quarter 3 financial management report provides analysis of that estimate and is a separate item on the same agenda as this report.

The provisional local government finance settlement was published on 19 December 2022 and, though the Council is still working through the detail of some of this, headline conclusions and assumptions are set out in this report.

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, rolling settlement which would provide greater certainty over resource levels.

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.* 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

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.

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 2023-2028
4. Treasury management strategy 2023/24
5. Summary of financial planning assumptions
6. Fees and charges policy 2023/24
7. Response to the issues raised by the Scrutiny committees
8. Harbours Advisory Committee budget proposals for 2023/24

9. Background papers

Medium term financial plan and budget update to Cabinet 4 October 2022

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.

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.

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.

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.

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.

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.

10.2 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.

10.3 Significant progress has been made in delivering on these priorities. However, the Covid-19 pandemic and now the cost-of-living crisis continues to prove to be a huge challenge. The impact on the Council's financial position and performance has been dramatic as income levels have fallen while service demand and expenditure has increased. There is still a substantial amount of risk and volatility around our assumptions, and this is covered in more detail later in this report. The local government finance settlement has been broadly positive despite some of the policy detail needing clarification.

10.4 The challenge for 2023/24 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 It is extremely difficult to estimate how future inflation and other global events will be felt by 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 The latest budget assumptions are shown in the table in appendix 5 for transparency. It should be noted that these are forecasts of what will happen on top of the base budget that was built for 2023/24. We should also be clear that there are cases where the reader may disagree with the assumptions – there may be a challenge around the level at which we have set inflation, for example.

11.3 The approach to inflation for 2023/24 has been to include pay inflation of 4% and to add 6% for general inflation. 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 assumption 2023/24	**Revised assumption 2023/24**
Council tax increase	<2%	<2%
Council tax base growth	0.75%	1.2%
Social Care Precept	1%	2%
Business rates growth	0.50%	4.67%
Pay award	2.00%	4.00%
General inflation	2.50%	6.00%
Increase in fees & charges	2.50%	5.00%
Pension deficit contribution	0% +£750k	0% -£988k

12. Fees and charges

12.1 An average increase in fees and charges that the Council levies has also been estimated at 5%. For some services the charges will be higher, and in others it will be lower.

12.2 The Council has also developed a fees and charges policy for full implementation from 2023/24. This is attached at Appendix 6. The policy has been through the Corporate Leadership Team and Senior Leadership Team and has also been considered by the Place & Resources Overview Committee on its way to Cabinet as part of this budget strategy.

12.3 Implementation and subsequent monitoring to ensure the success of policy objectives is a significant step towards the Council covering 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 announced on 19 December 2022. It followed the publication of a finance policy statement on 12 December that set out Government's intentions for the local government finance settlement for the next two years.

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 for the sector is shown in the table below, for the five years Dorset Council has been established. More detail follows on the Council's own draft settlement figures.

Illustrative Core Spending Power of Local Government:					
	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m
Settlement Funding Assessment	14,559.6	14,796.9	14,809.7	14,882.2	15,671.1
Compensation for under-indexing the business rates multiplie	400.0	500.0	650.0	1,275.1	2,204.6
Council Tax Requirement excluding parish precepts1	27,767.8	29,226.9	30,308.2	31,922.5	33,838.4
Improved Better Care Fund	1,837.0	2,077.0	2,077.0	2,139.8	2,139.8
New Homes Bonus	917.9	907.2	622.3	556.0	290.6
Rural Services Delivery Grant	81.0	81.0	85.0	85.0	85.0
Winter Pressures Grant2	240.0	-	-	-	-
Social Care Support Grant	410.0	-	-	-	-
Social Care Grant3	-	1,410.0	1,710.0	2,346.4	3,852.0
Market Sustainability and Fair Cost of Care Fund	-	-	-	162.0	-
ASC Market Sustainability and Improvement Fund4	-	-	-	-	562.0
Lower Tier Services Grant	-	-	111.0	111.0	-
ASC Discharge Fund	-	-	-	-	300.0
Services Grant	-	-	-	822.0	464.2
Grants rolled in	231.6	232.3	238.1	238.6	-
Funding Guarantee	-	-	-	-	136.0
Core Spending Power	46,444.9	49,231.4	50,611.4	54,540.5	59,543.8
Change in CSP (£ millions)		2,786.5	1,380.0	3,929.1	5,003.3
Change in CSP (%)		5.66%	2.73%	7.20%	8.40%

Settlement Funding Assessment (SFA)

13.4 SFA is the local share of business rates and revenue support grant (RSG). Members will recall that Dorset Council has received no RSG up until this point – in fact our RSG was negative and was offset by the Government by using the central share of business rates. However, for the 2023/24 settlement, Government has rolled some other grants into RSG meaning that Dorset Council now receives £654k from this funding source.

13.5 Contextually, RSG nationally is being increased by CPI% for 2023/24 before grants are rolled in so those that continue to receive it will benefit from this funding growth. Dorset Council finds this a particularly unhelpful aspect of the national funding arrangements.

Business rates

13.6 The business rates multiplier is being frozen at 0.499 but councils will be compensated for this through S31 grant. The exact quantum of this is unclear at present until we complete our own business rates modelling work.

13.7 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 £2m increase in the business rates yield in 2023/24 but there is too much risk in setting a less prudent estimate before the NNDR1 figures are produced. The Council does its own calculations based on circumstances we understand better locally than are modelled in Government's formula.

Council tax

13.8 The announcements have confirmed that the existing limit for a local referendum will be raised to 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. Dorset Council has not yet made any policy decisions around council tax levels beyond 2023/24.

13.9 These budget proposals include a core council tax increase of 1.9987% and an adult social care precept increase of 1.9987%. The proposed total increase is therefore 3.9974%, which results in an annual band D council tax charge of £1,905.93. This is an increase of around £1.40 per week on the 2022/23 charge. The council tax charges proposed for each band for 2023/24, for Dorset Council only, are set out in the table, below.

2023/24	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Core	£1,110.84	£1,295.98	£1,481.12	£1,666.26	£2,036.54	£2,406.82	£2,777.10	£3,332.52
Social Care Precept	£159.78	£186.41	£213.04	£239.67	£292.93	£346.19	£399.45	£479.34
Total	£1,270.62	£1,482.39	£1,694.16	£1,905.93	£2,329.47	£2,753.01	£3,176.55	£3,811.86

13.10 The council has calculated its tax base as 152,424 band D equivalent properties, compared with 150,617.9 for the previous year. The Council is also anticipating a £1.6m surplus on the council tax collection fund for 2022/23 and this is factored into the 2023/24 budget as one-off funding.

Public sector pay

13.11 Public sector pay costs increased significantly in 2022/23 with the implementation of the £1,925 increase across all spinal column points. This added around 8% to Dorset Council's pay bill.

13.12 As noted earlier, for 2023/24 the assumed pay increase is 4%, which amounts to approximately £6m.

13.13 The national living wage (NLW) will increase by 9.7% to £10.42 from 1 April 2023. It will apply to people aged 23 and above, and the Government continues to aim for a NLW which is two-thirds of median incomes by 2024.

Delaying charging reform – repurposed funding

13.14 Government has already announced that charging reforms for adult social care will be deferred by two years from the planned implementation date of October 2023. What is now clear is that £1.265bn in 2023/24 and £1.877bn in 2024/25 will be distributed as additional funding to the social care grant as a repurposing of that funding. More details on Dorset Council's share of the fund are below.

New grant funding for discharge

13.15 £300m in 2023/24 and £500m in 2024/25 is being made available nationally. This is 50% of the funding announced for this purpose at the Autumn Statement – NHS England will receive the other 50%. Funds will have to be pooled through the Better Care Fund (BCF) process, but this is in addition to the existing BCF rather than repurposing. More details on Dorset Council's share of the fund are below.

Ringfenced grant to support capacity and discharge

13.16 Nationally, £400m in 2023/24 and £683m in 2024/25 is being provided in a separate, ringfenced grant for capacity and discharge. More details on Dorset Council's share of the fund are below.

Fair cost of care funding

13.17 £162m nationally is being made available in each of the next two years to support further work on the fair cost of care. This started in 2022/23 and is therefore a continuation of the funding to support work in this area. Dorset Council receives £1.2m through this fund.

Services grant

13.18 The Services Grant will be reduced from £822m to £464.2m nationally. The Government suggests this is to account for the cancelation of the increase in National Insurance Contributions and to route some funding to the Supporting Families programme.

13.19 The distribution of the remaining grant will continue to follow the Settlement Funding Assessment as previously. Dorset's allocation of this grant amounts to £1.7m compared with £3.1m in 2022/23.

New homes bonus

13.20 The New Homes Bonus will continue in 2023/24 with a new round which will attract no legacy payments. Dorset Council's allocation is £1.8m in 2023/24, compared with £3.8m in 2022/23. This reduction had been assumed in our budgeting work.

Rural services delivery grant

13.21 The rural services delivery grant will remain unchanged, Dorset Council's share is £2.5m in 2023/24.

Lower tier services grant

13.22 The lower tier services grant (£111m nationally) and a proportion of expired new homes bonus legacy payments (£276m nationally) will be repurposed to guarantee that all authorities will see an increase in Core Spending Power (CSP) of at least 3%, before additional council tax income is factored in.

13.23 Dorset Council's position is such that we do not benefit from this fund as our increase in CSP is above 3%.

Dedicated Schools Grant (DSG)

13.24 The Government has announced the extension to the statutory override for the DSG for the next three years 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.

13.25 Cabinet's approval is also sought for the Council's safety valve agreement with the Department for Education (DfE) in the form of an additional £3.5m of reserves in 2023/24 to reduce the cumulative overspend. Previous planning assumptions were that this would be funded from the revenue budget.

Dorset Council core spending power (CSP) changes

13.26 The table below sets out year-on-year changes in the published CSP figures. The settlement was broadly in line with our expectations. Additional funding for social care was provided but this will be neutral to the budget and is as described above in this report, with further detail in the service-specific areas below.

Illustrative Core Spending Power of Dorset Council:

	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
Settlement Funding Assessment	43.6	44.3	44.3	44.3	46.6
Compensation for under-indexing the business rates multiplier	1.4	1.8	2.3	4.5	7.8
Council Tax Requirement excluding parish precepts1	241.3	251.5	263.9	276.0	292.2
Improved Better Care Fund	10.4	12.1	12.1	12.5	12.5
New Homes Bonus	3.8	3.0	1.7	3.8	1.8
Rural Services Delivery Grant	2.4	2.4	2.5	2.5	2.5
Winter Pressures Grant2	1.7	-	-	-	-
Social Care Support Grant	2.9	-	-	-	-
Social Care Grant3	-	9.0	9.4	13.3	22.3
Market Sustainability and Fair Cost of Care Fund	-	-	-	1.2	-
ASC Market Sustainability and Improvement Fund4	-	-	-	-	4.0
Lower Tier Services Grant	-	-	0.4	0.4	-
ASC Discharge Fund	-	-	-	-	1.7
Services Grant	-	-	-	3.1	1.7
Grants rolled in	1.1	1.1	1.2	1.2	-
Core Spending Power	308.7	325.2	337.7	362.7	393.2
Change in CSP (£ millions)		16.5	12.6	25.0	30.5
Change in CSP (%)		5.35%	3.86%	7.40%	8.41%

14. Local council tax support (LCTS) scheme

14.1 Dorset Council was established on 1 April 2019 and, since then, has applied a 90% LCTS. This was initially agreed by the Shadow Executive and Shadow Council and is subsequently confirmed by the Cabinet and Full Council each year.

14.2 LCTS replaced the National Council Tax Benefit Scheme in 2013. It is means tested and is based on customers' circumstances. If successful, an applicant can reduce their council tax liability by up to 100%. In line with government criteria, the Dorset scheme provides that older people and working age customers who are vulnerable may receive a reduction of up to 100% of their council tax liability. For working age customers who are not vulnerable, awards are capped at 90%.

14.3 So, for example, a working-age customer who is not vulnerable has a council tax charge of £2,000 per year. Based on their income and household circumstances, they are entitled to maximum council tax support. The maximum support is limited to 90% of the charge, so their award would be £1,800 and they will still have to pay the remaining £200.

14.4 The cost of the LCTS scheme is met by the collection fund in the same way as council tax discounts, exemptions and reliefs. The cost of the scheme for the 2021/22 was £29m, the cost of the scheme in 2022/23 will be advised as part of the current year's outturn reporting.

14.5 In preparing this budget strategy report, consideration has been given to the current scheme to assess if it is still fit for purpose. Officers have reviewed the scheme and propose no changes for 23/24. We have given full consideration to the effectiveness of the scheme and the impact of covid 19 and the cost-of-living crisis on our current customers and are satisfied that no proposals should be made at this time.

14.6 We continue to monitor the scheme and have scheduled a full review during 2023/24. Any potential modelling and option changes which will be subject to full, detailed public consultation to ensure Dorset residents continue to receive the most suitable, affordable support.

14.7 As part of the Autumn Statement 2022 it was announced that Local Authorities would be provided with funding under the Council Tax Support fund. Recipients of LCTS with a balance to pay in respect of the 2023/24 liability will be awarded £25 towards reducing any sum due. If the total amount to pay is less than £25 they will be granted the amount due up to £25 as accounts cannot be placed in credit. Customers will not need to claim this additional support as entitlement will be calculated and applied on their behalf.

14.8 As of 1 December 2022, Dorset Council was providing LCTS to 22,320 claimants.

15. Flexible use of capital receipts

15.1 Dorset Council is undertaking a service reconfiguration of both its Assets & Property department and Regeneration and Economic Development functions.

15.2 A whole-system approach to converging these two strategic functions will lead to the delivery of restructuring leading to transformation. £5.3m of previously unallocated capital receipts will be used to fund the service reconfiguration, structural changes, and operating model refinements to provide the Council with a centralised, corporate landlord property and asset management approach as agreed by Cabinet in November of 2020.

15.3 Changes will result in increased strategic capacity, new business partnering roles into the services, additional delivery capacity, and further operational support capability to identify and drive additional land and asset reviews to release surplus sites generating further longer-term revenue savings for the authority whilst providing land holdings primarily for residential and economic development activities.

16. MTFP process and budget development

16.1 The budget approved in February 2022 showed there was a MTFP gap, including planned savings, of £20.775m from 2023/24 to 2026/27, of which £15.069m arose in 2023/24.

16.2 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 4 October 2022.

Budget Gap as at 18/01/22	£15,069,868
Increase in tax base growth	(£650,853)
Increase in central grants	(£880,000)
Increase in specific grants	(£11,956,608)
Additional estimate for pay award	£2,898,034
Additional estimate for inflation	£11,219,553
Additional income from fees and charges	(£2,068,056)
Additional estimate for energy	£952,807
Supporting DSG plan	£3,500,000
Fair cost of care allocations	£7,773,668
Reduce MRP	(£1,000,000)
Reduce interest paid for capital programme	(£1,000,000)
Additional income	(£598,000)
Reduce Adult Care Packages	(£5,692,372)
Reduce LAC packages	(£1,291,350)
Adults & Housing pressures	£1,468,634
Place pressures	£3,600,504
Children pressures	£3,614,830
Corporate pressures	£4,235,008
Estimated cost of increments	£3,500,000
Additional 2022/23 pay award	£6,848,345
Adults & Housing savings	(£300,000)
Place savings	(£4,825,856)
Corporate savings	(£377,358)
Reduction of Transformation	(£5,000,000)
Budget Gap as at 22/09/22	£29,040,798

16.3 It was clear that rising demands were having an impact on the MTFP and increased the budget gap from £15m to £29m. Cabinet requested that officers should work with their Portfolio Holders and Lead Members to consider a wide range of transformation and efficiency savings that would close the budget gap.

16.4 Over the time since then, officers have worked through a number of 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 22/09/22	£29,040,798
Increase in council tax yield	(£3,424,528)
Increase in business rates growth	(£2,008,443)
Change in grants	(£1,218,085)
Change in inflation	£80,221
Change of DSG support to reserves	(£3,500,000)
Decrease in Adults pressures/savings	(£6,100,900)
Decrease in Corporate pressures/savings	(£1,451,699)
Decrease in Children's pressures/savings	(£1,250,026)
Decrease in Place pressures/savings	(£967,831)
Reduction of pay estimates built in centrally	(£2,199,193)
Change in LGPS secondary rate	(£1,738,000)
Change in collection fund surplus	(£1,600,000)
Reduction in contingency	(£1,262,314)
Use of grant funding	(£2,500,000)
Reduction in rent recovered	£100,000
Budget Gap as at 22/12/22	£0

17. Setting a balanced budget

17.1 In the October budget report to Cabinet, we 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.

17.2 These principles were in turn built upon the Council's priorities as set out in the plan approved by Council and summarised earlier.

17.3 Aligned to the Dorset Council Plan, Cabinet approved the Transformation Plan, which described the approach that the Council will take to redesigning services, so that the Council's priorities could be met with the funding available.

17.4 Significant progress has been made in delivering on these priorities. However, the legacy of the Covid-19 pandemic, and the rapid rise in inflation have had a dramatic impact on the Council's financial position and performance. There is still a substantial amount of risk and volatility around our assumptions.

17.5 The Council continues to face cost pressures specifically relating to the state of the global economy and these have been well documented in quarterly financial management reports to Cabinet, in specific briefings and in the budget update provided for Cabinet in October. More detail on budget movements is shown in the appendices to this paper and these should be read alongside the directorate updates below.

18. New financial strategy

18.1 During 2021/22, as part of the response to the challenge of complex financial management during the pandemic, the Cabinet agreed a new financial management strategy statement.

18.2 The previous strategy had been written as a short-term policy prior to Local Government Reorganisation (LGR) and was mainly concerned with seeing the Council through the first year or so as a new organisation. However, the pandemic caused a pause in many areas of work, including on the financial strategy, meaning it was only approved by Cabinet on 8 November 2021.

18.3 The strategy was subsequently revised and approved by Cabinet as part of the review of the outturn for 2021/22 and preparations for the budget round for 2023/24. It brings together many aspects of the Council's business including financial management, commercialism, procurement, treasury, investments and reserves and is a document which underpins all financial management, including this budget strategy. It is essential reading alongside this report and will continue to be updated annually as part of the budget preparation work.

18.4 The only notable – and exceptional - departure from the financial management strategy for 2023/24 is that £3.5m of contributions from reserves are being used to support the SEND strategy through the safety valve agreement with the DfE. This was previously planned to come from revenue budget contributions, but reserves will be used instead in 2023/24 to make a one-off contribution to reduce the cumulative debt. Funding has been earmarked for this purpose.

19. Summary budget proposals

19.1 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 2023/24 and the following gaps, still to be resolved, for the following years of the MTFP.

	Previous Year Budget 2022-23	MTFP Yr1 Budget Setting 2023-24	MTFP Yr2 2024-25	MTFP Yr3 2025-26	MTFS Yr4 2026-27	MTFP Yr5 2027-28
DC net Budget	333.226	347.262	368.858	382.781	395.212	413.403
DC Funding resources	333.226	347.262	355.044	363.628	372.448	381.508
Gap (Surplus) / Deficit	**0.000**	**0.000**	**13.815**	**19.153**	**22.763**	**31.895**

20. Directorate-level context updates

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

Adults Services & Housing

20.2 Adults and Housing have had a busy year supporting the system with the demand from Hospital Discharges with no additional funding. Through the ICB, partners are seeking a way forward to rebalance demand across the out of hospital pathway, improve system resilience and improve outcomes for people.

20.3 A step towards this is the accelerator programme which is jointly funded with our health colleagues through the Better Care Fund. This is a positive step forward which aims to deliver new bedded reablement services, investment in creating capacity across the community to support long-term care through homecare and a model of trusted assessment which will minimise hospital assessment for on-going care need and speed up the discharge process.

20.4 In year, a national fund of £1.36bn was allocated to support changes to the fee levels paid by local authorities, and the associated reform of commissioning systems that will be required. The Council was required to do three things to access the fund:

- undertake 'cost of care' exercises for 65+ care homes and 18+ domiciliary care settings;
- develop a market sustainability plan, using the cost of care exercises as a key input to identify risks in the local market, with a final plan to be submitted in February 2023; and
- submit a spend report detailing how funding allocated for 2022/23 is being spent in line with the fund's purpose.

20.5 Dorset Council was allocated £1.152m in 2022/23 which was used alongside additional, non-recurrent funding from health, to move towards paying the fair cost of care to its providers based on the findings from the cost of care exercise.

20.6 As set out in the Autumn Statement, the government is making available up to £2.8 billion of additional funding in 2023/24 and up to £4.7 billion in 2024/25 to support adult social care and hospital discharge. The biggest funding increase for adult social care in history.

20.7 This will put the adult social care system on a stronger financial footing and improve the quality of and access to care for those who need it, and includes:

- £600 million in 2023/24 and £1 billion in 2024/25 will be allocated through the Better Care Fund to support hospital discharge, helping people regain or maximise independence as soon as possible and freeing up NHS beds for those who need them;
- £1.3 billion in 2023/24 and £1.9 billion in 2024/25 will be distributed to local authorities through the Social Care Grant, ringfenced for adult and children's social care;

- £400 million in 2023/24 and £680 million in 2024/25 will be distributed to local authorities through a ringfenced grant for adult social care.

20.8 The overall 2023/24 budget proposed for Adults and Housing is £160.641m before savings. This includes £19.412m of additional funding as set out below:

- pay-related cost increases and utility increases (£2.409m)
- increases in care market costs (£11.649m)
- housing general inflation (0.056m)
- fees and charges increase (-£1.445m)
- market sustainability and fair cost of care (£3.997m)
- cost of discharge programme (£1.746m)
- cost to support reforms (£1.0m).

20.9 The above pressures have been offset by 2023/24 transformation savings (£3.40m), tactical savings (£2.873m) and additional grant funding of (£7.185m) as follows:

- £1.746m through the Better Care Fund to support hospital discharge, helping people regain or maximise independence as soon as possible and freeing up NHS beds for those who need them;
- £3.997m to support the Market Sustainability Plan and Fair Cost of Care to be fully delivered by 2025;
- £1.443m for additional social care support.

20.10 The total net budget for Adults and Housing for 2023/24 is £147.183m, an increase of £5,953m.

20.11 Adult Social Care and Housing have developed a ten-year plan that will look to 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.

20.12 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. For example, in December 2022 there has been a 30% increase in people and families presenting to us as being homeless, or at risk of being homeless. This has placed pressure on our capacity to either prevent homelessness or find people a settled home to live in. Performance in preventing and relieving homelessness has been good but this masks an underlying increase in demand which requires investment in measures to find settled housing options for people in need of a home.

20.13 Plans are being developed 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

30% 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. The transformation plans will be calibrated so that there is effective investment of Government grants and Council resources to save the current £1.5 million spent on Bed and Breakfast accommodation and provide a cost-effective way to prevent and relieve homelessness.

Children's Services

20.14 The overall budget proposed for Children's Services is an increase of £3.368m, to £77.804m, an increase of 4.5%.

20.15 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. Remodelling budgets to deliver these priorities remains a critical activity.

20.16 2023/24 will be the third year of the Children's Services transformation programme, with projected in-year savings of £3m. There have also been savings of £0.935m for the third year of The Harbour project in Weymouth.

20.17 Budget increases centre on two main themes for 2023/24; pressures that impact all council services, such as pay inflation, general inflation and cost of increments and pay awards (£5.586m); and specific budget increases for Children's services, totalling £2.47m.

20.18 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.	5.586
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.	0.328
Special Guardianship Order increased costs	Increase in the number of children with SGOs, therefore reducing the number of Children in Care. After a transitional period, financial allowances are assessed.	0.250
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.	0.695

Area	Description	£m
Impact of the National Transfer Scheme for Unaccompanied Minors	Dorset's revised Nation Transfer Scheme threshold is 67 (from 47). This is part of an Unaccompanied Minors strategy. This requirement is to fund non-placement costs (e.g. Social Workers, Interpreters, Personal Assistants).	0.366
Children's Advice and Duty Service (ChAD) - New staffing structure	Formalise ChAD as a 7-day service, including bank holidays and weekends, operating from 8am – 8pm only during this time.	0.300
Inflationary increase in Premature Retirement Compensation budget	Children's Services hold Premature Retirement Costs, Dorset Council's Pensions team have advised that these need to be increased to match nationally agreed pension increases.	0.180
Leaving Care service development	The number of Care Leavers in Dorset will exceed the number of Children in Care this year. To fulfil our statutory responsibilities and ensure the best life chances, additional posts are required to support these young people.	0.150
Keeping In Touch service capacity	Additional posts to ensure court-ordered contact between child and family can be facilitated.	0.105
Growing our own: Student Social Workers	Part of a strategy to have 21 Student Social Worker positions by 2025	0.100

20.19 The Children in Care model has been updated to reflect the cost of the current cohort in 2023/24, 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, now and in the future.

20.20 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.

20.21 The County Council Networks (CCN) states the national picture for part of Children's Services budgets

"With demand and costs rising each year, councils overspent their Looked After Children budgets by £450m last year – a 9% overspend."

20.22 Dorset does buck this trend though, for example through the locality model and maintaining early help services, the 2021/22 outturn position was £0.8m, or 1%, over budget.

20.23 However, Dorset Council is not immune to the experiences of other local authorities, particularly the weekly costs of external providers. The 2021

Competition and Markets Authority (CMA) report into Children's Social Care stated;

"The CMA's market study found that large private sector providers of fostering services and children homes appear to be making higher profits in England and Wales than the CMA would expect in a well-functioning market. This suggests that local authorities may be paying more for these services than they need to…"

20.24 The Sufficiency Strategy for Dorset Council is delivering the creation of more in-house residential provision, and investing in our fostering service, however this takes time to deliver and is a challenge with the current construction market.

20.25 The Association of Directors of Children's Services (ADCS) have highlighted Nationally an increase in the number of children being taken into care while waiting long periods for children and adolescent mental health services [CAMHS], often at significant cost.

20.26 Children's Services are likely to experience a major policy change during 2023 as the Children's Social Care reforms (based on the MacAlister independent review) are announced:

"The review's final report argued that the current children's social care system was "increasingly skewed to crisis intervention, with outcomes for children that continue to be unacceptably poor and costs that continue to rise". It concluded that "for these reasons, a radical reset is now unavoidable".

20.27 The report said that without fundamental changes the number of children in care would increase from the current level of 80,000 to 100,000 in 2032. It also said that costs could increase from £10bn to £15bn per year. It indicated that implementing its recommendations would lead to 30,000 more children living safely and thriving with their families by 2032 compared with the current trajectory.

20.28 The report set out its conclusions and recommendations in the areas of family help, child protection, family, the care market, the care experience and the workforce." (Source: House of Lords Library).

20.29 Dorset is already implementing many of the independent report's recommendations, however a full assessment will be required when more detail is available. Additional funding may be announced to support the implementation of the review's recommendations.

20.30 Dorset Council is part of the National Transfer Scheme for Unaccompanied Asylum-Seeking Children (UASC). Nationally set thresholds have risen from a requirement to take 47 to 67 unaccompanied children during 2022/23, and potentially will change again during 2023/24. Home Office funding does not necessarily cover the full costs for supporting these young people, and therefore this remains a risk.

20.31 In summary, there is still significant risk within the 2023/24 Children's Services budget, including the delivery of the ambitious transformation programme, wider demand pressures, appropriate funding and support from partner organisations and expected policy change.

20.32 To mitigate some of this risk, ringfenced Social Care grant of £3.7m has been made available to the Directorate. This grant will provide a degree of stability as Children's services enters what could be a very challenging and changeable period.

Place Directorate

20.33 The overall budget proposed for the Place Directorate is an increase of £4.962m, to £86.718m, just over 6%. Gross expenditure is £155m, with £68m of income earned, specific grants, or other contributions.

20.34 The approach for developing the Place Directorate budget for 2023/24 attempts to take account of much of the turbulence seen in the current year. The primary issue is to deal with the impact of high inflation as experienced on a national level, as well as funding the national pay awards. Where possible, Place Directorate has attempted to mitigate these rising costs through increases in fees and charges and absorbing other service-specific pressures through savings measures.

20.35 It should be acknowledged that the budget as proposed has uncertainty in some areas meaning that it is not risk-free. The major issues in each area are discussed below.

20.36 The main components of the budget increase are:

- pay awards and other related central adjustments £7.519m
- energy cost pressures £1.066m
- service-specific pressures £1.476m
- savings proposals £5.119m

20.37 Our arrangements for energy costs are via a purchasing consortium and is known as LASER. Costs are known for the period October 2022 to September 2023, but costs for the second half of the year are not yet clear. This is the same arrangement that has been in place for Dorset Council since inception, but the risk of inadequate budget setting for 2023/24 is considerably higher than in previous years due to the significant price rises seen in the international energy market.

20.38 The current year has benefitted from favourable prices in relation to our recyclate disposal. Forecasting for recyclate prices is notoriously difficult, given the nature of the global markets. Nonetheless, we are proposing a small improvement compared with the current year's budget (not the actual performance) and at the same time highlight this risk as a potential call on contingency to act as a buffer against the market volatility. Setting the budget for recyclate price can never be considered risk-free.

20.39 Additional funding is proposed to be added to the budget for service specific pressures, but only where there is a near unavoidable commitment to do so. The major items within the service specific pressures are:

- funding of inflation with Waste contracts £958k
- Dorset Travel £360k
- vehicle fuel £250k

- flood defence staffing £150k
- Waste Operations – part year of collection crew £106k
- Waste Strategy – from 1 January 2023 legislation relating to persistent organic pollutants will be enforced (£100k).

These are partly offset by service specific new income for rent receivable for Coombe House and South Walks House.

20.40 Dorset Travel is facing cost pressures of circa £2.5m in the current year. There is a national picture where all aspects of travel, but especially SEND transport, are facing significant cost increases - well above the rate of inflation. There are two things of note within these budget proposals regarding travel. Firstly, significant emphasis is now being placed on transport transformation, with the intention to reduce overall cost. Whilst it is hoped that transformation will reduce costs, there is the contingency budget which could be used to mitigate the risk. Secondly, given the wide range of issues facing Dorset Travel and in some recognition of these issues, the budget has been increased by £360k.

20.41 The vehicle fuel budget has been increased by 6% as part of the default budget assumptions and by a further £250k for fuel-specific pressures. This is to reflect the high price increases seen during the summer of 2022, resulting in a considerable forecast of overspend for the current year. At the time of writing, vehicle fuel prices have been on a slow but steady reduction, but the risk remains. The addition of a further £250k should address vehicle fuel prices in 2023/24 if there is no deterioration. It is also worth noting a potential but unconfirmed rise in vehicle fuel duty as part of the Government's spring budget statement, which is not budgeted for.

20.42 There is a total of £5.119m of savings assumed within the proposed budget, which budget holders will need to deliver. Three of the most significant savings proposals are:

- reduction in the running costs of the property estate due to disposals £531k
- net savings arising from the customer transformation programme £500k
- net savings arising from the transport transformation programme £250k.

The remainder of the savings proposals (£3.838m) are numerous and are not set out in full here especially given that a small number of these are sensitive and still subject to consultation. However, these can be summarised as:

- Additional income generation £2.771m
- Service efficiencies £707k
- Staffing and vacancy factors £360k

The largest income generation targets sit within Parking (£1.355m), Assets and Property in relation to rent reviews (£400k) and waste chargeable and trading services (£355k).

Service efficiencies includes reduction on spend on interims (£250k) and a reduction in assumptions relating to recyclate price (£160k).

20.43 The Harbours Advisory Committee met on the 8 December 2022 and set out the harbours 2023/24 budget considerations. For reference, the reports are attached as an appendix 8 to this report. The proposals are based on assumptions and principles that are consistent with those used for the rest of the Dorset Council budget but acknowledging that any surplus generated remains ringfenced for each individual harbour. There are no specific items arising to draw to the attention of Cabinet or Council.

Public Health Dorset

20.44 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.

20.45 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. Grant allocations for 2023/24 are not yet available.

Corporate Services

20.46 The overall budget proposed for Corporate Services is an increase of £5.2m, to £35.574m.

20.47 The proposals incorporate identified budget pressures of £5.8m partially offset by cost reductions of £0.5m. 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.

20.48 Corporate Services consists of the Corporate Development Directorate, Business Insight, Intelligence and Communications, and the Legal and Democratic Services teams.

20.49 The role of Corporate Services is threefold:

- to provide direct support and services to residents (e.g., the Revenues and Benefits team and the Land Charges Service)
- to support colleagues in the Place Directorate, in Children's Services and in the Adults and Housing Directorate so they can provide the best services they can within financial and legal constraints
- to provide those essential corporate services required of an organisation of our size and scale.

20.50 During 2022/23 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.

21. Transformation and savings opportunities

21.1 Savings proposals and additional income targets included within the budget proposals are summarised in the table, below.

	Savings	Additional Income
Adults	(£4,773,000)	(£1,500,000)
Children's	(£3,935,000)	
Corporate	(£33,850)	(£85,000)
Place	(£2,348,013)	(£2,771,310)
Total Service Savings	(£11,089,863)	(£4,356,310)
Central Finance	(£4,750,312)	
Total Savings	(£15,840,175)	(£4,356,310)

21.2 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.

22. Risk

General uncertainty, the pandemic and a single-year settlement

22.1 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.

22.2 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.

Dorset Council post-LGR

22.3 Dorset Council is fortunate in that local government reorganisation enabled it to reduce its cost base, identify adequate resources to see it through its early years and set a robust reserves strategy for the future. But reserves cannot be relied on as a sustainable source of finance, we can only spend them once and doing so reduces our capacity to mitigate the risks that reserves provide for, as well as reducing resilience against unknown future events (see budget principles and the section on reserves elsewhere in this paper).

Inherent volatility in demand

22.4 Even without the impact of Covid-19 and then the cost-of-living crisis, there was 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

22.5 There is also 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 and as we saw during the pandemic, sometimes these plans cannot be delivered because officer time and effort is reprioritised elsewhere.

Inflation

22.6 There is also still significant inflationary pressure in the economy. The November inflation rate eased slightly to 10.7% 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.

22.7 Our approach to inflation is therefore to provide for general inflation at 6% 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

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

22.9 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.

22.10 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.

Future national strategy implementation

22.11 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 for two years but as we have seen, additional funding is still being provided.

22.12 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

22.13 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.

22.14 The S151 Officer has also commissioned SWAP 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.

23. Reserves, balances, contingency and resilience

General funds

23.1 The balance of Dorset Council's general fund closed at £33.2m on 31 March 2022. Any overspend in the current year will impact on that balance unless it is financed via the use of other reserves.

23.2 In 2018 the Shadow Council commissioned an independent report from the Charted 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 2023/24 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 £17.35m.

23.3 However, as in previous years with similar risk and volatility of planning assumptions, prudence would suggest that it would be better 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 set a level of general reserve at double the value of this minimum level, £34.7m and that the operating range therefore be set at £17.35m to £34.7m. Outside of these parameters, intervention will be required to lower or raise the general fund balance.

Other reserves and reserves strategy

23.4 As well as the general fund, the Council has other earmarked reserves which are set aside to mitigate against specific risks that may arise during the year or beyond. 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 2021/22 outturn report to Cabinet and no change to those reserves is proposed at this stage other than for the general fund and for the support for the safety valve agreement.

23.5 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

23.6 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.

23.7 For 2022/23, the contingency budget was set at £9.5m 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 our assumptions are that they will be at a level that causes less risk and pressure for the contingency budget. Despite this however, it is still recommended that the Council sets the contingency budget at £8.2m. This represents 2% of the net budget.

Resilience

23.8 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.

23.9 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.

24. Capital programme

24.1 The Council's capital programme was impacted significantly by the pandemic and EU exit in particular, and the problems this has caused with the supply chain, and now inflation in the construction sector continue to cause slippage.

24.2 In presenting the Qtr2 finance report to Cabinet in November, the Portfolio Holder for Finance, Cllr Gary Suttle, indicated that a review of the programme would be needed as the Council could be trying to deliver too many projects. Since then, further work has been started to review existing projects as well as new bids coming forward for 2023/24, but this work has not yet concluded.

24.3 At this stage, the S151 Officer is therefore advising against further projects being approved as part of the budget setting process. It is possible that some currently approved projects will cease or be deferred as part of the current review, and this will allow the programme to be reprioritised.

24.4 As long as we proceed within the currently agreed capital total, there will be no further pressure on the revenue budget. The treasury management budget itself is also currently outperforming its targets due to slippage in the capital programme, high cash balances available for investment and reduced borrowing. These factors allow some headroom for capital spend in 2023/24 if that is the result of the review work. Staying within our agreed capital total will not put further pressure on the revenue budget in 2023/24. There are currently bids for £47m for 2023/24 but these are not being considered until the review work concludes.

24.5 No new detail is therefore provided for the capital programme over and above what was approved in the 2022/23 budget, as updated by quarterly financial management reports. The headlines can therefore be summarised as:

- £106.2m of slippage brought forward from previous years into 2022/23
- £149.3m in total of funding that has been approved for 2022/23 in the capital programme
- £48.2m of spending that was approved for 2023/24.

24.6 The agreed capital programme to 31/03/2024 therefore amounts to £197.5m. As well as the outcomes from the current review, there are also 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.

24.7 Members might however, wish to note and agree 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.

24.8 The commitment to the capital programme in this budget round therefore amounts to almost £301.6m in total.

25. Engagement with and scrutiny of the budget

25.1 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 2023/24 have therefore been some time in the making, it is in the year of preparation that any budget proposals come under most scrutiny.

25.2 In order to make the development of the budget inclusive, there have been a number of briefing sessions for members 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.

25.3 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 October 2022. 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 7 January 2023. Feedback from both Committees along with Cabinet responses is set out in appendix 7.

25.4 Cabinet is receiving all of these, post-scrutiny proposals for consideration and recommendation to full Council in February 2023.

26. Consultation, communication and equality

26.1 The 2022/23 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.

26.2 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.

27. Other factors influencing budget strategy development

27.1 The Council's **Transformation Plan** is aligned to help deliver the Council plan and is focused on:

a) Being more commercial – Modernising the way we operate to ensure we are business friendly, to behave in a more business-like way and commission as one council.

b) Putting our customers first – Working together to design and deliver modern, accessible services to our customers.

c) Delivering climate and ecological priorities – Ensuring our change programme delivers in line with our climate and ecological strategy.

d) Making the best use of our assets and leading economic growth – Reviewing the council buildings and properties to ensure best use and value of assets and help drive prosperity whilst adopting a focus on places and spaces.

e) Implementing a digital, intelligent, data led approach – Using our data to help us predict demand and improve our prevention agenda.

f) Working with the Integrated Care System – Working with partners to transform our care services by removing traditional divisions between services, and ensure people and communities get the support and care that they need

27.2 The **Property Asset Management Strategy** continues to be implemented as the Council "right-sizes" its estate after convergence of the predecessor councils' property portfolios. The plan describes the options to acquire, retain and divest property that will help us deliver transformed services, generate capital receipts, reduce running costs and help the Council operate in a modern and efficient way.

27.3 The Asset Management Strategy dovetails with the **Dorset Workplace Strategy** which enables the Council to deliver better services more flexibly in a range of ways to meet Dorset residents' needs.

27.4 Delivering better value is also the aim of our developing **Commercial Strategy**. Cabinet has previously approved a new Procurement Strategy and we now look to strengthen our commercial approach further with the **fees and charges policy** (appendix 6)

28. S151 Officer assurance

28.1 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.

28.2 There are also other safeguards aimed at ensuring local authorities do not over-commit themselves financially. These include:

- 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;
- 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;
- the Prudential Code, introduced under the Local Government Act 2003, which has applied to capital financing and treasury management decisions;
- 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.

28.3 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.

28.4 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.

28.5 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.

28.6 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.

28.7 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.

28.8 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.

28.9 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 2023. 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.

28.10 The Internal Audit Service have worked alongside the Council observing the budget setting process. They have provided me with a reasonable assurance opinion that the process has been based on sound evidence, assumptions and principles.

28.11 Taking all these factors into consideration, I consider that the estimates prepared in line with the strategy explained in this report to be robust. In more "normal" times, 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 strategy which will eventually remove this risk.

28.12 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

29. Summary and conclusions

29.1 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.

29.2 There are clearly still challenges ahead meaning the Council started planning for 2023/24 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.

29.3 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.

29.4 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

This page is intentionally left blank

Appendix 1a

Subjective analysis of budget 2023/24

	Original Budget		2023-24			
	£'000 Pay	£'000 Non-Pay	£'000 Fees & Charges	£'000 Grants /Funding	£'000 Movement in Balances	£'000 Net Budget (2023-24)
People – Adults & Hsg	**28,151**	**197,416**	**(61,858)**	**(16,525)**	**0**	**147,183**
Service user related	181	176,613	(50,251)	(8,126)	0	118,417
Adult Care Ops	19,708	469	(4,829)	(106)	0	15,241
Commissioning	2,999	10,657	(2,938)	(4,291)	0	6,426
Director Office	717	4,180	0	(2,272)	0	2,625
Housing	4,161	5,495	(3,841)	(1,730)	0	4,086
Building Better Lives	386	2	0	0	0	387
Corporate Development	**29,738**	**84,696**	**(10,847)**	**(73,470)**	**(1,616)**	**28,501**
Finance & Commercial	11,303	78,475	(7,316)	(73,470)	0	8,993
Human Resources	5,709	307	(2,079)	0	(442)	3,495
Digital & Change	2,903	97	(102)	0	(732)	2,166
ICT Ops	5,556	4,321	(1,329)	0	(1)	8,547
Director	28	7	0	0	0	35
BI & Performance	1,269	19	0	0	0	1,288
Comms & Engagement	995	173	(21)	0	0	1,146
Community Grants	393	977	0	0	(38)	1,333
Superfast Broadband	645	41	0	0	(403)	282
Chief Executive's Office	937	170	0	0	0	1,107
Dorset Care Record	0	109	0	0	0	109
Place	**66,461**	**88,756**	**(63,673)**	**(4,572)**	**(254)**	**86,718**
Economy, infrastr, growth	23,230	45,253	(28,820)	(3,682)	(645)	35,335
Place	31,888	34,466	(25,478)	(557)	659	40,978
Customer Services, Libraries, Archives	6,836	2,362	(1,019)	(333)	0	7,845
Director's Office	532	(415)	(1)	0	0	115
Assets & Property	3,627	6,829	(8,234)	0	53	2,275
Climate & Ecological	349	262	(121)	0	(321)	169
People - Children	**48,159**	**45,867**	**(7,383)**	**(8,445)**	**(394)**	**77,804**
Quality and Assurance	2,852	152	(371)	(19)	0	2,614
Care & Protection	20,622	38,008	(227)	(664)	0	57,740
Commissioning & Partnerships	7,615	141	(2,318)	(1,447)	(394)	3,597
Education & Learning	13,005	3,316	(2,960)	(1,560)	0	11,802
Director's	4,065	4,249	(803)	(4,756)	0	2,756
DSG Recharge	0	0	(704)	0	0	(704)
Legal & Democratic	**5,731**	**2,771**	**(1,429)**	**0**	**0**	**7,073**
Assurance	1,046	540	(61)	0	0	1,525
Democratic & Electoral	1,064	2,065	(108)	0	0	3,021
Land Charges	617	1	(987)	0	0	(369)
Legal	3,004	165	(273)	0	0	2,896
Public Health	**3,882**	**22,092**	**(12,637)**	**(13,336)**	**0**	**0**
Public Health	3,882	22,092	(12,637)	(13,336)	0	0
Central Finance	**6,938**	**10,370**	**(6,697)**	**(29,218)**	**18,589**	**(18)**
General funding	5,233	52	(2,697)	(29,105)	0	(26,518)
Capital financing	0	9,560	(4,000)	0	10,381	15,941

Contingency	0	0	0	0	8,207	8,207
Precepts	0	738	0	(112)	0	626
Retirement Costs	1,705	21	0	0	0	1,726
Total Non Schools Budget 2023/24	189,060	451,967	(164,524)	(145,566)	16,324	347,262
Schools Budget	0	301,420	0	(301,420)	0	0
Budget Req 23/24	189,060	753,388	(164,524)	(446,986)	16,324	347,262
Business Rates Top Up						(50,199)
Rev Support Grant (RSG)						(654)
Council Tax Surplus						(292,109)
New Homes Bonus						(1,825)
Rural Services Del. Grant						(2,475)
						(347,262)

Appendix 1b

Cost type analysis – budget 2023/24

Cost Type	Original Budget 2023/24 £'000
Internal Charges (Expenditure)	8,957
Authority (Democratic)Costs	1,868
Pay Related Costs	189,060
Premises Related Costs	21,481
Transport Related Costs	24,426
Supplies and Services	411,835
Transfer Payments	129,761
Levies & Precepts	738
Third Party (Contracted Out) Payments	153,444
Net Schools Budget	878
Contingency and Movement in Reserves	16,324
Gross Expenditure	**958,772**

Government Grants (Specific)	(446,986)
Income, Fees & Charges	(164,524)
Gross Income	**(611,510)**

Budget Requirement	**347,262**

Council Tax	292,109
Business Rates	50,199
New Homes Bonus	1,825
Rural Services Delivery Grant	2,475
Revenue Support Grant	654
Total Funding	**347,262**

* This includes an estimate for schools and public health budgets

Appendix 1c

Dorset Council summary movements in budget 2022/23 to 2023/24

	Adjusted base budget 22/23	Current base budget 23/24
Adults & Housing	£141,229,707	£147,183,031
Children's	£74,435,901	£77,804,438
Corporate	£30,324,762	£35,574,345
Place	£81,755,647	£86,718,280
Central	£3,833,784	(£18,246)
Total	£331,579,801	£347,261,848
Funding	(£331,579,801)	(£347,261,848)

Summary of Additional Social Care Grant Funding

Dorset Council Additional Social Care Grant funding	2023/24
Social Care Grant increase	£8.96m
New Adult Social Care Grant (market sustainability)	£3.99m
New discharge funding	£1.75m
Total	£14.70m

Appendix 1d

Adults Services & Housing – summary of movements

	£
Adults and Housing base budget position 2022/23 after adjustments	£141,229,707
Pay inflation	£978,547
General Inflation	£10,293,974
Fees and Charges income	(£1,444,868)
Gas and Electricity costs	£9,702
Reduction in NI Levy	(£165,476)
Cost of increased pension fund contributions	£372,100
Cost of increments & pay award (estimate)	£1,213,711
Pressures	
ASC data based modelling pressure	£968,634
Savings	
Enhanced Community Reablement	(£500,000)
Enhanced Shared Lives	(£150,000)
Developing Day Opportunities	(£150,000)
Commisssioned Community Care	(£1,500,000)
Dorset Care Framework 2	(£350,000)
Shared Cost NHS	(£250,000)
Resource / Process resdesign	(£500,000)
BCF Uplift	(£1,373,000)
Additional income	
Additional income from Adults	(£1,500,000)
Adults and Housing current base budget for 2023/24	**£147,183,031**
Increase in base	**£5,953,324**

Appendix 1e

Corporate Development and Legal & Democratic Services – summary of movements

	£
Corporate Services base budget postion 2022/23 after adjustments	£30,324,762
Pay inflation	£1,196,217
General inflation	£741,328
Fees and Charges income	(£200,479)
Gas and Electricity costs	£0
Reduction of NI Levy	(£208,217)
Additional cost of LGPS	£542,200
Cost of increments & pay award	£1,972,783
Pressures	
Leadership Support additional posts	£70,440
DCR Contract obligations	£109,000
ICT net pressures	£634,700
Apprenticeship levy costs	£55,040
Additional legal capacity	£268,883
External Audit increase of costs	£186,538
Savings	
Electoral supplies and services reduction	(£33,850)
Additional income	
Legal income	(£85,000)
Corporate current base budget for 2023/24	£35,574,345
Increase in base	£5,249,583

Appendix 1f

Place – summary of movements

	£
Place base budget 2022/23 after adjustments	£81,755,647
Pay inflation	£2,284,847
General inflation	£2,713,568
Fees and Charges income	(£2,123,267)
Gas and Electricity costs	£1,066,713
Coombe House & SWH Rental Income	(£498,000)
Reduction of the NI Levy	(£381,932)
Additional cost of the pension fund contribution	£952,100
Cost of increments & pay award	£4,093,887
Pressures	
Waste - new crews at Ferndown and Shaftesbury	£106,040
Waste - estimate of POPS	£100,000
Waste strategy - unfunded inflation	£958,000
Dorset Travel cost pressure	£360,000
Flood defence team	£150,000
Additional fuel costs	£250,000
Coombe House SEN Travel pressure	£50,000
Savings	
Transport	(£250,000)
Asset & Property	(£906,000)
Place Services	(£622,013)
Customer Services, Libraries and Archives	(£570,000)
Additional Income	
Asset & Property	(£400,000)
Place Services	(£696,310)
Highways and parking	(£1,655,000)
Customer Services	(£20,000)
Place current base budget for 2023/24	**£86,718,280**
Increase in base	**£4,962,633**

Appendix 1g

Children's Services – summary of movements

	£
Children's base budget position 2022/23 after adjustments	£74,435,901
Pay inflation	£1,569,446
General inflation	£1,856,029
Fees and Charges income	(£148,218)
Gas and Electricity costs	£37,080
Reduction of NI Levy	(£272,700)
Additional cost of pension fund contributions	£647,200
Cost of increments & pay award	£1,897,096
Pressures	
HNB recharge removal	£327,510
Fostering rates/SGO rates/Retention	£250,000
cWaD Services - Intensive Support Packages	£695,000
USAC	£365,500
cHaD - new staffing structure	£300,000
Care Leaver report	£150,000
Keeping in touch service capacity	£105,000
Student Social Workers	£100,000
Increase in Premature Retirement Compensation budget	£179,700
Savings	
Childrens Home Project	(£935,000)
Our Family Digital Offer	(£500,000)
Family Hubs	(£500,000)
Mockingbird	(£500,000)
Holistic Safeguarding	(£1,000,000)
0-25/Conception to settled adulthood	(£500,000)
Additional funding for Social Care	(£755,106)
Children's current base budget for 2023/24	**£77,804,438**
Increase in base	**£3,368,537**

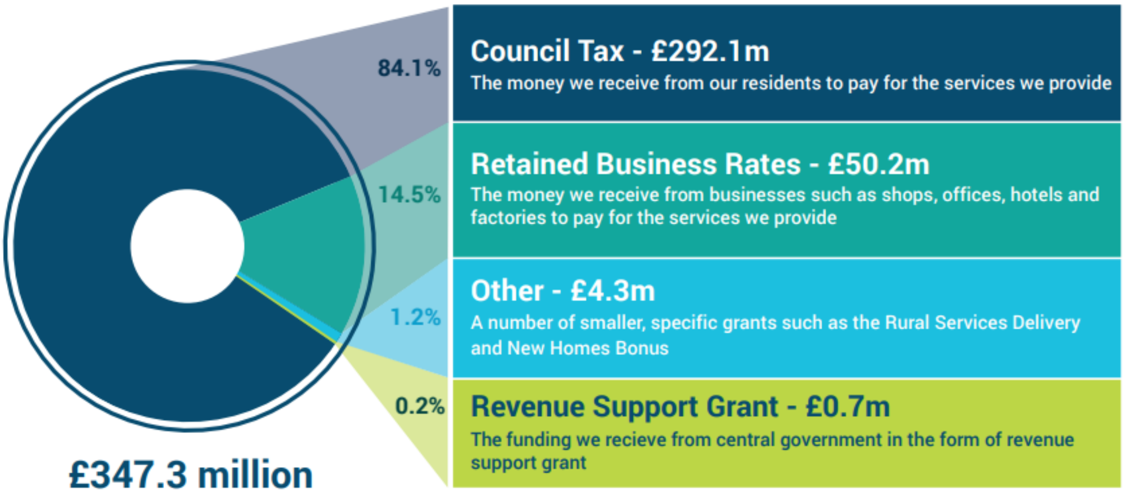
Appendix 1h

Central budgets – summary of movements

	£
Central Finance base budget position 2022/23 after adjustments	£3,833,784
Change in funding	£898,282
LGPS	(£988,000)
Contribution from Health	(£2,500,000)
Reduction in contingency	(£1,262,312)
Central Finance current base budget for 2023/24	**(£18,246)**
Decrease in base	(£3,852,030)

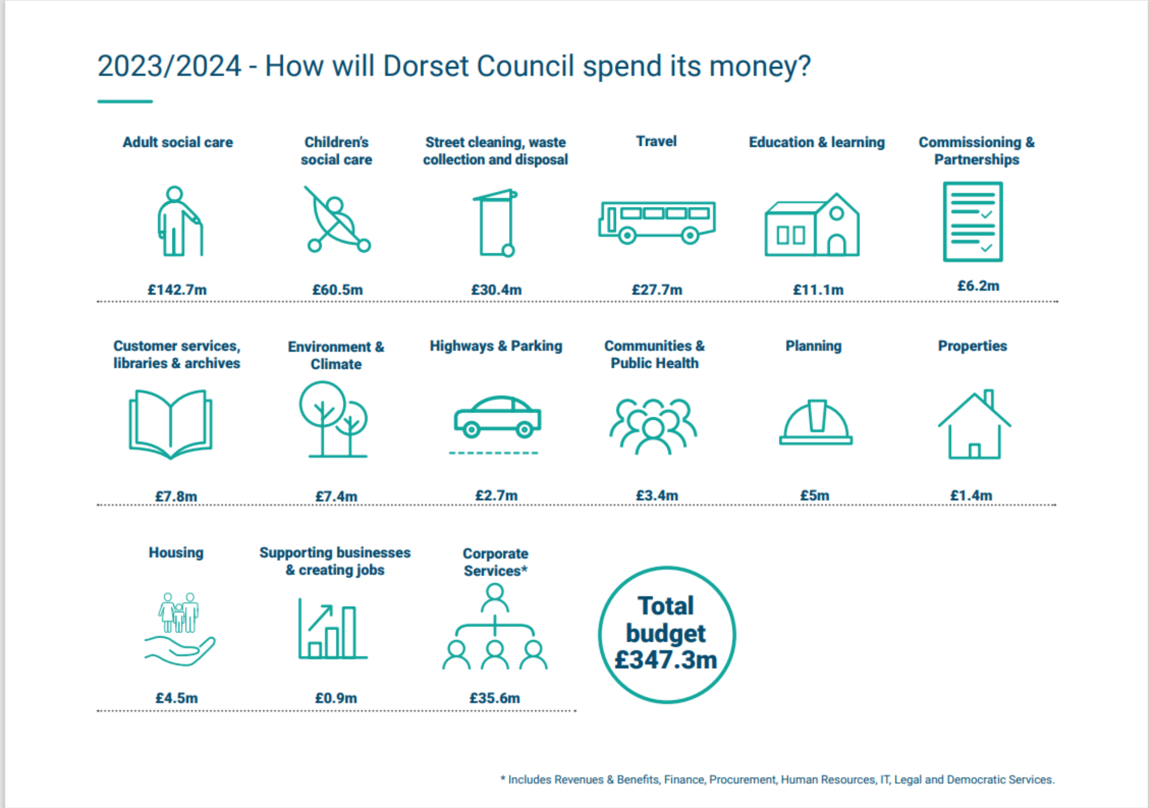
Appendix 1i

Sources of funding



Appendix 1j

How the budget is spent



This page is intentionally left blank

Appendix 2

Council tax resolution

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

This page is intentionally left blank

Appendix 3

Capital strategy

1. Introduction

1.1. This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2. Decisions made this year on capital and treasury management will have financial consequences for the Council for many years to come. They are therefore subject to both a national regulatory framework and a local policy framework, summarised in this report.

1.3. This report is prepared in line with the requirements of the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code).

2. Capital expenditure and financing

2.1. Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what is treated as capital expenditure, for example, land and building assets costing less than £25k are generally not capitalised and are instead charged to revenue in the year of purchase.

2.2. The Council's planned capital expenditure is summarised in the table below. (As highlighted in the budget strategy report, significant slippage is expected between years and this is not reflected in the figures below.)

Table 1: Prudential Indicator: Estimated Capital Expenditure (£m)

	2022/23	2023/24	2024/25	2025/26
Projects with full external funding	23	0	0	0
Projects with partial external funding	56	3	6	3
Projects with no external funding	70	44	39	35
TOTAL	**149**	**47**	**45**	**38**

2.3. Service managers bid annually for approval of capital projects.

2.4. The Capital Strategy and Asset Management Group (CSAMG) appraises all bids based on a comparison of service priorities against financing costs and makes proposals to Cabinet. The final capital programme is then presented to Cabinet and then Council for approval. Capital projects with the most beneficial impact on the revenue budget will be prioritised. The Council also intends to repurpose assets for better service delivery.

2.5. All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative).

Table 2: Capital Financing (£m)

	2022/23	2023/24	2024/25	2025/26
Grants and contributions	53	2	2	2
Capital receipts applied	0	0	0	0
Reserves	0	0	0	0
Minimum Revenue Provision (MRP)	10	10	12	13
Other revenue contributions	0	0	0	0
Debt	86	35	31	23
TOTAL	**149**	**47**	**45**	**38**

2.6. Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.

2.7. The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The Council's estimated CFR is as follows:

Table 3: Prudential Indicator: Estimated Capital Financing Requirement (£m)

	31-Mar 2022 Actual	31-Mar 2023 Forecast	31-Mar 2024 Budget	31-Mar 2025 Budget	31-Mar 2026 Budget
Capital Financing Requirement	345	360	400	440	475

2.8. When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2023/24.

2.9. The capital programme does not assume any application of capital receipts as financing at this stage. A decision about the use of capital receipts will need to be taken by Cabinet as they can either be used to finance new capital expenditure, or flexibly to finance revenue transformation costs.

3. <u>Treasury Management</u>

3.1. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

Borrowing strategy

3.2. The Council's main objective when borrowing is to achieve a low and certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between short-term loans and long-term, fixed-rate loans where the future cost is known. The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board (PWLB).

3.3. Projected levels of the Council's total outstanding debt, which comprises borrowing, Private Finance Initiative (PFI) liabilities and leases, are shown below and compared with the Capital Financing Requirement.

Table 4: Prudential Indicator: Capital Financing Requirement and Gross Debt (£m)

	31-Mar 2022 Actual	31-Mar 2023 Forecast	31-Mar 2024 Budget	31-Mar 2025 Budget	31-Mar 2026 Budget
Capital Financing Requirement	**345**	**360**	**400**	**440**	**475**
External Debt (incl. PFI & leases):					
External borrowing	181	175	215	244	280
Other debt liabilities	24	23	22	21	20
Total Debt	**205**	**198**	**237**	**265**	**300**
Internal Borrowing	**140**	**162**	**163**	**175**	**175**

3.4. Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The Council expects to comply with this requirement in the medium-term, as shown in the table above.

3.5. To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing assuming that cash and investment balances are kept to a minimum level of £20m at each year-end. Whilst a useful comparator, constraints on the Council's ability to repay existing borrowing would make it difficult (and costly) to implement this strategy. The table below shows that the Council expects to remain borrowed above its liability benchmark over the medium-term.

Table 5: Borrowing and the Liability Benchmark (£m)

	31-Mar 2022 Actual	31-Mar 2023 Forecast	31-Mar 2024 Budget	31-Mar 2025 Budget	31-Mar 2026 Budget
Outstanding borrowing	181	175	215	244	280
Liability benchmark	6	75	145	199	250

3.6. The Council is legally obliged to set an affordable borrowing limit (the "authorised limit") for external debt each year, and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the authorised limit.

Table 6: Prudential Indicator: Authorised Limit and Operational Boundary for External Debt (£m)

	2022/23 Limit	2023/24 Limit	2024/25 Limit	2025/26 Limit
Authorised Limits:				
Borrowing	449	420	460	495
PFI and leases	34	35	35	35
Total External Debt	**483**	**455**	**495**	**530**

Operational Boundary:				
Borrowing	429	400	440	475
PFI and leases	29	30	30	30
Total External Debt	**458**	**430**	**470**	**505**

Treasury investments strategy

3.7. Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or purely for financial gain are not generally considered to be part of treasury management (see paragraphs 4 and 5 below).

3.8. The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the Government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation.

3.9. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to purchase and the Council may request its money back at short notice.

Table 7: Cash and Treasury Investments (£m)

	31-Mar 2022 Actual	**31-Mar 2023 Forecast**	**31-Mar 2024 Budget**	**31-Mar 2025 Budget**	**31-Mar 2026 Budget**
Cash and cash equivalents	46	30	20	20	20
Treasury investments	149	90	70	45	30
Total cash and investments	**195**	**120**	**90**	**65**	**50**

3.10. The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses.

3.11. Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the treasury management strategy approved by Council each year. The Audit and Governance Committee is responsible for scrutinising treasury management decisions, and regular reports on treasury management activity are presented to this committee.

3.12. The Council's Treasury Management Strategy, Appendix 4, includes further details of the Council's borrowing and treasury investments.

4. Investments for Service Purposes

4.1. The Council may make investments to assist local public services, including making loans to or investing in local service providers, including its own subsidiaries. In light of the public service objective, the Council may be willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.

5. Commercial Activities

5.1 The Council may invest in property or other commercial activities purely or mainly for financial gain, but local authorities must not borrow to invest primarily for financial returns. As financial return is the main objective, the Council may accept a higher level of risk on commercial investments than with treasury investments. The value and risks of commercial investments must remain proportionate to the size of the Council, and contingency plans must be put in place should expected yields not materialise.

6. Revenue Budget Implications

6.1. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue (gross financing costs), offset by any investment income receivable (net financing costs).

6.2. Estimated financing costs are summarised in the table below and shown as a proportion of the Council's estimated net revenue stream (the amount funded from council tax, business rates and general government grants).

Table 8: Prudential Indicator: Estimated financing costs (£m)

	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget
Interest Payable	8.3	9.6	10.6	11.6
Minimum Revenue Provision (MRP)	10.0	10.0	12.0	13.0
Gross Financing Costs	**18.3**	**19.6**	**22.6**	**24.6**
Proportion of net revenue stream	**5.9%**	**6.1%**	**7.0%**	**7.4%**
Less Investment Income	-3.5	-4.0	-4.0	-4.0
Net Financing Costs	**14.8**	**15.6**	**18.6**	**20.6**
Proportion of net revenue stream	**4.7%**	**4.9%**	**5.7%**	**6.2%**

6.3. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP) and is calculated with regard to the then Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance), most recently issued in 2018. The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year, included as Annex 2 to the Treasury Management Strategy.

6.4. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years may extend many years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

7. Knowledge and Skills

7.1. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Council supports junior staff to study towards relevant professional qualifications.

7.2. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite. Arlingclose are employed as the Council's treasury management advisers.

Appendix 4

Treasury management strategy

1. Introduction

1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code. This report also covers the requirements of statutory guidance last issued in 2018 by the then Ministry of Housing, Communities and Local Government (MHCLG) regarding both Minimum Revenue Provision (MRP) and local government investment.

2. Treasury Management Advisers

2.1 The Council employs professionally qualified and experienced staff with responsibility for making borrowing and investment decisions. Officers are supported by external advisers who are specialists in their fields. The Council currently employs Arlingclose Limited as treasury management advisers.

2.2 This approach ensures that the Council has access to a wide pool of relevant market intelligence, knowledge and skills, that would be very difficult and costly to replicate internally. However, whilst advisers provide support to the internal treasury function, final decisions on treasury matters always remain with the Council.

3. External Context (Economic Background and Outlook)

3.1 Treasury management decisions made by the Council must take into consideration external factors, particularly the wider economic backdrop and the outlook for financial markets and interest rates.

3.2 The major external influences on the Council's treasury management activity in 2023/24 are expected to be the ongoing impact from the war in Ukraine, continuing high levels of inflation, higher interest rates and a challenging economic outlook. A detailed economic commentary and interest rate forecast produced by Arlingclose is included in Annex 1.

4. Local Context

4.1 Each of Dorset Council's six predecessor councils had different balance sheets and different capital programmes, and each had therefore developed different treasury management strategies to suit their individual circumstances. Dorset Council continues to develop its own strategy to meet the needs of its combined balance sheet and capital programme. Existing borrowing and investment positions will continue to be reviewed to achieve an appropriate balance between cost and risk.

4.2 The Council's balance sheet summary and forecast are shown in table 1 below.

Table 1: Balance Sheet Summary (£m)

	31-Mar 2022 Actual	31-Mar 2023 Forecast	31-Mar 2024 Budget	31-Mar 2025 Budget	31-Mar 2026 Budget
Capital Financing Requirement (CFR)	**345**	**360**	**400**	**440**	**475**
Less PFI and other lease finance liabilities	24	23	22	21	20
Loans CFR (underlying borrowing requirement)	**321**	**337**	**378**	**419**	**455**
External borrowing	181	175	215	244	280
Internal Borrowing	140	162	163	175	175
Total Borrowing	**321**	**337**	**378**	**419**	**455**
Cash & cash equivalents	46	30	20	20	20
Treasury investments	149	90	70	45	30
Total Cash and Investments	**195**	**120**	**90**	**65**	**50**

4.3 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

4.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation over the medium term.

4.5 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £20m at each year-end to maintain sufficient liquidity but minimise credit risk.

4.6 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Liability Benchmark (£m)

	31-Mar 2023 Forecast	31-Mar 2024 Budget	31-Mar 2025 Budget	31-Mar 2026 Budget
Outstanding borrowing	175	215	244	280
Less cash and investments	120	90	65	50
Net loans requirement	**55**	**125**	**179**	**230**
Plus liquidity allowance	20	20	20	20
Liability benchmark	**75**	**145**	**199**	**250**

5 Borrowing Strategy

5.1 As at 31 December 2022, the Council held £159 million of loans as part of its strategy for funding this year's and previous years' capital programmes. External borrowing as at 31 December 2022 is summarised in Table 3 below.

Table 3 External borrowing as at 31 December 2022

	31.12.22 Balance £m	31.12.22 Average Rate %	31.12.22 Average Maturity (years)
Public Works Loan Board	62.4	4.1	20.9
Banks (fixed-term)	25.6	4.7	54.6
Banks (LOBO)	11.0	4.6	54.0
Local authorities (long-term)	15.0	4.4	37.0
Local authorities (short-term)	0.0	0.0	0.0
Other lenders (fixed-term)	45.0	3.9	43.9
Total External Borrowing	**159.0**	**4.2**	**36.6**

5.2 The chief objective of the Council and its predecessors when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should long-term plans change is a secondary objective.

5.3 The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With interest rates on borrowing high relative to returns on investments it is likely to be more cost effective in the short term to use internal resources rather than external borrowing.

5.4 This strategy has enabled the Council to reduce net borrowing costs (despite foregone investment income) and to reduce overall treasury risk. The benefits of internal and/or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis.

5.5 The predecessor councils had previously raised a significant proportion of their long-term borrowing from the PWLB but the Council will also consider long-term loans from other sources including banks, pension funds and other local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.

5.6 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

5.7 The Council's approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (including the Dorset County Pension Fund)
- capital market bond investors, and
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues.

5.8 In addition, capital finance may be raised by the following methods that are not borrowing, but are classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative (PFI)
- sale and leaseback.

5.9 UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lend the proceeds to local authorities. As this is a more complicated source of finance than the PWLB, any decision to raise capital financing from this route will therefore be the subject of a separate report.

5.10 The Council holds one Lender's Option Borrower's Option (LOBO) loan for £11m where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

5.11 Short-term and variable rate loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

5.12 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

5.13 Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP) and is calculated with regard to statutory guidance. The guidance requires the Council to approve an Annual MRP Statement each year, and this is included as Annex 2 to this Treasury Management Strategy.

6. Treasury Investments Strategy

6.1 The Council holds significant levels of invested funds, representing income received in advance of expenditure plus balances and reserves held. Cash, cash equivalents and investments held on 31 December 2022 are summarised in Table 4 below.

Table 4: Cash and Treasury Investments (£m)

	31.12.22 Balance
Cash and Cash Equivalents:	
Banks & Building Societies (unsecured)	2.4
Money Market Funds	39.0
Less Dorset LEP Balances*	-4.7
Total Cash and Cash Equivalents	**36.7**
Treasury Investments:	
Debt management office	34.8
Cash plus and short-dated bond funds	11.3
Strategic bond funds	9.0
Equity income funds	33.6
Property funds	23.6
Multi asset income funds	5.6
Total Treasury Investments	**117.9**
Total Cash and Investments	**154.6**

*(*The Dorset Local Enterprise Partnership's bank balances are held in the same NatWest Bank interest group as Dorset Council's bank balances, meaning interest is only charged if this interest group as a whole is overdrawn.)*

6.2 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

6.3 As demonstrated by the liability benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.

6.4 The Council has investments of approximately £80m in externally managed strategic pooled investment vehicles (bond, equity, multi-asset and property funds) where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

6.5 Under International Financial Reporting Standard (IFRS) 9, the accounting treatment for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

6.6 The Council may invest its surplus funds with any of the counterparty types in table 5 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 5 Treasury investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£30m	Unlimited
Secured investments *	25 years	£30m	Unlimited
Banks (unsecured) *	12 months	£15m	Unlimited
Building societies (unsecured) *	12 months	£15m	£30m
Registered providers (unsecured) *	5 years	£15m	£30m
Money market funds *	n/a	£30m	Unlimited
Strategic pooled funds	n/a	£20m	£150m
Real estate investment trusts	n/a	£20m	£100m
Other investments *	5 years	£15m	£30m

6.7 ***Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account. For entities without published credit ratings, investments may be made either where external advice indicates the entity to be of similar credit quality.

6.8 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

6.9 **Secured investments**: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

6.10 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

6.11 **Registered providers (unsecured):** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

6.12 **Money market funds**: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

6.13 **Strategic pooled funds:** Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. These funds have no defined maturity date, but are available for withdrawal after a notice period, therefore their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

6.14 **Real Estate Investment Trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

6.15 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.

6.16 **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £10m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

6.17 **Risk assessment and credit ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

6.18 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

6.19 **Other information on the security of investments:** The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

6.20 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

6.21 **Investment limits:** the maximum that will be lent to any one organisation (other than the UK Government) will be £30 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £10 million in operational bank accounts count against the relevant investment limits.

6.22 Limits are also placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 6 Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£50m per manager
Negotiable instruments held in a broker's nominee account	£50m per broker
Foreign countries	£25m per country

6.23 **Liquidity management**: The Council monitors its cash flow forecasting on a daily basis to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast. The Council will spread its liquid cash over at least three providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

7. Treasury Management Prudential Indicators

7.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

7.2 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. Arlingclose calculate the credit score by applying a score to each investment (AAA = 1, AA+ = 2 etc.) and taking the average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

7.3 The target for the portfolio average credit score is 6.0.

7.4 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

7.5 The target level of cash available within three months is £30m. In addition, the Council aims to hold a minimum of £10m readily available in same day access bank accounts and/or Money Market Funds.

7.6 **Interest rate exposure:** This indicator is set to control the Council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

7.7 The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be £1.0m.

7.8 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 7 Maturity structure of borrowing

	Upper Limit	**Lower Limit**	**Complied Yes/No**
Under 12 months	25%	0%	Yes
12 Months to 2 Years	25%	0%	Yes
2 Years to 5 Years	25%	0%	Yes
5 Years to 10 Years	35%	0%	Yes
10 Years to 20 Years	45%	0%	Yes
20 Years to 30 Years	45%	0%	Yes
30 Years to 40 Years	45%	0%	Yes
40 Years to 50 Years	45%	0%	Yes
50 Years and above	75%	0%	Yes

7.9 Time periods start on the first day of each financial year. The maturity date used is the earliest date on which the lender can demand repayment.

7.10 **Long-term treasury management investments:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be £100m.

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

8. Financial Derivatives:

8.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

8.2 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

8.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

8.4 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

9. Markets in Financial Instruments Directive (MiFID)

9.1 The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.

10. Other Options Considered

10.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset	Higher investment balance leading to a higher impact in

	by higher investment income	the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

11 Non-treasury Investments

Service Investments

11.1 The Council may make investments to assist local public services, including making loans to or investing in local service providers, including its own subsidiaries to support local public services and stimulate local economic growth.

11.2 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. The Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments and assesses the risk of loss before entering into and whilst holding service loans.

11.3 The Council may invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth. One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered and the Council assesses the risk of loss before entering into and whilst holding shares.

11.4 The value and risks of service investments must remain proportionate to the size of the Council. As at 31 March 2022, the Council held service loans to town and parish councils, local charities and other organisations totalling £3.0m and shares in subsidiaries valued at £33,000.

Commercial Investments

11.5 The Council may invest in property or other commercial activities purely or mainly for financial gain, but local authorities must not borrow to invest primarily for financial returns. As financial return is the main objective, the Council may accept a higher level of risk on commercial investments than with treasury investments.

11.6 The value and risks of commercial investments must remain proportionate to the size of the Council, and contingency plans must be put in place should expected yields not materialise. The Council has no investments held purely or mainly for financial gain.

Annex 1: Economic Background, Credit Outlook and Interest Rate Forecast (Arlingclose January 2023)

Economic background

The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.

The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.

Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.

Credit outlook

Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.

The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.

There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

However, the institutions on Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (December 2022)

Arlingclose forecasts that Bank Rate will continue to rise in 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.

- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	**3.50**	**4.00**	**4.25**	**4.25**	**4.25**	**4.25**	**4.00**	**3.75**	**3.50**	**3.25**	**3.25**	**3.25**	**3.25**
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	**3.00**	**4.40**	**4.40**	**4.40**	**4.35**	**4.30**	**4.25**	**4.00**	**3.75**	**3.50**	**3.40**	**3.40**	**3.40**
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	**3.43**	**3.60**	**3.80**	**3.80**	**3.80**	**3.70**	**3.60**	**3.50**	**3.40**	**3.30**	**3.30**	**3.30**	**3.30**
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	**3.47**	**3.50**	**3.60**	**3.60**	**3.60**	**3.60**	**3.50**	**3.50**	**3.50**	**3.50**	**3.50**	**3.50**	**3.50**
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	**3.86**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**	**3.85**
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	**3.46**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**	**3.60**
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

Annex 2: Annual Minimum Revenue Provision Statement 2023/24

1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The *Local Government Act 2003* requires the Council to have regard to the then Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

2. The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

3. The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the MHCLG Guidance.

   - For capital expenditure incurred before 1st April 2008 MRP will be determined as 4% of the capital financing requirement in respect of that expenditure.
   - For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
   - For assets acquired by leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
   - Where former operating leases will be brought onto the balance sheet due to the adoption of the *IFRS 16 Leases* accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

4. Capital expenditure incurred during 2023/24 will not be subject to a MRP charge until 2024/25 or later.

Appendix 5

Summary of financial planning assumptions

	Original assumption 2023/24	Revised assumption 2023/24
Council tax increase	<2%	<2%
Council tax base growth	0.75%	1.2%
Social Care Precept	1%	2%
Business rates growth	0.50%	4.67%
Pay award	2.00%	4.00%
General inflation	2.50%	6.00%
Increase in fees & charges	2.50%	5.00%
Pension deficit contribution	0% +£750k	0% -£988k

This page is intentionally left blank

Appendix 6

Fees and Charges Policy

A corporate approach to effective management of fees and charges will ensure the Council maximises commercial opportunities to generate income on the delivery of chargeable services

This Policy underpins Dorset Council's principles of setting and reviewing fees and charges as the Council moves through a programme of transformation and will be subject to review to ensure that it continues to reflect the needs and aspirations of the Council

Draft v2 dated 16 12 22

Contents

Page No

Introduction

As with other Local Authorities, the Council is facing continuing financial pressures following years of reduced funding and the need to generate income locally. Making the best use of the ability to generate income from fees and charges is therefore important to the Council. Of the many services provided by the Council, many are centrally funded or managed through council tax.

Being more commercially minded where fees and charges are concerned will enable the Council to be in a better place to continue to meet funding challenges. The pandemic has shown how much residents rely on the council services and has exposed further the budget constraints on delivery of services, the revenue from fees and charges is therefore essential to sustain future delivery.

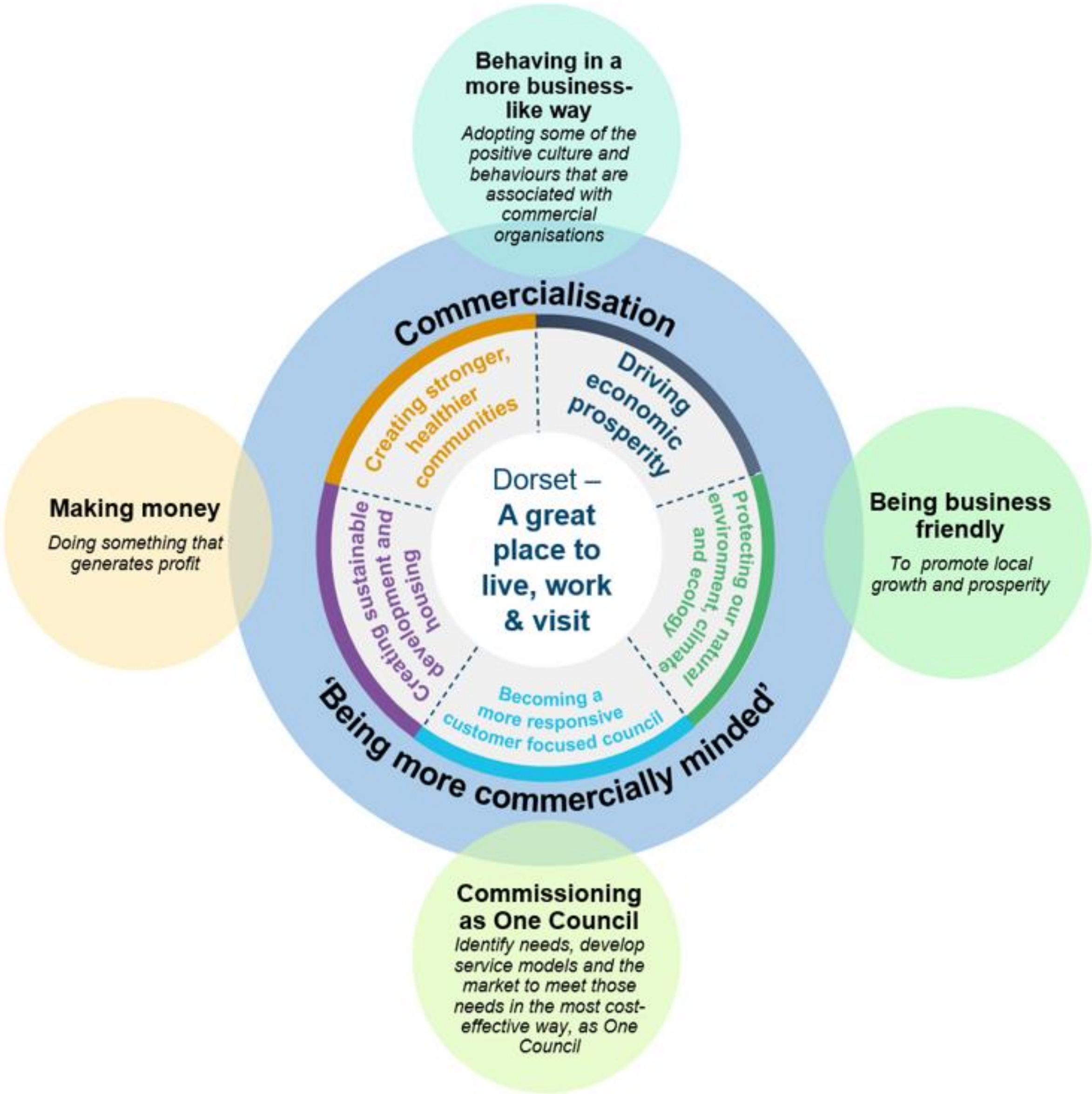
The purpose of this Fees and Charges Policy is to provide a consistent approach in setting, monitoring, and reviewing fees and charges, and applies to fees and charges for discretionary services and trading activities across the Council. This Policy specifies the processes for fees and charges, and provides what factors need to be taken into consideration when charges are initially set and consequently reviewed annually.

A corporate approach to commercial activity in terms of setting fees and charges ensures that chargeable services represent best value to the residents of the Council's local authority area. It supports the focus of the Corporate Plan of Dorset Council to make Dorset a great place to live, work and visit, priorities being:

- Protecting our natural environment, climate and ecology
- Creating stronger, healthier communities
- Creating sustainable development and housing
- Driving economic prosperity
- Becoming a more responsive, customer focused council

Being More Commercially Minded

The term ***"Being more commercially minded"*** and other terms such as commercialism, commercial, commercialisation etc mean different things to different people. The Council's Commercialisation Transformation Programme defines "Being more commercially minded" as four themes of: Behaving in a more business-like way; Being business friendly; Commissioning as One Council; and Making Money. These themes are shown below as separate, but connected, workstreams that compliments the Council's Commercial Strategy – Commissioning and Procurement in supporting the Council priorities of: Protecting our natural environment, climate and ecology; Creating stronger, healthier communities; Creating sustainable development and housing; Driving economic prosperity; Becoming a more responsive, customer focused council.



Statement

This Fees and Charges Policy sets out the policy position of the Council when it comes to fees, charges, and establishes some key principles to apply when creating or reviewing any fees or charges.

The key objectives of this Policy are to ensure that:

- all decisions on fees and charges for services and income generating activities will be taken with reference to and in support of Council priorities
- all fees and charges, and the scope for charging, will be reviewed at least annually by the Directorate concerned in consultation with Finance and Commercial as part of the budget setting process

- the full cost of delivery to be calculated and documented to enable full consideration to be given to the opportunities for improving efficiency and income from a service
- in general, fees and charges income from discretionary services should recover the full cost of delivery, except where:
  - it is not appropriate to do so, for example where services provide support to service users that helps prevent the need to access more costly or complex services later therefore it is in the interest of the Council not to apply full cost recovery
  - it is prevented by government legislation to do so
- any approach to not apply full cost recovery is agreed by the relevant Executive Director in consultation with the relevant Portfolio Holder, and if necessary, with the Section 151 Officer.

Corporate Approach

This Fees and Charges Policy sets out the Council's corporate approach that will be taken on fees and charges where the Council has discretion on what charges are set for services provided.

It is corporate led to ensure that there is an overview of all fees and charges, with clear roles and responsibilities for their management in terms of setting, annual review, cost recovery, and where applicable, agreed discounts. Being corporate led ensures that Members' drive for commerciality is applied consistently across the Council.

A corporate approach to effective management of fees and charges will ensure the Council maximises commercial opportunities to generate income on the delivery of chargeable services.

Fees and Charges

The Council provides a diverse range of chargeable services such as adult care, environmental protection, harbour berthing, collection of garden waste, planning and development control, car parking, to name just a few. Fees and charges reflect officer skills needed for the provision to deliver to a high value these high value services.

The Council receives fees and charges also from a diverse range of users that include large organisations and individual residents. This revenue is either a result of fees and charges under statutory powers (set by government) or discretionary (set by the Council)

When fees and charges are implemented, service users pay some, or all, of the cost of delivery. But when no charges are made, council taxpayers in general are subsidising the cost of delivery – potentially at the expense of the provision of another essential service to other Council residents. Fees and charges for services are therefore considered individually, taking into account local circumstances, such as market conditions and service users.

All decisions on fees and charges for services and trading activities should support the delivery of the Council's priorities and to be approved by the relevant Executive Director, in consultation with the relevant Portfolio Holder, and if necessary, with the Section 151 Officer and recorded as delegated decisions, as appropriate.

The Localism Act 2011 introduced the General Power of Competence (GPC) which permits councils to charge for Discretionary Services (non-statutory services) at a level that recovers the cost of delivery. This however does not permit a local authority to charge for any services rendered to an individual for which it has a statutory duty to provide unless legislation permits a specific charge to be made.

Types of Fees and Charges

The decision on any level of fees and charges should be transparent and open to scrutiny.

It is recognised that it will not always be appropriate to seek to recover the full cost of delivery, including relevant amount of organisational overhead, but should be set as a subsidised, or concession, or nominal charge. However, such decisions should be subject to prior approval by the relevant Executive Director, in consultation with the relevant Portfolio Holder, and if necessary, with the Section151 Officer. An example of not applying full cost recovery is where services provide support to service users that helps prevent the need to access more costly or complex services later therefore it is in the interest of the Council not apply full cost recovery.

There are a range of different types of charges against different types of services, supported by individual objectives which, for the purpose of this Policy, fall across the following:

- Statutory Services
- Discretionary Services
- Commercially Trading Discretionary Services

Statutory Services *Services that the Council has a duty to provide. Fees and charges set nationally*	
Type	**Objective**
Statutory	Charges are set by legislation
Statutory prohibition	No charges can be made against these services

Discretionary Services *Non-statutory services that the Council is not obliged to provide. Fees and charges set by the Council. Must not generate a surplus*	
Type	**Objective**
Full Cost Recovery	The Council wishes to make the service generally available but does not wish to allocate resources to the service. All costs fully recovered.
Subsidised	The Council believes access to the service should be widely available and is prepared to subsidise the service to ensure target groups have access.

	Could also be due to adverse impact a full cost recovery or commercial charging policy would have on other council services. Funding support will come from the revenue budget, meaning council taxpayers are subsidising this service.
Concession	The service should be widely available, with users of the service making some contribution from their own resources, but not to the full value of cost recovery. For example, organisations whose purpose is to assist the Council in meeting specific objectives in its priorities and policy framework, or which contribute to the aims of local partnerships in which the Council has a leading role. The funds to make up the difference are not from revenue budget and might instead come from grant funding or other fundraising. Concessions might also be applied as a temporary discount by generating less income in the short term but linked to a better outcome, e.g., encourage growth of a new product, increase overall uptake, in the future.
Nominal	The Council wishes the service to be fully available but sets a charge to limit inappropriate or over-use of services that would otherwise be Fully Funded.
Fully Funded	Fully Funded services are free for service users as they are funded by the Council. As these services present a direct and full cost to the Council, knowing their value is critical.

Commercially Trading Discretionary Services *Discretionary services provided as a commercial trading activity. The power to trade permits an authority to generate a surplus provided the activity occurs under a trading model, e.g., Local Authority Trading Company (LATC). Fees and charges set by the Council taking into account competitor pricing, demand, and the Council's market position*	
Type	**Objective**
Full Commercial	The Council seeks to maximise revenue within an overall objective of generating surplus as large as possible from this service. Full cost recovery model.

Commercial with Discounts	As above, but with discounted concessions being given to enable disadvantages groups to access the service. Full cost recovery model.
Constrained Commercial (Full Cost Recovery)	The Council seeks to maximise income but is subject to a defined constraint – policy, competition, commitment to service users, political. Full cost recovery model.

Charging for Discretionary Services

Where the Council provides a service that goes above the statutory requirement, that additional provision may be charged for as a discretionary service.

When setting fees and charges, the following should be considered:

1. Service users must have agreed to receive and pay for the service
2. Charges may be set differentially, allowing people to be charged different amounts
3. The income must not provide an overall surplus to the Council
4. Horizon scan other Local Authorities fees and charges
5. The market in which services are operating
6. Any market changes and whether the services need to be adapted to reflect changes
7. Introducing a new chargeable service, will require an Equalities Impact Assessment to identify and consider any impact on vulnerable groups.

The Council's position is that charges for discretionary services are to be set at the appropriate level to fully recover their costs of delivery unless there is a specific decision by the relevant Director, in consultation with the Section 151 Officer, to subsidise the service provision for policy reasons. Where setting a charge to recover full costs of delivery would lead to a negative impact on vulnerable groups, any discounts must be prior agreed with the relevant Executive Director, in consultation with the relevant Portfolio Holder, and if necessary, with the Section 151 Officer.

Full Cost Recovery as Standard

For charges to cover the actual cost of providing the service, including support services' charges and other overheads, the true cost of service delivery should be calculated, taking into account all aspects of service provision. When estimating the cost of providing a service, the previous year's actual results (in terms of activity levels and expenditure) must be considered.

What to Consider When Calculating the Cost of Delivery		
Cost arising as a direct result of the service being delivered		
Staff hours / salaries (incl.NI and pension contributions)	Employee travel	All materials and equipment needed to deliver the service

Indirect costs required to deliver the service	
Facilities (Energy costs, routine maintenance, repairs)	Corporate support services (Finance, HR, IT, etc)

The overheads required to deliver the services can be estimated based on the previous year's internal charges plus an inflationary uplift. Consult with Finance and Commercial for support with these estimates. The cost areas quoted in the above table may need to be broken down into variable and fixed costs to model how, for example, the cost of delivery varies with the level of service demand. Where costing assumptions are made based on variables such as increased usage, this should be evidenced by an action plan detailing how this will be achieved.

Agreed Discounts

Price sensitivities of individuals and groups should be understood so that charges can be set appropriately to deliver the level of services necessary to achieve objectives.

Any discretionary service that wishes to offer a discount from the full cost recovery position requires a business case. An accurate cost of delivery will therefore be required so that the business case contains accurate financial figures and the true cost of agreeing a discount option is understood.

Business cases detailing the rationale for a discount should consider:

- Any relevant Council priorities, strategies, policies, or objectives
- The need for all charges to be reasonable and able to withstand criticisms and legal challenges
- The level of proposed discount and the service's ability to afford it
- Access to and impact on users, including the level of choice open to customers as to whether they use the Council's services
- Whether the subsidy will target all users though the standard charge being set below full cost recover or will target specific sub-groups of users

Charges may be set differentially, so that different users are charged different amounts, however, this is not intended to lead to some users cross-subsidising others. The costs of offered a service at a reduced charge should be borne by the Council rather than other recipients of the service. Approval for any discounts should be obtained from the relevant Executive Director, in consultation with the relevant Portfolio Holder, and if necessary, with the Section 151 Officer.

If an Agreed Discount cannot be approved, the full cost of recovery must be charged. If a service is not viable when charging at that level, it is appropriate to review whether the service should continue to be provided.

Portfolio Approach

While income from fees and charges should not generate an overall surplus, in some instances, services may wish to look at the income from all their products combined and take a "portfolio approach." This would allow some products to be offered at a loss, with the desired overall cost recovery position achieved from other products from within the same service that are priced more commercially. Equally, where it is not appropriate or cost effective to calculate the cost of delivery at an individual user level, charges may be set so that there is an overall full cost recovery from the delivery of a product or service.

Administration and Notification of Charges

Once set, Heads of Service must apply fees and charges to all service users.

Service users should be aware in advance that a fee is payable, and the level of the fee. This means all charges must be published on the Council's website and at any point of sale.

The Council is required to charge VAT to service users where the product or service being supplied is subject to VAT. Service users that are either exempt from or able to claim back VAT and request a quotation exclusion of VAT, are an exception.

The most economic, efficient, and effective method of income and debt collection should be used and must comply with the requirements of Financial Regulations. When collecting fees and charges income, services should use the most cost-effective method available, i.e., online or with card, thus minimising the use of cash and cheque payments and invoicing as a method of collection wherever possible.

Payment should, wherever possible, be taken in advance. If collection in arrears is necessary, invoices should be issued promptly and clearly. Additionally, an allowance for cost recovery and bad debt write-offs should be included in calculations when setting any charges that are collected in arrears.

Central Schedule of Fees and Charges

Financial and Commercial shall maintain the central Schedule of Fees and Charges. All fees and charges (including subsidies, waivers, and exemptions) must be identified, not just discretionary ones.

The central Schedule of Fees and Charges will be updated annually by Financial and Commercial, with the business areas concerned, and clearly include the date on which it was last revised. The Schedule to be published, as it is updated, on the Council's website.

Regular Price Reviews

Reviews to be conducted annually for all services fees and charges in time to inform the budget setting process.

It is the responsibility of all Heads of Services to ensure that these reviews are undertaken by service areas that offer chargeable services. For business planning purposes, the standard assumption is that all fees and charges will be increased each year based on a reasoned and careful consideration of the level of inflation to be applied. Although charges within the same service area may need reviewing at separate times in the year. Annual reviews should consider the following factors:

- Inflationary pressures, and when a flat rate uplift might not be the most appropriate option due to specific changes to the cost-of-service delivery
- Service-level budget targets, with the context of council-wide targets and advice from Finance Business Partners
- Cost of administration
- Scope for new charging areas, this might be entirely new discretionary service to deliver, or existing services that are currently not charged for
- Use stakeholder engagement and comparative data, where appropriate, to ensure that charges do not adversely affect the take up of services or restrict access to services (other than where this is a desirable outcome)
- Must not generate an unlawful surplus

If a decision is taken to not increase some fees and charges the budget shortfall that this creates will need to be bridged through other operational and cost savings. Conversely, if charges are increased above inflation this can contribute to Directorate savings targets.

Service users should be given a reasonable period of notice before the introduction of new or increased charges.

To ensure cost effectiveness and efficiency when setting and amending charging levels, the following are to be considered:

- The desirability of increasing the Council's market share, particularly in fully commercial charges, e.g., temporality reducing a fee or charge in order to stimulate demand for a service, leading to increased income generation
- Obstacles to maximising full cost recover when providing the service
- Future investment required to improve or maintain the service
- If full cost recovery would require a sudden and large uplift and may reduce market share, it may be prudent to phase-in that price rise over a longer period with a temporary Agreed Discount
- The desirability of reducing the uptake of a given service, i.e., raising charges during peak times

Annual Fees and Charges Schedule Updates

The Schedule for Fees and Charges template will be circulated annually by Finance and Commercial to the relevant business areas as part of the budget planning process. It must be completed in full, to include:

- A description of the charge
- The current price of all discretionary and statutory fees and charges
- New cost of the charge with the correct inflation rate applied
- Whether the charge is Full Cost Recovery or an Agreed Discount (or a statutory limit)

Finance and Commercial, will keep the central record of the Schedule for Fees and Charges on all service area's fees and charges for the purpose of ensuring statutory and discretionary fees are recorded accurately and set and reviewed in accordance with this Policy.

Over-Achievement and Under-Achievement of Fees and Charges

At a level deemed appropriate by the relevant service, a clear escalation process should be in place for the under – or overachievement of charges.

For an over-achievement of a charge, the simple process should be for budget holders to inform the Head of Service, the Corporate Director of the service, and the Finance Business Partner. Within the year, discussions should be then held how to use this surplus to offset any areas running an overspend within the budget/service. At the end of the year, an overachievement in charges should result in discussions on whether to amend the target of that particular fee, or charge, in line with the Council's income generation aim.

For an under-achievement of a fee or charge within a service, the budget holder, and the Finance Business Partner should attempt to mitigate an underachievement, then the Head of Service should mitigate it within their service. Failing this, the Executive Director, in consultation with the relevant Portfolio Holder, should attempt to do the same for the Directorate before further escalating the underachievement to the Section 151 Officer should the Directorate be unable to mitigate the failure to meet an income target for any fee or charge. Again, if this under-achievement takes place at the end of the year, discussions should be held to amend to a more realistic and achievable income target.

Legislation

The following legislation stipulates what local authorities can and cannot do in respect of generating income.

Local Authorities (Goods and Services Act 1970)
Local authorities have the power to enter into agreements with each other and other certain types of public bodies for the performance of certain services.

Local Government Act 2003

1. Gives local authorities the power to charge for services on a cost recover basis.
   Charging:

- Only applies to discretionary services (that has the power to provide but not a duty)
- Cannot be used where charging is specifically prohibited by other legislation
- Cannot be used where another specific charging regime applies
- Is limited to cost recovery

2. Trade in activities related to local authorities' functions on a commercial basis.
   Trading:
   - Most be exercised through a company which has a business plan for operation.
   - Can be delivered by participating in an existing private trading venture providing that this is a company within the relevant definitions (limited partnership and limited liability partnerships are not acceptable structures for local authority trading)
   - Can be used with a view to make a profit. In a company wholly owned by a local authority, profits can be returned to the authority through a dividend or service charge to hold down Council Tax or be reinvested.

The Localism Act

Local authorities' powers and responsibilities have traditionally been defined by legislation. In simple terms, *we can only do what the law says we can.* This has often led to excessive caution and in some cases inaction as local authorities are wary of doing something new. Something may be thought as an innovative idea but because there is uncertainty whether it is allowable in law, and concern about the possibility of being challenged in the Courts, it is not actioned. The Government took the view that this needs to be addressed by the Localism Act, in that the Act sets out that local authorities instead of being able to act only where the law says they can, local authorities should be free to anything as long as they do not break other laws.

The Act includes a 'general power of competence' which gives local authorities the legal capacity to do anything that an individual can do that is not specifically prohibited. Cannot, for example, be able to impose new taxes as an individual has no power to tax. This general power gives local authorities more freedom to work in new ways to drive down costs. It gives increased confidence to do creative, innovative things to meet local people's needs.

The general power of competence does not remove any duties from local authorities; just like individuals they will continue to comply with duties placed on them.

The Act does however give the Secretary of State the power to remove unnecessary restrictions and limitations where there is a good case to do so, subject to safeguards designed to protect vital services.

Other Considerations

As well as this statutory framework, local authority decision-making is also limited by certain well know principles including obligations to act rationally, fairly and to exercise powers for their proper purpose. This means that a local authority cannot use a power given to it for one purpose in order to simply generate income. It also means that in charging for discretionary services a local authority will have to have due regard to the rationality of imposing the charge and its impact on individuals as well as its ability to generate income.

There are many other important legal, commercial, and financial considerations for local authorities undertaking commercial activities, particularly through trading companies, including:

- Company law issues
- Tax liability (corporate tax and VAT)
- Procurement law
- Employment law (e.g., TUPE and pensions

Summary

This Fees and Charges Policy has set out the Council's position when it comes to fees and charges and has established some key principles that are required to be applied.

All chargeable services are required to follow this Policy to ensure that the Council benefits from generating income from fees and charges, and fully recover costs.

The Council recognises that the context in which it operates will evolve locally therefore this Policy will need to be updated and refreshed, as necessary, to ensure that effective management of fees and charges are maintained.

This Policy underpins Dorset Council's principles of setting and reviewing fees and charges as the Council moves through a programme of transformation and will be subject to review to ensure that it continues to reflect the needs and aspirations of the Council.

This page is intentionally left blank

Appendix 7

Matters raised by scrutiny committees

Will be available following scrutiny committees

Response to Scrutiny Recommendations

At their meetings, the People and Health Scrutiny Committee (10 January 2023) and Place and Resources Scrutiny Committee (12 January 2023) reviewed the draft proposals for the 2023/24 revenue budget and the assumptions used in developing them and an overview of the proposed savings and efficiencies to be made during the course of the year.

The committees raised a series of issues for Cabinet to consider prior to finalising the budget. The table below summarises the issues raised and provides a response to the consideration given.

Issues raised by the Place and Resources Scrutiny Committee	**Response**
Place Directorate – Highways, Travel & Environment	
It is noted that Dorset Travel is facing cost pressures of circa £2.5m in the current year and particular reference is made to SEND transport, which is facing significant cost increases, well above the rate of inflation. Concern is expressed about cost increases in this area and the impact on the budget. Recognise the links to work with Children's and Adult Services to reduce costs for travel for the council.	Agreed. The SEND transport budget is under particular pressure at the moment. The travel transformation programme is examining the issues behind the cost increases and developing proposals to mitigate the pressure.
A comment made that it is difficult to justify increases to charges for car parking until improvements to car parks are rolled out, due to public expectation as to the service they should be getting.	Noted. The principle behind increasing car parking charges is that those residents who use car parks should pay for them, rather than the cost being funded by *all* Council Tax payers. Income generated through car park charges is ringfenced for use in highways services.
Place Directorate – Economic Growth, Assets and Regeneration	
The committee are content with the strategic approach being taken in the area of Economic Growth, Assets and Regeneration but flag a concern around whether there are sufficient staffing levels to deliver the council's aspirations in this area.	The importance of having sufficient staff to deliver the plan is recognised. The budget recommendations include the proposal to use £5.3m of capital receipts for the purposes of transforming the Council's asset portfolio over the next three to five years. Much of the £5.3M will be earmarked to buy in the additional staffing and skills needed.
Place Directorate – Natural Environment and Ecology	

In order to provide transparency around the council's costs for climate change work, consideration should be given to how costs in this area and investments received from external sources, can be presented outside of the budget book.	Agreed. Officers will prepare a clearer way of explaining the Councils spending and investment on the Natural Environment and Ecology. This will be shared at a future meeting of the scrutiny committee.
The committee wish to flag up the potential risks around decisions on the council's vehicle fleet – purchase versus lease of vehicles and fuel type (electric versus hydrogen).	Noted. Officers confirmed that lease vs purchase decisions are made on a case by case basis, depending on the type of vehicle being acquired. Consideration is given to financial, environmental and technological factors.
Place Directorate – Planning	
The committee flag a concern around the national issue of a shortage of planning officers and the risk that this could potentially present to the council.	Agreed. Dorset Council's ambition is to be an employer of choice. The People Strategy has actions to support recruitment and retention
Place Directorate – Culture, Community and Customer Services (and budget generally)	
Reference is made to the detail of savings associated with other smaller council programmes - consideration to be given to the level of detail provided in future budget reports, across all budget areas, and in particular with regard to smaller service/budget areas.	Additional detail has now been provided in the budget report to Cabinet. Full detail of current budgets is available here: Budget Book - Dorset Council
Corporate Development Directorate	
The committee are content with the budget information and proposals in this area.	noted
Central Finance and Capital	
The committee support the making of representations to the Government to secure an earlier date for receipt of the Financial Settlement (October).	noted
A 3 to 5 year Financial Settlement should be sought from the Government.	agreed
Support for continued communications between portfolio holders and directorates to continue to foster a 'one-team' approach.	agreed

The committee accept the inflation rate assumptions made within the budget report.	noted
The Government to be asked to apply a formula approach to funding, which has an understanding of the issues pertinent to the council and how these affect the council's finances. In particular the council needs to continue to lobby the Government for a better/fairer(?) deal and understanding of the financial impact on the council of providing rural services.	Agreed. The Leader and Senior officers will continue to impress upon Government how the national funding formula needs to more fairly reflect the rural costs of Dorset.
The committee suggest that cross party working groups be established as part of the budget setting process, to allow opportunity for informed consideration of budget proposals, to feed into the member budget informal sessions.	The Portfolio Holder for Finance, Commercial and Capital Strategy will consider the proposal in advance of the 24/25 budget process.
Future Finance Settlements – there is currently uncertainty around future settlements to the council and a report on the implications of this is requested to be presented to the scrutiny committee at an appropriate time.	agreed
There is a concern that the Government has not yet completed the methodology in respect of the cost of care funding and therefore councillors are not in a position to be able to scrutinise the complete picture.	agreed
Capital Programme – there is a need to continue to keep the council's Capital Programme under review in terms of its affordability and alignment with the council's priorities.	agreed
Issues raised by the People and Health Scrutiny Committee	
During the discussion on the budget for adult social care and housing, several committee and non-committee members felt that the council should explore providing affordable social housing.	noted

This page is intentionally left blank

Appendix 8

Web links to the Harbours Advisory Committee budget proposals for 2023/24

Dorset Councils Harbours Budget Request and Fees and Charges 22 - 23.pdf

Appendix 1 Financial Summary Weymouth Harbour Final.pdf (dorsetcouncil.gov.uk)

Fees and Charges - Appendix 2 Financial Summary Bridport.pdf (dorsetcouncil.gov.uk)

Fees and Charges - Appendix 3 Financial Summary Lyme Regis Harbour PDF.pdf (dorsetcouncil.gov.uk)

Fees and Charges - Appendix 4 Weymouth Harbour Proposed Fees 2023-24.pdf (dorsetcouncil.gov.uk)

Fees and Charges - Appendix 5 Bridport Lyme Regis Proposed Fees PDF.pdf (dorsetcouncil.gov.uk)

Minutes of the Harbours Advisory Committee - 8 December 2022

This page is intentionally left blank

Cabinet

23 January 2023

Response to consultation on the Hampshire Planning Authorities' Minerals and Waste Plan: Partial Update – Draft Plan

For Decision

Portfolio Holder: Cllr D Walsh, Planning

Local Councillor(s): Cllrs Flower, Coombs, Tooke, Gibson, Bryan, Goringe

Executive Director: J Sellgren, Executive Director of Place

Report Author: Trevor Badley
Title: Lead Project Officer – Minerals and Waste
Tel: 01305 224675
Email: trevor.badley@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report comes to Cabinet with information about the consultation on *Hampshire's Minerals and Waste Plan: Partial Update*. It provides information about the proposed issues in the Draft Plan most relevant to Dorset Council, highlighting potential impacts on Dorset's environment and setting out a recommended response to be returned to the Hampshire Authorities.

Recommendation:

That a response be sent to the Hampshire Authorities, raising no objection to the *Hampshire Minerals and Waste Plan: Partial Update*, but including a number of detailed comments as set out in this report.

Reason for Recommendation:

As neighbouring minerals and waste planning authority Dorset Council has been consulted by the Hampshire Planning Authorities on a proposed update to their Minerals and Waste Plan. Dorset Council needs to ensure that the proposals in the Draft Plan do not prejudice our interests. Although it is not suggested that Dorset Council raises objections to any of the proposals at this stage, this response provides an opportunity to express to the Hampshire Authorities our support for some proposals and our concerns over others. Cabinet's endorsement of the response will give it additional weight when returned to the Hampshire Authorities.

1. Preparation of the Hampshire Minerals and Waste Plan

1.1 The Hampshire Planning Authorities comprise Hampshire County Council, Portsmouth and Southampton City Councils, the New Forest National Park Authority and the South Downs National Park Authority. They have jointly prepared the Hampshire Minerals & Waste Plan: Partial Update – Draft Plan (the Draft Plan), which is out to consultation until the end of January 2023.

2. The Hampshire Draft Plan

2.1 Minerals produced in Hampshire include sand and gravel, brick clay, chalk and oil and gas. Most relevant to Dorset are sand and gravel, as Hampshire has historically exported sand and gravel to Dorset, contributing to meeting the need for sand and gravel in Dorset. Dorset Council would want to ensure that Hampshire will provide for future supply at appropriate levels, to avoid putting additional demands on Dorset's mineral reserves.

2.2 Dorset Council has in the past exported waste to Hampshire for processing, but no waste is directly exported to Hampshire now. However Dorset Council does have an arrangement with Hampshire County Council for Dorset residents to use the Hampshire Household Recycling Centre (HRC) at Somerley near Ringwood. Dorset Council will want to ensure that the Draft Plan keeps relevant future waste management options open.

2.3 The Draft Plan proposes the allocation of a range of minerals and waste site allocations, including some in close proximity to Dorset. Dorset Council will want to ensure that any potential impacts on Dorset's amenity or environment will be fully and appropriately mitigated.

3. Maintaining aggregate supply

3.1 Policy 17 of the Draft Plan states that a steady and adequate supply of aggregates until 2040 will be provided for Hampshire and surrounding areas from local sand and gravel sites at a rate of 1.15 million tonnes per annum (mtpa). The figure of 1.15 mtpa for locally extracted sand and gravel is below the previous annual supply figure of 1.56 mtpa as set out in the current 2013 Plan. However the proposed revised figure of 1.15 mtpa is based on an average of the previous 10 years of aggregate sales in Hampshire, along with other factors influencing supply. It is considered to more accurately reflect the average level of production over the last ten years.

3.2 To ensure that the level of provision remains at an appropriate level, the Draft Plan contains a commitment that if:

- Sand and gravel sales were above (by 10% or more) or below the proposed 1.15 mtpa level of provision over three consecutive years, or
- The landbank fell below 7 years over 3 consecutive years,

then the provision rate will switch to the then-current, annually determined rate as set out in the annual Local Aggregates Assessment that every Mineral Planning Authority is required to produce. This will more accurately reflect demand for aggregate until the Plan can be revised.

3.3 Dorset Council are aware that demand for and supply of sand and gravel can vary, and there needs to be a mechanism that allows for variation if needed. This is considered to be a reasonable approach to maintaining a realistic level of supply, thereby reducing risks to Dorset Council's own reserves of sand and gravel. It is recommended that Dorset Council's response states no objection to the proposed approach to maintaining a supply of aggregates.

4. Sources of aggregate

4.1 The Draft Plan states that the supply of land-won sand and gravel will be maintained, through:

- Extraction of remaining mineral from existing permitted sites, and
- Extensions to two existing sites, and
- The development of new sites, proposed as site allocations within the Draft Plan, and

- Development of new and as yet unidentified sites, providing certain criteria are met.

4.2 The Draft Plan notes that new proposed sites may be rejected following further testing/assessment. Even if ultimately included in the Plan there is no certainty that all allocated sites will be developed as other issues may arise with any of them at planning application stage.

4.3 The Draft Plan identified a need for approximately 9.7 million tonnes of sand and gravel reserves in new allocations in order to meet expected demand during the life of the Plan. However, the Draft Plan currently proposes some 17.7 million tonnes in new site allocations. In addition, not all the allocated sites will be worked out and completed during the life of the Plan.

4.4 Dorset Council accept that the Draft Plan figure, particularly at this early stage, will be higher than actually needed in order to allow for expected losses. It is recommended that Dorset Council make no objection at this stage to the proposed approach of building in a contingency figure in identifying and allocating new sites. However, as set out below, Dorset Council does have some concerns regarding some of the proposed allocations identified.

5. Proposed site allocations close to Dorset

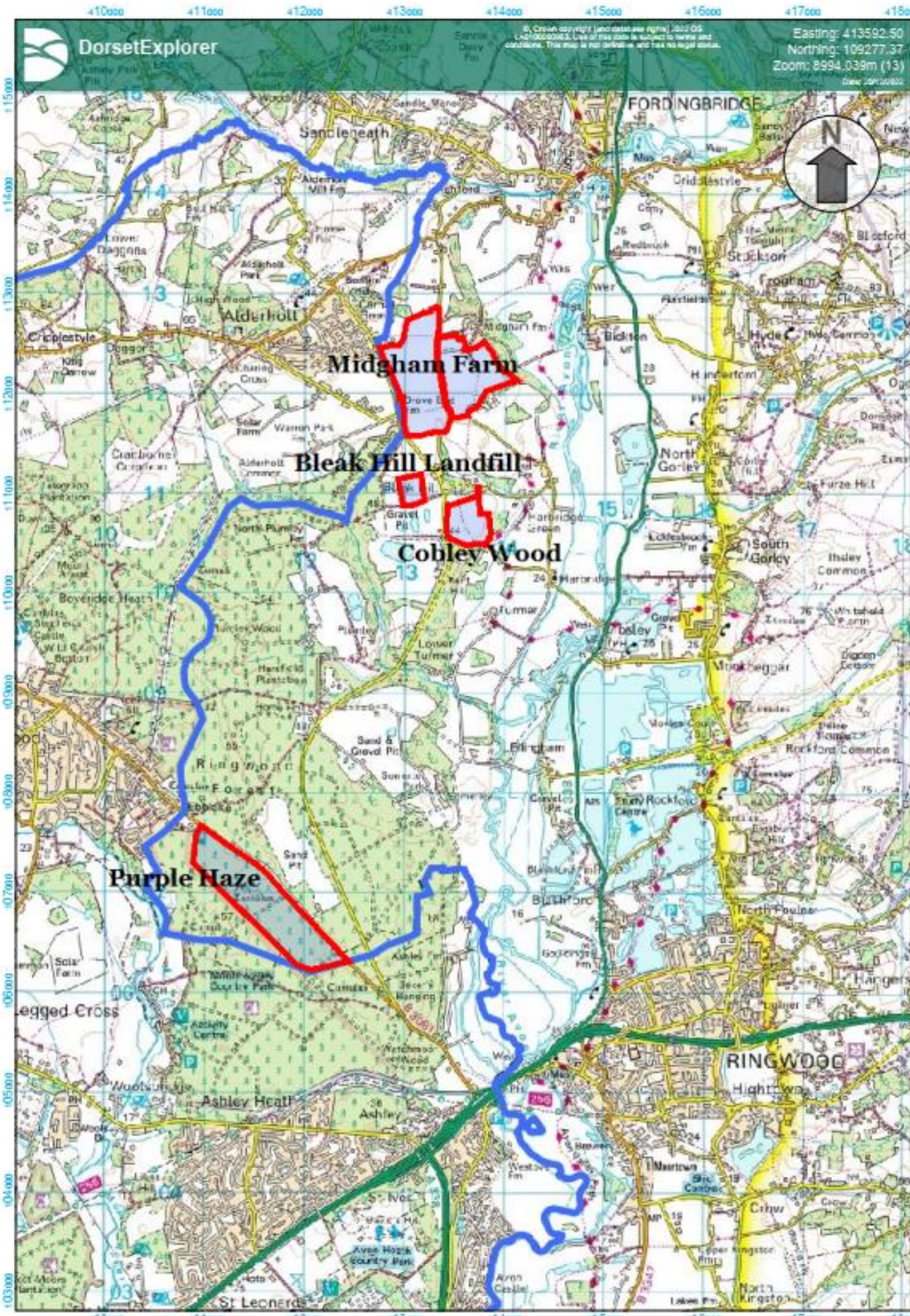
5.1 The Draft Plan proposes nine new allocations for sand and gravel extraction, three of which are in close proximity to the Dorset border. These are:

- Purple Haze, near Verwood;
- Cobley Wood, further north on the western terraces of the Avon Valley; and
- Midgham Farm, also further north on the western terraces of the Avon Valley.

5.2 The Draft Plan also proposes six new strategic waste management sites, one of which is near to Dorset. This is a hazardous waste landfill site, proposed as part of the restoration of the current Hamer Warren quarry. This is the only waste proposal with relevance to Dorset Council. There are no proposals to amend access arrangements to the Somerley Household Waste Recycling Centre.

5.3 All these proposed allocations in the vicinity of the Dorset/Hampshire border are shown on **Figure 1** below.

Figure1 – Locations of Proposed Allocations close to Dorset



6. Purple Haze

6.1 This is an existing allocation in the current 2013 Minerals and Waste Plan, and subject to a current application for mineral working. This site, on the Dorset/Hampshire boundary, is considered capable of delivering up to 7.25 million tonnes of soft sand and 0.75 million tonnes of sharp sand and gravel (of which 3.4 million tonnes would be available in the Plan period). Restoration by non-hazardous household waste is not proposed. The Draft Plan estimates that working could begin from 2024 onwards.

6.2 The site is very sensitive. In 2020 Dorset Council's response to Hampshire County Council's scoping consultation identified a number of key issues/potential impacts that needed to be carefully addressed. These included:

a) Ecological, including impacts on sites of international, national and local nature conservation importance and protected species

b) Hydrology/hydrogeology

c) Highways

d) Recreational

e) Soils

f) Cultural heritage

g) Landscape and Visual

h) Human health (including noise/dust)

i) Climate Change

6.3 In response to consultation on this application, Dorset Council did not object to the principle of the development but objected to the detail of the proposed working and restoration, making the following points.

a) Dorset Council was not satisfied that the Environmental Impact Assessment carried out, provided robust evidence that all impacts have been identified and will be avoided or appropriately mitigated;

b) Insufficient information had been provided to be able to rule out significant adverse impacts on nearby European and Nationally designated sites and species. The 2013 Hampshire Minerals and Waste Plan stated that development cannot be permitted if it may adversely affect the integrity of European protected sites. In the absence of sufficient evidence or assurances to the contrary, the precautionary principle should be applied;

c) Although the site was already allocated, Dorset Council did not accept that there were imperative reasons of overriding public interest to justify adverse impacts upon the integrity of Natura 2000 habitats. Furthermore, since the Plan was adopted, Natura 2000 habitats have faced other cumulative pressures arising from development in the area which would not have been present at the time the local plan was examined. If significant adverse effects could not be ruled out Hampshire County Council was asked to give serious consideration as to whether or not the principle of mineral extraction at Purple Haze can be justified; and

d) Hampshire County Council were asked to ensure that it is satisfied that all other impacts, such as those relating to health, amenity, recreation and highways are fully evidenced and suitably mitigated.

6.4 Cumulative traffic impacts take on an increased relevance in light of the existing Hamer Warren quarry to the north, along with other proposed site allocations further north, such as Midgham Farm and Cobley Wood, and the proposed hazardous waste landfill at Hamer Warren. All these sites, including Purple Haze, will potentially rely on Harbridge Drove, leading to the B3081 in Dorset, to access the A31. Should more than one of these sites be working simultaneously, there is potential for cumulative traffic impacts particularly in combination with traffic travelling between Verwood and the A31. Dorset Council would require clear evidence that any such cumulative impacts can be fully and appropriately mitigated.

6.5 In response to the proposed (re-)allocation of Purple Haze, Dorset Council notes that we (as Dorset County Council) did not object to the original allocation. In addition, in the recent consultation response we did not object to the principle of the development, but objected to the detail of the proposed development.

6.6 It is noted that Dorset Council will review our minerals plan in the future to consider whether new sites are required, if viable reserves are present.. It is also noted that, should Hampshire County Council permit the development of Purple Haze, developers, construction sites and other users of sand/gravel in the Dorset Council and BCP Council administrative areas may benefit from the close proximity of the site as a source of aggregate.

6.7 Dorset Council notes that Purple Haze is allocated in the current Minerals and Waste Local Plan for sand and gravel extraction and, whilst the principle has previously been established, we re-iterate the concerns and objections we have previously raised and also particularly draw the attention of Hampshire County Council to our concerns on the issue of cumulative traffic impacts and the need to ensure these are properly addressed.

6.8 In addition we emphasise that the potential for cumulative traffic impacts needs to be carefully considered and the plan should contain clear evidence that any adverse impacts can be satisfactorily mitigated should they arise. In the absence of such reassurance, Dorset Council would object to any of these proposed sites, either as planning applications or plan allocations.

7. Cobley Wood

7.1 The Cobley Wood site is immediately to the east of the existing Hamer Warren quarry, approximately 700m from the Dorset border. It is estimated that this site would yield approximately 1.0 million tonnes of sand and gravel and would be worked through the existing Hamer Warren quarry site. The Draft Plan estimates that working could begin around 2036.

7.2 Given the location of the site it is considered unlikely that its development would cause unacceptable impacts (i.e. visual, noise, dust) to Dorset. The one exception is the issue of potential cumulative traffic impacts as previously referred to. Dorset Council would want clear reassurance that this issue has been addressed and can and will be mitigated.

7.3 It is recommended that Dorset Council do not at this stage object to the proposed allocation of Cobley Wood for sand and gravel extraction, but that Hampshire County Council be made aware of our concerns on the issue of cumulative traffic impacts with other Hampshire County Council sites/proposed allocations.

8. Midgham Farm

8.1 This proposed allocation lies immediately to the east and south-east of Alderholt. The Draft Plan estimates that the yield could be approximately 4.2 million tonnes of sand and gravel, with up to 3.8 million tonnes being produced during the Plan period, and development could begin at this site from 2024 onwards.

8.2 The north-western part of this proposed allocation lies adjacent to Alderholt, with potential for impacts (e.g. visual, noise, dust) on amenity of residents. Access to the site is likely to be from the Hillbury Road. Dorset Council welcomes the requirement that "*A buffer is required in the north-west corner of the site to protect the amenity of Alderholt Village*". All traffic servicing this site (apart from specific local deliveries) should come from and return to the south, and avoid travelling through or alongside Alderholt.

8.3 The Bleak Hill Quarry Extension at Hamer Warren, with a current permission for extraction of sand and gravel, lies immediately south of the proposed Midgham Farm allocation. Dorset Council would want to be reassured that should Midgham Farm be allocated, the existing allocated extension at Hamer Warren will be completed before Midgham Farm is developed and there would be no simultaneous working of the Bleak Hill extension and the proposed Midgham Farm or Cobley Wood sites.

8.4 It is recommended that Dorset Council does not object to this proposed allocation at this stage, but stresses the need to: i) ensure adequate protection for the residents of Alderholt; ii) ensure no simultaneous working with the Bleak Hill Quarry extension and; iii) address the issue of potential cumulative traffic impacts in accessing the A31. We note that the Hillbury Road falls within Dorset Council's administrative area and our response to this consultation is given without prejudice to any subsequent consideration we may be required to give to the development of an access onto the Hillbury Road, should this site be forthcoming.

9. Hamer Warren hazardous waste landfill

9.1 A part of the existing Bleak Hill (Hamer Warren) Quarry is identified as a new strategic waste management site, a hazardous waste landfill taking soils contaminated by asbestos, with a capacity of approximately 0.4 million tonnes.

9.2 The proposed allocation is in close proximity to Dorset, but screened by the existing tree cover of Whitefield Bottom. Pollution risks will be addressed by Environment Agency and separate legislation requirements and potential developers of the site would need to acquire the necessary permissions and permits in advance of development commencing.

9.3 Development as a hazardous waste landfill would be part of the restoration of the site and is therefore not a new development. Lorries bringing waste material to be landfilled would contribute to cumulative traffic travelling to and from the A31, as previously mentioned.

9.4 It is recommended that Dorset Council do not object to the development of a hazardous waste landfill at Bleak Hill/Hamer Warren subject to compliance by the developer with all required safety measures. The need to address potential cumulative traffic issues is again noted.

10. Financial Implications

10.1 There are no financial implications.

11. Environmental Implications

11.1 Provision of minerals and management of waste are integral aspects of life, but these operations can lead to environmental impacts. Dorset Council has no direct control over proposals within Hampshire, but notes and supports Hampshire County Council's commitment to mitigating such impacts, particularly the effects of climate change, through the proposed policies of the Draft Plan and especially *Policy 2: Climate Change – mitigation and adaptation,* along with supporting text.

11.2 This report flags up cases (e.g. with the potential impacts of the proposed Purple Haze allocation or with traffic using the B3081 to access the A31) where development in Hampshire could have an impact on Dorset's environment. In these cases we will want to be assured that impacts can and will be appropriately mitigated, and will continue to object to the detail of such proposals until our concerns are appropriately addressed

12. Well-being and Health Implications

12.1 There are potential well-being and health implications for Dorset residents associated with living in the vicinity of a quarry or waste management site. Again Dorset Council has no direct control over proposed development within Hampshire but will seek to ensure that impacts resulting from such development can and will be appropriately mitigated.

13. Other Implications

13.1 None specific.

14. Risk Assessment

14.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Low
Residual Risk: Low

15. **Equalities Impact Assessment**

15.1 No specific equalities issues have been identified in preparing this response to the consultation.

16. **Appendices**

16.1 None.

17. **Background Papers**

17.1 *Hampshire Minerals & Waste Local Plan: Partial Update – Draft Plan* Regulation 18 Consultation and other supporting documents (available at https://www.hants.gov.uk/landplanningandenvironment/strategic-planning/hampshire-minerals-waste-plan/minerals-waste-plan-partial-update-consultation)

This page is intentionally left blank

Recommendation to Cabinet
23 January 2023

From People and Health Overview Committee of 19 December 2022

Dorset Attendance Strategy

For Decision

Portfolio Holder: Cllr A Parry, Children, Education, Skills and Early Help

Local Councillor(s): All

Executive Director: T Leavy, Executive Director of People - Children

Report Author: Kerry Smith
Title: Service Manager for Inclusion
Tel: 01305 221635
Email: kerry.smith@dorsetcouncil.gov.uk

Report Status: Public

Recommendation:

To approve the Attendance Strategy and associated plan.

Appendices

Report to the People and Health Overview Committee – 19 December 2022 – Attendance Strategy and Plan, including the following appendices:

Appendix A – Dorset Attendance Strategy and Plan Version 1.0
Appendix B – Equalities Impact Assessment

Extract of minutes from the People and Health Overview Committee on 19 December 2023. They are accessible through the link in the background papers below.

Background papers

People and Health Overview Committee – 19 December 2022

This page is intentionally left blank

People and Health Overview Committee
19 December 2022
Attendance Strategy and Plan

For Recommendation to Cabinet

Portfolio Holder: Cllr A Parry, Children, Education, Skills and Early Help

Local Councillor(s): All

Executive Director: T Leavy, Executive Director of People - Children

Report Authors: Vik Verma
Kerry Smith

Title(s): Corporate Director of Education and Learning
Inclusion Service Manager

Email: vik.verma@dorsetcouncil.gov.uk
kerry.smith@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report provides information about the national focus on increasing attendance in educational settings to improve safeguarding, attainment and inclusion. The report presents the picture for Dorset and the proposed strategic direction to ensure that we meet new Department for Education statutory requirements and ensure we deliver the vision that attendance is everyone's business.

Recommendation:

To support the implementation of the new Dorset Attendance Strategy and associated plan to make attendance in educational settings a key feature of all frontline council services and partners' work.

Reason for Recommendation:

New attendance statutory guidance from the Department for Education (DfE) took effect in September 2022. An expectation from the DfE's guidance is to make attendance a key feature of all frontline council services. This report seeks to respond to this guidance with a new Attendance Strategy for Dorset which has been developed with our schools and partners.

1. National Context

1.1. In May 2002, the Department for Education (DfE) published *Working together to improve school attendance.* The publication is guidance for maintained schools, academies, independent schools and local authorities to follow which took effect in September 2022. The main messages from the guidance are that attendance cannot solely be the preserve of a single member of staff or organisation – **improving attendance is everyone's business.** Absence from school is often a symptom of wider issues a family is facing. Local authorities, schools and wider partners need to work together to understand the barriers to attendance and provide support. Legal interventions should be a last resort and should only be used when they are likely to lead to a behavioural change. The guidance sets out expectations on schools, academies and local authorities.

2. Why does attendance matter?

2.1. Attending school can be a passport to a child's future into adulthood, independence and achieving one's ambition.

2.2 If a child has an attendance level of 90%, they will have missed one day a fortnight in school. Over a school year this will represent four weeks of absence. If this level of absence were maintained for a five-year period, it would mean that half a school year would have been missed which can lead to considerable lost learning.

2.3. Importantly, attending a school is not just about it being a place to learn, schools are incredible places for children to develop their relationships with friends, take opportunities to try new and different activities and are also safe places where children can get the support they need.

2.4 For the most vulnerable pupils, regular attendance is an important protective factor and the best opportunity for a child's learning needs to be identified and support provided. Research has shown associations between regular absence from school and a number of extra-familial harms. This includes crime (90% of young offenders had been persistently absent from school) and serious violence (83% of knife possession offenders had been persistently absent from school in at least 1 of the 5 years of study). Other vulnerability factors will have been at play for some of these young people in the study, but attendance at school was highlighted as an area of focus.

2.5 The pupils with the highest attainment at the end of Key Stage 2 (KS2) and Key Stage 4 (KS4) have higher rates of attendance over the key stage compared to those with the lowest attainment. At KS2, pupils not meeting the expected standard in reading, writing and maths had an overall absence rate of 4.7%, compared to 3.5% among those meeting the expected standard Moreover, the overall absence rate of pupils not meeting the expected standard was higher than among those meeting the higher standard (4.7% compared to 2.7%). At KS4, pupils not achieving grade 9 to 4 in English and maths had an overall absence rate of 8.8%, compared to 5.2% among those achieving grade 4.

2.6 The most recent comparative attendance data we have is from the autumn and spring terms in the 2021/22 academic year. This shows Dorset's absence rate had increased to 8% which was in line with the South West average and slightly above national average (7%). 25% of children and young people were persistently absent from school in Dorset compared to 22% nationally and 25% in the South West. The severe absence rate in Dorset was 1.9% compared to 1.5% nationally and 1.8% in the South West. However, during this period the South West experienced high levels of absence due to covid-19 and also high levels of illness absence. Dorset's covid rate was 1.8% compared to 1.3% nationally and there was a higher illness rate in Dorset of 5.5% compared to 4.7% nationally.

3. Local Context

3.1. In 2022, 61% of children with 95% or above attendance achieved the Key Stage 2 expected standard in reading, writing and maths; compared to 47% of children with between 90 and 94.9% attendance; 38% with attendance between 85 and 89.9% attendance, 23% for children with between 80 and 84,9% attendance and 16% for children with below 80% attendance.

3.2. At Key Stage 4 in 2019, 72% of children whose attendance was 95% or above achieved a grade four or above in English and Maths, compared to 56% whose attendance was between 90 and 94%, 40% for children whose attendance was between 85 and 89.9%, 41% for children whose attendance was between 80 and 84.9% and 35% for those children whose attendance was below 80%.

4. **Our local response to the guidance**

4.1. The Education service held a multi-agency Dorset attendance workshop which was attended by over 80 colleagues from Dorset Council, our schools, police, youth justice, parents and carers and health. We used the information gathered to write Dorset's attendance strategy and plan.

4.2. The following were identified as strengths in schools: Relationships, community links, care, values, clear policy and processes, communication, curriculum, creativity and tracking.

4.3. The strengths identified in localities were: Whole family working, communication, specific support, relational practice, parental support, contextual safeguarding and data.

4.4. The strengths identified in communities were young people, family and neighbours, volunteer groups and health.

4.5. The workshop identified the following Dorset wide priorities:

- Consistent Dorset wide policy and practice
- Knowledge sharing and communication
- Early identification of causes lead to development of targeted interventions
- SEMH/Emotion Based School Avoidance support packages
- Parent support packages from birth
- Consistent approach to transition
- Transport solutions

4.6 In addition, each locality has developed their own priorities based on locality needs.

4.7 The team leading inclusion have also delivered training to education and early help staff as well as social care teams. We have completed a dip sample of educational outcomes for children identified as Children in Need (CiN) or supported through a Child Protection (CP) plan which will be used to inform further professional development so that all CiN and CP plans have attendance targets where a child's attendance is below 96%.

4.8 In addition, we are using Orchestra (a management information software) to collect live attendance data from school's information systems which feeds an inclusion dashboard allowing practitioners and leaders to prioritise their work based on live trends of data coming directly from schools.

5. Financial Implications

5.1. The attendance strategy can be delivered within the current resources budgeted for in Children's Services. The new requirements from the DfE do place new responsibilities on local authorities.

6. Environmental Implications

6.1. None.

7. Well-being and Health Implications

7.1. In September 2021, the Public Health Advice, Guidance and Expertise (PHAGE) function of Public Health England's (PHE's) COVID-19 response published a paper summarising the existing evidence of the health and wellbeing benefits of school-age education. It reported:

- Children from the most deprived backgrounds have experienced the most adverse impact of the pandemic.
- Schools provide opportunities for physical activity, the benefits of which for mental and physical health are well established. Active children are more likely to become active adults.
- Sleep patterns and diets have been shown to be worse when children are out of schools. Children in receipt of free school meals are disproportionately impacted.
- As well as improved individual health outcomes, school attendance provides inter-personal, social and occupational opportunities essential to health and development.
- School attendance can impact on children's mental health. Schools play an important role in supporting the mental health and wellbeing of children.

8. Other Implications

None

9. Risk Assessment

9.1. HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Low
Residual Risk: Low

10. Appendices

Appendix 1 - Dorset Attendance Strategy and Plan Version 1.0

Appendix 2 - Equalities Impact Assessment

11. Background Papers

None

Dorset Council Attendance Strategy and Plan 2022

Version 1:0

Contents

Our vision for attendance in Dorset

Our vision is:

"We want attendance to be everyone's business and a key feature of all frontline council services and partners' work so that the children and young people of Dorset have the highest possible school attendance which enables them to be healthy, happy, safe and achieve the best possible outcomes. We want our children to go on to achieve their potential and to lead fulfilling lives."

This vision is within the context of Dorset's Children's and Young Peoples plan 2020-25, which sets out that:

- We want Dorset to be the best place to be a child, where communities thrive and where our families are supported to be the best they can be. Our partnership has a bold and courageous vision to deliver the best education for all our children and young people;
- To prepare our young people for independence (adulthood); and
- For our children and young people to experience the best possible health and wellbeing.

Our commitment to attendance in Dorset

Our work is shaped by the following commitments. We will:

- Ensure that attendance is everyone's business
- Ensure that attendance is a key feature of all frontline council and services and partners' work
- Work in partnership with young people, parents, schools, health, youth justice service, police and other partners
- Embrace new ways of working to support and enable innovative practice
- Commit to identify and understand barriers to attendance in Dorset
- Commit to provide good quality services
- Commit to early identification and support

Why does attendance matter?

Attending school can be a passport to a child's future into adulthood, independence and achieving one's ambition.

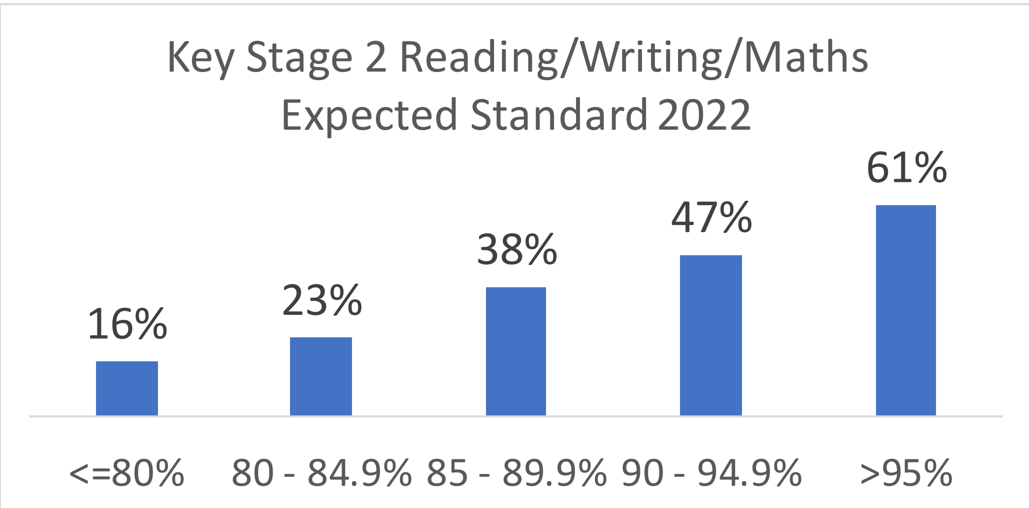
If a child has an attendance level of 90%, they will have missed one day a fortnight in school. Over a school year this will represent four weeks of absence. If this level of absence were maintained for a five-year period it would mean that half a school year would have been missed which can lead to considerable lost learning.

Importantly, attending a school is not just about it being a place to learn, schools are incredible places for children to develop their relationships with friends, take opportunities to try new a different activities and can also be a safe place where children can get the support they need.

For the most vulnerable pupils, regular attendance is an important protective factor and the best opportunity for a child's learning needs to be identified and support provided. Research has shown associations between regular absence from school and a number of extra-familial harms. This includes crime (90% of young offenders had been persistently absent from school) and serious violence (83% of knife possession offenders had been persistently absent from school in at least 1 of the 5 years of study). Other vulnerability factors will have been at play for some of these young people in the study, but attendance at school was highlighted as an area of focus.

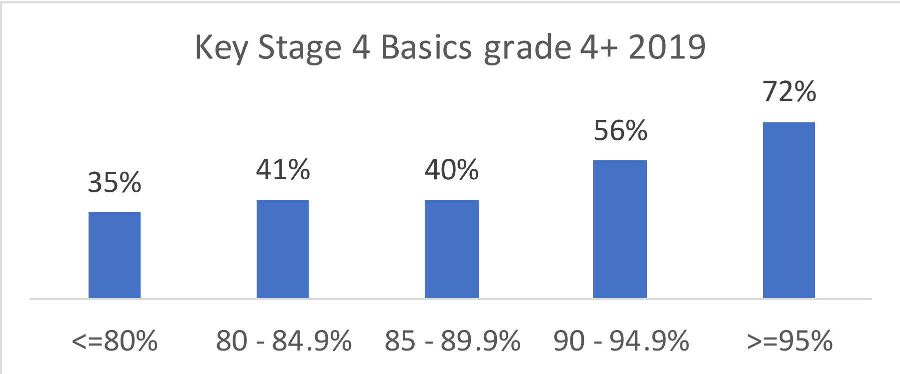
The pupils with the highest attainment at the end of Key Stage 2 (KS2) and Key Stage 4 (KS4) have higher rates of attendance over the key stage compared to those with the lowest attainment. At KS2, pupils not meeting the expected standard in reading, writing and maths had an overall absence rate of 4.7%, compared to 3.5% among those meeting the expected standard. Moreover, the overall absence rate of pupils not meeting the expected standard was higher than among those meeting the higher standard (4.7% compared to 2.7%). At KS4, pupils not achieving grade 9 to 4 in English and maths had an overall absence rate of 8.8%, compared to 5.2% among those achieving grade 4. The overall absence rate of pupils not achieving grade 9 to 4 was over twice as high as those achieving grade 9 to 5 (8.8% compared to 3.7%).

This national data is also reflected in the outcomes achieved by Dorset's children and young people. In 2022, 61% of children with 95% or above attendance achieved the Key Stage Two expected standard in reading, writing and maths; compared to 47% of children with between 90 and 94.9% attendance; 38% with attendance between 85% - 89.9% attendance, 23% for children with between 80 and 84.9% attendance and 16% for children with below 80% attendance.



At Key Stage 4 in 2019, 72% of children whose attendance was 95% or above achieved a grade four or above in English and Maths, compared to:

- 56% whose attendance was between 90% - 94%;
- 40% for children whose attendance was between 85% - 89.9%;
- 41% for children whose attendance was between 80 and 84.9%; and
- 35% for those children whose attendance was below 80%.

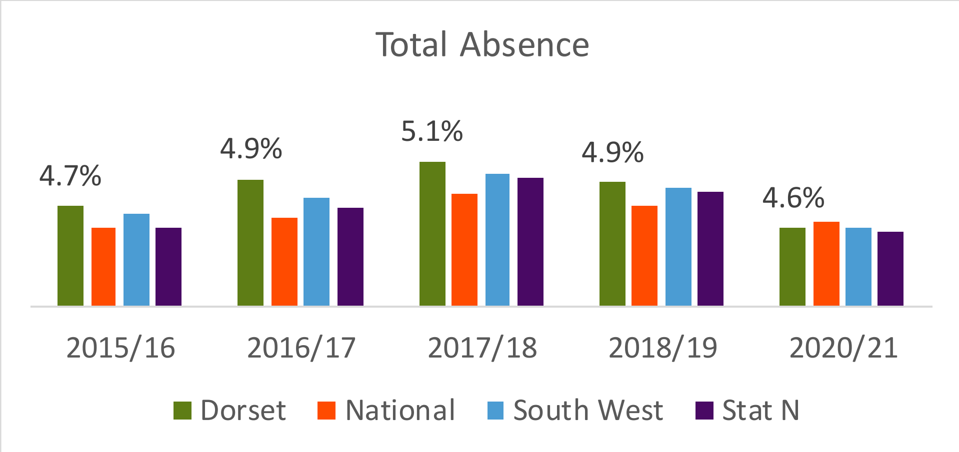


The national context

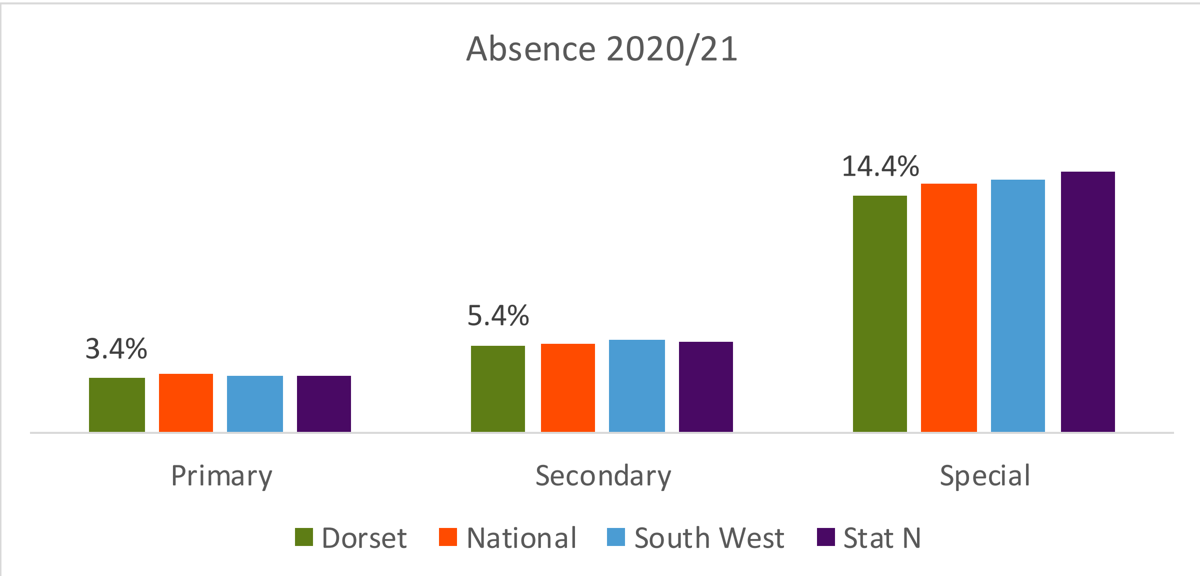
In May 2022, the Department for Education (DfE) published *Working together to improve school attendance (link: [Working together to improve school attendance](#)).* It is guidance for maintained schools, academies, independent schools and local authorities to follow which applied from September 2022. The main messages from the guidance are that attendance cannot solely be the preserve of a single member of staff or organisation – **improving attendance is everyone's business.** Absence from school can often be a symptom of wider issues a family is facing. Local authorities, schools and wider partners need to work together to understand the barriers to attendance and provide support. Legal interventions should be a last resort and should only be used when they are likely to lead to a behavioural change. The guidance sets out expectations on schools, academies and local authorities.

The Dorset context

Total absence rates improved in Dorset from a high of 5.05% in the academic year of 2017/18, to 4.90% in 2018/19 and 4.57% in 2020/21. In 2020/21 Dorset's absence rate was in line with the national average (4.62%), South West (4.57%) and statistical neighbour (4.54%) rates.

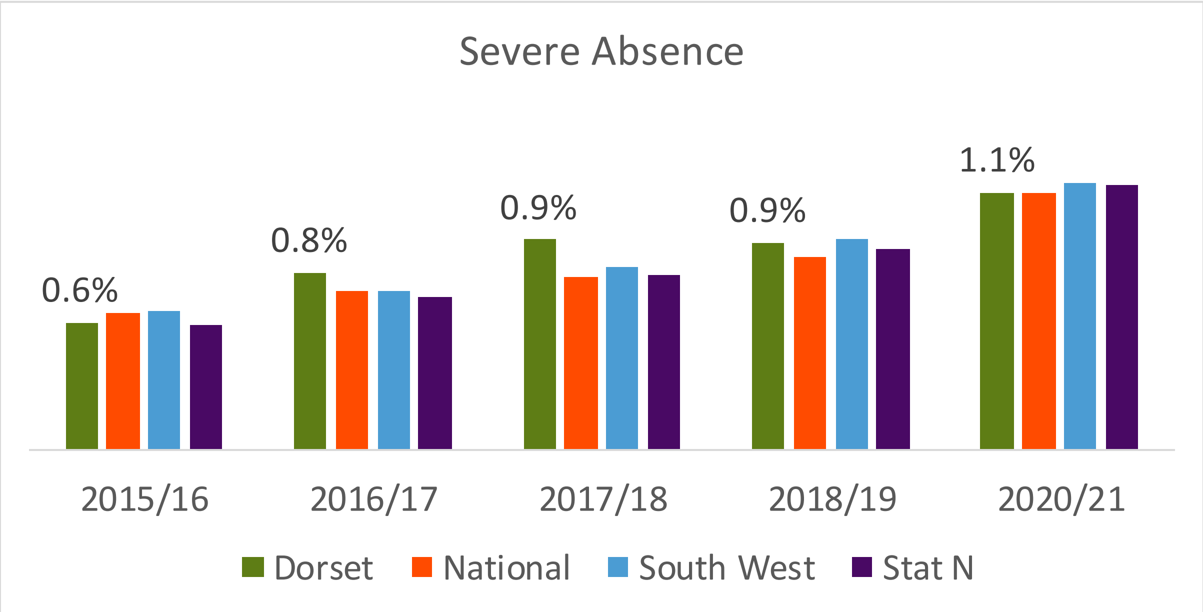


Absence was higher for children and young people in the secondary phase of education (5.4%) compared to the primary phase (3.4%). The absence rate of 3.4% for our primary aged children was below national average (3.6%), the South West (3.5%) and our statistical neighbours (3.5%). Our secondary phase absence rate of 5.4% was also below national average (5.5%), the South West (5.6%) and our statistical neighbours (5.5%). The absence rate of children and young people in our Dorset special schools was higher than their mainstream peers at 14.4%. However, this was below national (15.2%), the South West (15.4%) and our statistical neighbours (15.8%).

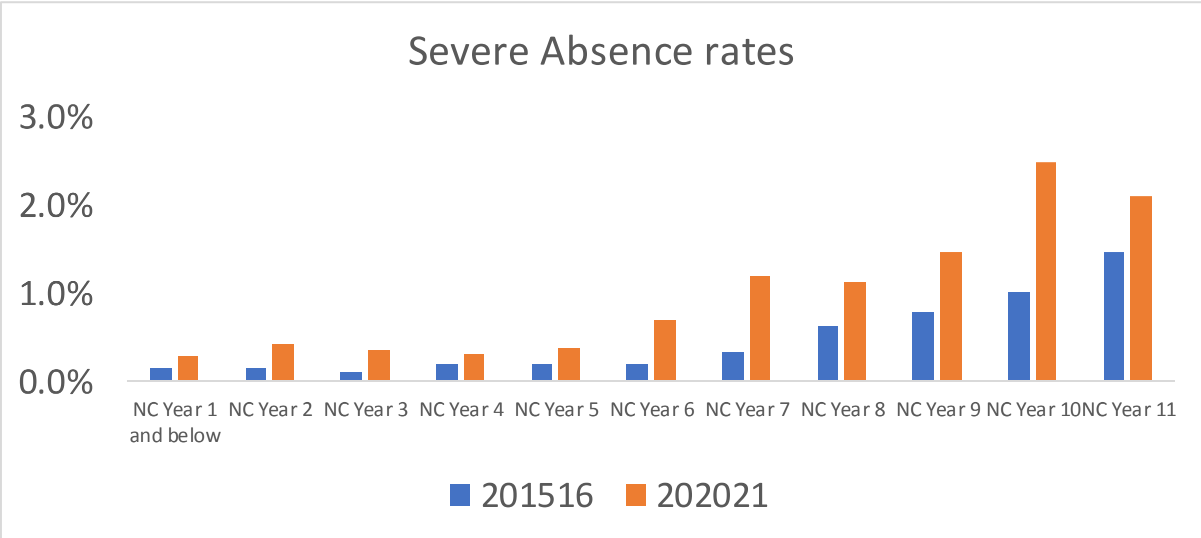


Both nationally and in Dorset, the absence of children and young people entitled to free school meals was higher than those not entitled to free school meals. Both in Dorset and nationally, the absence rate of children and young people entitled to free school meals was 8% compared to 4% for those not entitled. The absence rate of children and young people in Dorset with an Education Health and Care Plan (EHCP) (14%) was broadly in line with national averages (13%) and below national average for children and young people identified as SEN Support (6% in Dorset compared to 7% nationally). The absence rate for females in Dorset (4%) was below national average (5%) and the absence rate for males (5%) was is in line with national average. An area of focus will be children and young people identified as traveller of Irish heritage, whose absence rate was 23% (although this is small number of children and young People).

There was a rise in persistent absence (where a child or young person is absent for 10% or more of the time), however persistent absence in Dorset was below national, South West and statistical neighbour averages. Children and young people eligible for free school meals tend towards higher rate of persistent absence, therefore Dorset's attendance plan will have a robust focus on the persistent absence for this group of children and young people. There was also a rise in severe absence, where a child or young person is absent for more than 50% of the time, both in Dorset and nationally following the pandemic. The severe absence rate in Dorset (1.1%) was in line with national average and below that of the South West (1.2%) and statistical neighbours (1.2%). Children and young people eligible for free school meals are more likely to be severely absent and so this will also be a key focus in Dorset's attendance plan.



In the academic year 2020/21, the rate of severe absence was highest in Year 10 (2.5%), followed by Year 11 (2.1%) and Year 9 (1.5%). There was a rise in severe absence rates from Year 6 (0.7%) to Year 7 (1.2%) and so transition will be a key focus in Dorset's attendance plan.

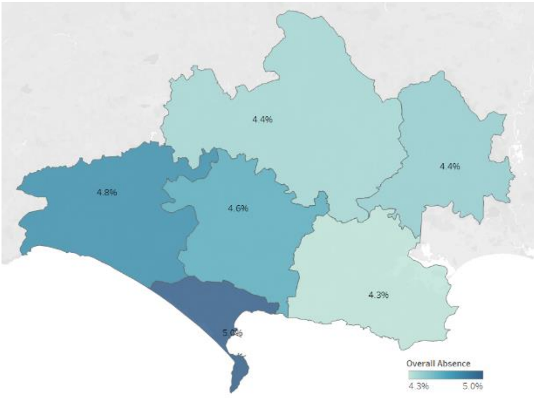


The most recent comparative attendance data we have is from the autumn and spring terms in the 2021/22 academic year. This shows Dorset's absence rate had increased to 8% which was in line with the South West average and slightly above national average (7%). 25% of children and young people were persistently absent from school in Dorset compared to 22% nationally and 25% in the South West. The severe absence rate in Dorset was 1.9% compared to 1.5% nationally and 1.8% in the South West. However, during this period the South West experienced high levels of absence due to covid-19 and also high levels of illness absence. Dorset's covid rate was 1.8% compared to 1.3% nationally and there was a higher illness rate in Dorset of 5.5% compared to 4.7% nationally.

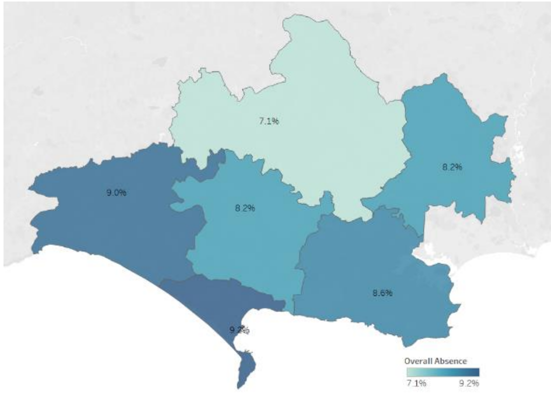
The Localities context

In the 2020/21 academic year, the lowest rates of absence was in the Purbeck (4.3%), East (4.4%) and North localities (4.4%) and the highest rates of absence was in the Chesil locality (5.0%). In the autumn and spring terms of the academic year 2021/22, the highest rate of absence was in the Chesil (9.2%) and West localities (9.0%) and the lowest rate was in the North locality (7.1%). There will be focus in the Dorset attendance plan on increasing the attendance of our children and young people in the Chesil and West localities and exploring learning from the North locality which could be shared with other areas in Dorset.

Academic year 2020/21:



Autumn and spring terms 2021/22:



The Dorset Approach

We held a multi-agency Dorset attendance workshop which was attended by over 80 colleagues and partners from Dorset Council, our schools, police, youth justice, parents and carers and health.

The following were identified as strengths in schools:

- Relationships
- Community links
- Care
- Values
- Clear policy and processes
- Communication
- Curriculum
- Creativity
- Tracking

The strengths identified in localities were:

- Whole family working
- Communication

- Specific support
- Relational practice
- Parental support
- Contextual safeguarding
- Data rich

The strengths identified in communities were:

- Young people
- Family and neighbours
- Volunteer groups
- Health

The workshop identified Dorset wide priorities and each locality developed their own priorities based on locality needs. This information has been used to write Dorset's attendance plan and strategy.

The team leading inclusion have also delivered training to education and early help staff as well as social care teams. We have completed a dip sample of educational outcomes for children identified as Children in Need (CiN) or supported through a Child Protection (CP) plan which will be used to inform further professional development so that all CiN and CP plans have attendance targets where a child's attendance is below 96%.

In addition, we are using Orchestra (a management information software) to collect live attendance data from school's information systems which feeds an inclusion dashboard allowing practitioners and leaders to prioritise their work based on live trends of data coming directly from schools.

Dorset wide attendance priorities

1. Consistent Dorset wide policy and practice
2. Knowledge sharing and communication
3. Early identification of causes lead to development of targeted interventions
4. Consistent approach to transition
5. Transport solutions

Dorset's localities' attendance priorities

North locality	Chesil
1. Attendance of year groups whose transition between phases of education was disrupted by the pandemic 2. Improve the effectiveness of inclusion panels though training and in school communication 3. Improve communication with our parents and health colleagues	1. Improve communication between secondary and primary schools through a commitment to restorative and strengths-based practice 2. Decrease rates of severe absence by clearly identifying individual barriers to attendance and ensuring the voices of our children, young people and families are heard 3. Decrease the absence rates of our children and young people eligible for free school meals and investigate how local organisations can support with this
Dorchester 1. Ensure improvements to attendance are acknowledged 2. Locality and disadvantaged schools funding to be to be used to support attendance 3. The Dorchester Area School Pyramid (DASP) attendance panel to focus on using parenting contracts to support children and young people with high level attendance issues 4. Collaborate with the Local Alliance Group (LAG) regarding pupils who are persistently absent 5. Explore the possibility of Dorchester Learning Centre supporting with pupils who are severely absent	**West** 1. Build resilience through a focus on student voice and parental confidence 2. Develop early help for parents in the West Locality 3. Improve the attendance of children and young people with SEN 4. Develop alternative provision (AP) for short interventions
East and Purbeck 1. Raise the focus on attendance in the East and Purbeck Local Alliance Groups (LAG) 2. Widen access to the Local Inclusion Partnership (LIP) meetings to include first and middle schools 3. Ensure there is a child centered focus/approach in the East and Purbeck Localities 4. Improve parental engagement in the East and Purbeck Localities	

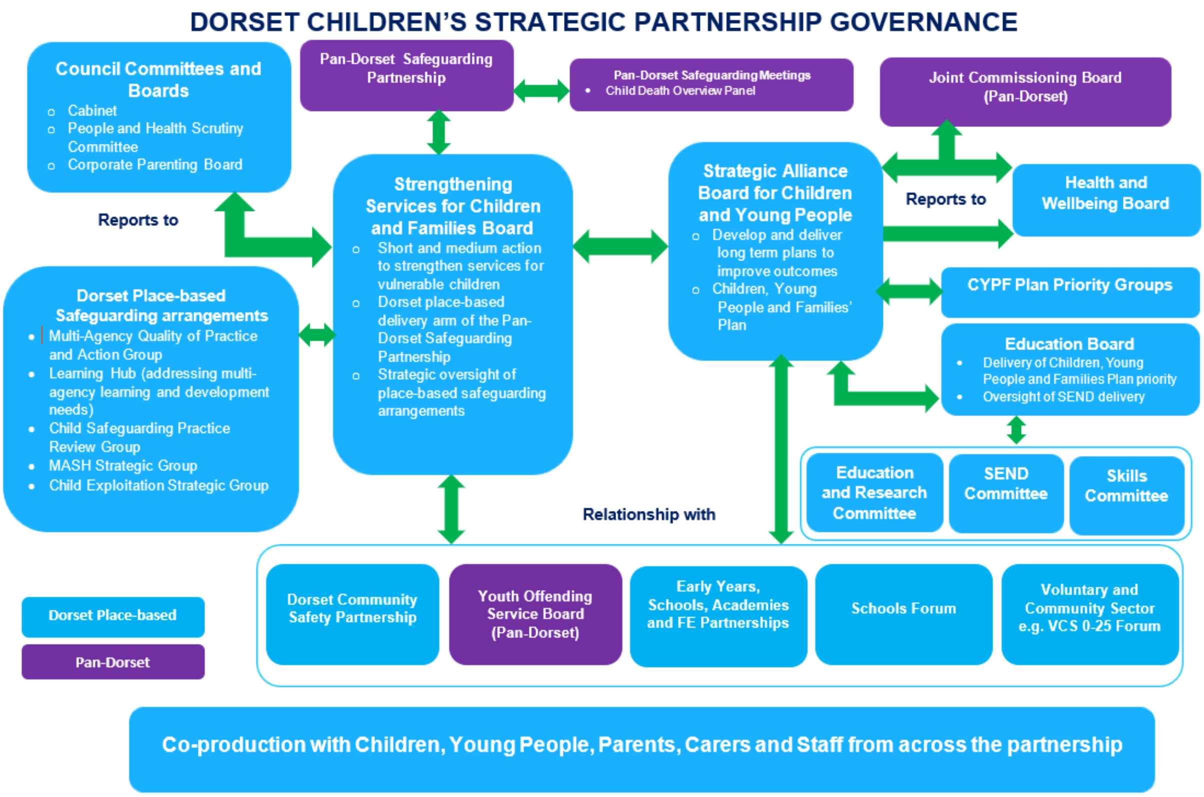
How we will make sure this is delivered

The progress of this strategy will be reviewed at the Dorset Education Board. A termly report detailing evidence and impact of action points will be presented for each of the priority areas. This information will be presented by the Service Manager for Inclusion.

The Strengthening Services Board will monitor the development and embedding of attendance targets in CiN and CP Plans, ensuring attendance becomes a key feature of all frontline council services and partners work and the delivery of three tiers of attendance training across all directorates.

Attendance data will be incorporated into the inclusion dashboard. There will be a focus on vulnerable groups, such as children and young people with a social worker and children and young people with an EHCP. Children's Services Leadership Team will receive weekly up-dates on Dorset's attendance.

We will continue to work with our partners and families. Attendees of the Dorset attendance workshop would like it to become an annual event. We will meet termly with senior leaders championing attendance in schools and regularly update Head Teachers at briefings and meetings. We will work with Dorset Parent-Carer Council to organise an event for our families and will also collaborate with the children and young people of Dorset.



Dorset Attendance Plan

Dorset Wide Priorities

Priority One: Consistent Dorset wide policy and practice

Vision:

We will ensure that Dorset attendance policies and practices are followed and consistently applied by Dorset Council colleagues, schools, trusts and partners across all six localities. Securing good attendance cannot be seen in isolation and effective practices for improvement will involve close interaction with schools' efforts on a consistent approach to behaviour.

Outcomes:

- The Dorset attendance guidance is understood by Dorset Council colleagues, schools, trusts and other partners
- There is a commitment by all schools and trusts to follow Dorset's attendance policy and practice
- A consistent approach is taken to inclusion panels across Dorset's localities, schools and trusts
- An increase in the use of parental contacts to support improvements in attendance across Dorset
- Whilst recognising that legal intervention is a very last resort, Dorset council, schools and trusts make use of the full range of legal interventions rather than relying solely on fixed penalty notices
- Attendance will feature in all children in need (CIN) and child protection(CP) plans
- Dorset's absence rates will be below national, South West and statistical neighbour rates for total absence, severe absence and persistent absence
- The persistent absence rate of our children eligible for free school meals will reduce to below the national average
- The absence rate for our children and young people with a traveller of Irish heritage will reduce to below the national average
- The absence rate for our children with an EHCP will reduce to below the national average
- A reduction in the number of children on part-time tables and the length of time that pupils are on a part-time timetable
- Children and young people with health needs will be able to access education swiftly

Priority Number	Action
P1/001	Publish and circulate up-dated Dorset attendance guidance so that Dorset council colleagues, schools and other partners have clear processes to follow.
P1/002	Establish termly locality networks for senior leaders in schools with responsibility for championing attendance in their settings. This will provide regular opportunities to embed and clarify policy and practice and to resolve any issues that may arise.
P1/003	Develop a Dorset Inclusion Toolkit to ensure that attendance processes are clear and easily accessible and provide guidance on the use of part-time timetables. The Dorset Inclusion Toolkit will also provide schools with useful information and resources on all areas of inclusion.
P1/004	Multi-academy trusts check attendance policy and practices are being implemented consistently across their schools.
P1/005	Provide CPD to Inclusion Team Managers and Inclusion Leads to ensure that the Dorset attendance strategy, plan, policy and practices are understood and applied consistently.
P1/006	Provide Inclusion Team Managers and Inclusion Leads with regular opportunities to clarify processes and practices and to resolve any issues that may arise through Inclusion Development meetings, Inclusion Practice meetings and inclusion 'drop-in' meetings.
P1/007	Ensure that independent schools and alternative provision settings registered as schools follow the Dorset attendance policy and processes. Ensure that independent schools and alternative provision settings registered as schools have termly inclusion meetings.
P1/008	Utilise the information and analysis gathered from 'dip-sampling' child in need (CiN) and Child Protection Plans (CPP) to develop and deliver further attendance CPD to social care colleagues.
P1/009	Promote and embed 'Therapeutic Thinking' across our Dorset Schools as part of ensuring schools are calm, orderly, safe and supportive environments where all of our children and young people want to attend.
P1/010	Audit and review the new locality medical panels to ensure that they are efficient and effective in ensuring children with health needs are able to access the right provision for them.
P1/011	Deliver CPD to Inclusion Team Managers, SEN Team Managers and Education and Early Help Service Managers on medical/health referrals to ensure children and young people with health needs access the right provision for them.
P1/012	Development plans across Dorset Council (not just children's services) will include actions around school attendance (for example transport and housing).
P1/013	Ensure all children and young people who are severely absent have a robust plan in place to improve attendance.

Priority Two: Knowledge sharing and communication

Vision:

Improving attendance will be everyone's business. Children, young people, families, communities and professionals will understand the importance of attendance to children's well-being and outcomes. We will listen to the voices of our children, young people and families and take a restorative strength-based approach to communication. There will be a commitment to building strong relationships with children, young people and families and between professionals which will enable us to provide the best support possible. We will also use communication to raise the aspirations of children and young people by introducing them to new people, opportunities and experiences. We will ensure that strategic, operational and individual knowledge about children and young people is shared and communicated clearly where appropriate.

Outcomes:

- Dorset Council shares strategic level information with schools, trusts and wider partners
- Professionals share knowledge and information in relation to individual children and young people where appropriate
- Where there is multi-disciplinary support for families, in line with early help principles, families should receive a single assessment, plan, and where necessary, a single lead practitioner
- Our children and young people are introduced to new people, experiences and opportunities which raises career aspirations
- Dorset's absence rates will be below national, South West and statistical neighbour rates for total absence, severe absence and persistent absence
- The persistent absence rate of our children eligible for free school meals will reduce to below the national average
- The absence rate for our children and young people with a traveller of Irish heritage will reduce to below the national average
- The absence rate for our children with an EHCP will reduce to below the national rate

Priority Number	Action
P2/001	Establish an annual Dorset attendance conference involving Dorset Council colleagues from education, early help and social care; schools, health, Youth Justice Service (YJS), police and other partners.

P2/002	Work collaboratively with children, young people and their families to further develop Dorset's attendance strategy, plan, policy and practice through specific workshops.
P2/003	Establish a multi-agency Dorset attendance task force to ensure that attendance is everyone's business.
P2/004	Regularly include attendance updates in Dorset's education bulletin.
P2/005	Establish avenues for regularly sharing knowledge regarding attendance with our wider partners such as health and the police.
P2/006	Utilise the termly locality networks for senior leaders in schools with responsibility for championing attendance in their settings to share good practice.
P2/007	Ensure inclusion teams are utilising the inclusion dashboard to inform discussions with schools, trusts and wider partners.
P2/008	Establish a three-tiered attendance training programme across Dorset Council to ensure that everyone understands and promotes the importance of good attendance: 1. Universal (for all frontline staff) 2. Enhanced (for staff whose role is more closely linked to attendance) 3. Specific (for those staff whose role specifically includes attendance).
P2/009	Include case studies of good attendance related practice in the Dorset Inclusion Toolkit.
P2/010	Securing good attendance cannot be seen in isolation and effective practices for improvement will involve close interaction with schools' efforts on curriculum, therefore we will develop avenues to share best practice in relation to curriculum models.
P2/011	Develop opportunities for our children and young people to meet new people and have new experiences that raise their career aspirations.
P2/012	Ensure joint-planning meetings between specialist teachers, educational psychologists and schools are used effectively.
P2/013	Deliver training to designated teachers on their role in promoting the attendance of our children and young people with a social worker or have ever had a social worker.
P2/014	Improve our data processes so that we understand the attendance of our children and young people that have ever had a social worker.
P2/015	Ensure that 100% of our schools are able to provide attendance data through 'Orchestra'.
P2/016	Deliver an attendance campaign across Dorset utilising social media and other methods of communication

Priority Three: Early identification of cause leads to development of targeted interventions

Vision:

We will ensure that across Dorset there is a commitment to remove any barriers to attendance by building strong and trusting relationships and working together to put the right support in place. There will be a commitment to identifying our children and young people at risk of poor attendance early and to understanding the individual needs and barriers for our families so that evidence based targeted interventions can be put in place to reduce absence before it becomes habitual. We will work to support our parents from the birth of their child where appropriate.

Our children with social, emotional and mental health (SEMH) needs and our children with Emotional Based School Avoidance (EBSA) will be able to access the right support at the right time so that they are able to achieve their best possible outcomes. Other special education needs, such as speech and language and neurodiversity will be identified early, understood by schools and other professionals and effective support put in place to meet their needs.

Outcomes:

- Our children and young people at risk of poor attendance are identified early
- There is improved identification of our children and young people who are young carers
- Schools and other professionals understand the individual barriers to attendance for our children, young people and families
- Schools and wider professionals develop and implement targeted interventions that address the individual barriers to attendance of our children, young people and families
- Our parents requiring support from the birth of their child are identified and appropriate support put in place
- There will be a timely multi-agency response where appropriate when children and young people at risk of poor attendance are identified, such as team around the family meetings
- Dorset council colleagues, schools, trusts and wider partners take a restorative strength-based approach to working with our children, young people and families as well as each other
- Dorset's absence rates will be below national, South West and statistical neighbour rates for total absence, severe absence and persistent absence.
- The persistent absence rate of our children eligible for free school meals will reduce to below the national average
- The absence rate for our children and young people with a traveller of Irish heritage will reduce to below the national average

- The absence rate for our children with an EHCP will reduce to below the national rate

Priority Number	**Action**
P3/001	Establish community champions and mentors to support children, young people and families to remove barriers to attendance.
P3/002	Schools to include attendance in their pupil premium strategies in order to better understand barriers to attendance faced by their children eligible for free school meals and provide targeted intervention.
P3/003	Schools to include attendance in their SEND strategies in order to better understand barriers to attendance faced by children and young people with an Education Health Care Plan (EHCP) and SEND support and provide targeted intervention.
P3/004	Continue to develop specific support for children with Irish traveller heritage and promote awareness of their needs and culture through work with Dorset Youth Association and Kushti Bok.
P3/005	Embed the 'Balance System' to identify speech, language and communication needs early and ensure robust intervention is in place.
P3/006	Deliver the autism in schools project, focusing on schools with a high number of suspensions. In the first year we will work with six secondary/upper schools (one in each locality) and one larger feeder schools. The aim being to reduce the suspensions and exclusions of children and young people with autism and neurodiversity.
P3/007	Promote understanding of SEMH needs and EBSA needs at locality networks for senior school leaders with responsibility for attendance.
P3/008	Develop and deliver EBSA avoidance CPD to schools and wider partners.
P3/009	Collaborative work between health and education colleagues to develop SEMH support to remove barriers to attendance leading to a reduction in absence rates for children with SEMH needs.
P3/010	Work in partnership with NHS Dorset to roll out Mental Health Support Teams in all Schools across Dorset to meet the needs of children and young people presenting with mild to moderate mental health needs.
P3/011	Develop parent support packages which start from birth so that families requiring support are identified and receive support as early as possible.
P3/012	Work with health colleagues to explore avenues to more effective communication with parents around health concerns following the covid-19 pandemic.
P3/013	Develop Inclusion Hubs in mainstream schools, which are specific resourced provision (SRP) to meets the needs of our children and young people with SEMH and communication and interaction needs.

	We have the capital funding to deliver the first phase of inclusion hubs which would increase the number of SRPs in Dorset by seven.
P3/014	Review the alternative provision (AP) offer in Dorset so that children and young people who may need access to this type of setting for a short-period of time have their needs met and achieve positive outcomes.
P3/015	Work with 'My Time' to improve identification of our young carers in Dorset and the support they receive.
P3/016	Promote the use of AV1 so that children and young people who are unable to physically attend their school for a temporary period can be virtually present in their classrooms.

Priority Four: Consistent approach to transition

Vision:

We will ensure that transitions between phases of education and changes in educational settings across all ages are strength-based, smooth and supportive. All trusts and schools will provide a warm welcome to all children, young people and their families building strong and trusting relationships with them so that they have a sense of belonging.

There will be a robust focus on children and young people who may be at risk of poor attendance, such as children with a social worker and young carers. We will ensure that the school where children and young people are transitioning to have a good understanding of any special educational needs children and young people may have.

Outcomes:

- Reduction in the use of reduced timetables in Year Seven
- Reduction in the Year Seven severe absence rate
- Dorset's absence rates will be below national, South West and statistical neighbour rates for total absence, severe absence and persistent absence.
- The persistent absence rate of our children eligible for free school meals will reduce to below the national average
- The absence rate for our children and young people with a traveller of Irish heritage will reduce to below the national average
- The absence rate for our children with an EHCP will reduce to below the national rate

Priority Number	Action
P4/001	Schools ensure robust and enhanced transition plans are in place for children and young people likely to have poor attendance and for other vulnerable children and young people, such as those with SEN or a social worker.
P4/002	Deliver strength-based and restorative practice training to schools to ensure that this approach is taken to transition.

P4/003	Use the locality network meetings for senior leaders championing attendance in schools to focus on transition at certain points in the academic year.
P4/004	Ensure schools that children and young people with a social worker are transitioning to are invited to meetings before they go on roll and that transition between schools is included in CiN and CP plans.
P4/005	Promote and implement Dorset's transition guidance (to include the delivery of training) to support our vulnerable children and young people.

Priority Five: Transport solutions

Vision: Transport issues will not prevent children and young people from attending school.

Outcomes:

- Transport is not a barrier to school attendance for any child or young person in Dorset
- Social Workers and Early Help professionals are able to advise families around school choice and its transport implications
- Dorset's absence rates will be below national, South West and statistical neighbour rates for total absence, severe absence and persistent absence.
- The persistent absence rate of our children eligible for free school meals will reduce to below the national average
- The absence rate for our children and young people with a traveller of Irish heritage will reduce to below the national average
- The absence rate for our children with an EHCP will reduce to below the national rate

Priority Number	Action
P5/001	To ensure that families who are entitled to free transport are accessing it
P5/002	Develop good home to school transport initiatives to support children and young people at risk of poor attendance
P5/003	Develop CPD for social workers and early help professionals so they are able to advise families around school choice and its transport implications
P5/004	Ensure robust processes are in place for the allocation of transport for children and young people who are permanently excluded or on managed moves
P5/006	Dorset Council education colleagues to explore with Dorset travel options to improve school transport

Equality Impact Assessment (EqIA)

Before completing this EqIA please ensure you have read the guidance on the intranet.

Initial Information

Name:	Kerry Smith
Job Title:	Service Manager – Inclusion
Email address:	Kerry.smith@dorsetcouncil.gov.uk
Members of the assessment team:	Kerry Smith (Service Manager Inclusion)
Date assessment started:	15/11/2022
Date of completion:	15/11/2022
Version Number:	1.0

Part 1: Background Information

Is this (please tick or expand the box to explain)

Existing	
Changing, updating or revision	
New or proposed	*
Other	

Is this (please tick or expand the box to explain)

Internal (employees only)	
External (residents, communities, partners)	*
Both of the above	

What is the name of your policy, strategy, project or service being assessed?

Dorset Attendance Strategy and Plan

What is the policy, strategy, project or service designed to do? (include the aims, purpose and intended outcomes of the policy)

The Dorset attendance plan and strategy aims to ensure that children and young people in Dorset have the highest possible attendance.

What is the background or context to the proposal?

The Department for Education published its guidance document “Working together to improve school attendance” in May 2022 to take effect in September 2022. This brought some new requirements on local authorities, particularly to ensure that attendance is everyone’s business and to support the wider education system to work together to promote good attendance in schools.

Part 2: Gathering information

What sources of data, information, evidence and research was used to inform you about the people your proposal will have an impact on?

School census data and Department for Education (DfE) attendance data.

What did this data, information, evidence and research tell you?

In 2022, 61% of children with 95% or above attendance achieved the Key Stage Two expected standard in reading, writing and maths; compared to 47% of children with between 90 and 94.9% attendance; 38% with attendance between 85 and 89.9% attendance, 23% for children with between 80 and 84,9% attendance and 16% for children with below 80% attendance. At Key Stage Four in 2019, 72% of children whose attendance was 95% or above achieved a grade four or above in English and Maths, compared to 56% whose attendance was between 90 and 94%, 40% for children whose attendance was between 85 and 89.9%, 41% for children whose attendance was between 80 and 84.9% and 35% for those children whose attendance was below 80%.

Is further information needed to help inform this proposal?

We will continue to use the most recent data provided by the DfE and the school census to compare the attendance in Dorset with national.

Part 3: Engagement and Consultation

What engagement or consultation has taken place as part of this proposal?

We held a multi-agency Dorset attendance workshop which was attended by over 80 colleagues from Dorset Council, our schools, police, youth justice, parents and carers and health.

How will the outcome of consultation be fed back to those who you consulted with?

We will share the attendance strategy and plan with all that took part in the workshop. We will up-date schools through Head Teacher briefings, SENCo briefings and attendance senior leader network meetings. We will hold a further workshop with parents and children and young people as well as meeting termly with our health, police and youth justice colleagues. In addition, we will provide CPD for Dorset Council staff.

Please refer to the Equality Impact Assessment Guidance before completing this section.

Not every proposal will require an EqIA. If you decide that your proposal does **not** require an EqIA, it is important to show that you have given this adequate consideration. The data and research that you have used to inform you about the people who will be affected by the policy should enable you to make this decision and whether you need to continue with the EqIA.

Please tick the appropriate option:

An EqIA is required (please continue to Part 4 of this document)	✓
An EqIA is **not** required (please complete the box below)	

This policy, strategy, project or service does not require an EqIA because:

N/A

Part 4: Analysing the impact

Who does the service, strategy, policy, project or change impact?

- If your strategy, policy, project or service contains options you may wish to consider providing an assessment for each option. Please cut and paste the template accordingly.

For each protected characteristic please choose from the following options:

- Please note in some cases more than one impact may apply – in this case please state all relevant options and explain in the 'Please provide details' box.

Positive Impact	• the proposal eliminates discrimination, advances equality of opportunity and/or fosters good relations with protected groups.
Negative Impact	• Protected characteristic group(s) could be disadvantaged or discriminated against
Neutral Impact	• No change/ no assessed significant impact of protected characteristic groups
Unclear	• Not enough data/evidence has been collected to make an informed decision.

Age:	*Positive Impact*
What age bracket does this affect?	0-16 years
Please provide details:	

	The absence rate of children in Dorset primary schools was 3.4% in the academic year 2020/21 compared to 5.4% for secondary aged pupils. In the academic year 2020/21, the rate of severe absence was highest in Year 10 (2.5%), followed by Year 11 (2.1%) and Year 9 (1.5%). There was an increase in severe absence rates from Year 6 (0.7%) to Year 7 (1.2%). The Dorset attendance strategy and plan will focus on these age groups working in collaboration with schools.

Disability: (including physical, mental, sensory and progressive conditions)	*Positive Impact*
Does this affect a specific disability group?	Children with SEND
Please provide details:	In the academic year 2020/21, the absence rate of children with an EHCP in Dorset was 14% which was slightly above the national rate of national 13% and for children identified as SEN Support it was 6%, below the national average of 7%. The Dorset attendance strategy and plan will identify plans to support this cohort of children.

Gender Reassignment & Gender Identity:	Unclear
Please provide details:	

Pregnancy and maternity:	Unclear
Please provide details:	

Race and Ethnicity:	Positive impact
Please provide details:	In the academic year 2020/21, the absences rates for children and young people with a traveller of Irish heritage were higher both nationally and in Dorset, although the number of children identified as traveller of Irish heritage was small in Dorset. The Dorset attendance strategy and plan will identify plans to support this cohort of children.

Religion or belief:	Unclear
Please provide details:	

Sexual orientation:	Unclear
Please provide details:	

Sex (consider both men and women):	Neutral
Please provide details:	In the academic year 2020/21, the total absence rate in Dorset was 5%, which was the same as national. In the same academic year, the absence rate of females in Dorset was 4% (national 5%) and for males it was 5% (national 5%). The Dorset attendance strategy and plan will identify plans to support these cohorts of children.

Marriage or civil partnership:	Unclear
Please provide details:	

Carers:	*Unclear*
Please provide details:	

Rural isolation:	Unclear
Please provide details:	

Single parent families:	Unclear
Please provide details:	

Social & economic deprivation:	Positive impact
Please provide details:	In the academic year 2020/21, the absence rate of children eligible for free school meals (8%) both in Dorset and nationally was double that of children not entitled to free school meals (4%).

Armed Forces communities	Unclear

Please provide details:	

Data Source: School Census data and DfE attendance data

Part 5: Action Plan

Provide actions for **positive, negative** and **unclear** impacts.

If you have identified any **negative** or **unclear** impacts, describe what adjustments will be made to remove or reduce the impacts, or if this is not possible provide justification for continuing with the proposal.

Issue	Action to be taken	Person(s) responsible	Date to be completed by
All protected characteristics	The EqIA will be reviewed alongside the Dorset attendance strategy and plan.	The Dorset Education Board	September 2023

EqIA Sign Off

Officer completing this EqIA:	Kerry Smith	Date:	15.11.2022
Equality Lead:	Susan Ward-Rice	Date:	
Equality & Diversity Action Group Chair:	Dr David Bonner	Date:	

This page is intentionally left blank

Cabinet

23 January 2023

Council tax premiums on second homes and empty properties

For Recommendation to Council

Portfolio Holder: Cllr Peter Wharf, Deputy Leader

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Steven Ford/Katie Hale
Title: Corporate Director – Climate and Ecological Sustainability/Head of Revenue and Benefits
Tel: 01305 225484
Email: steven.ford@dorsetcouncil.gov.uk/katie.hale@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

The Levelling Up and Regeneration Bill has an avowed aim to reverse geographical disparities between different parts of the UK. The Bill is wide-ranging, including provisions for more widespread devolution across England, changes to local planning and enhancing the ability of local authorities to take forward regeneration schemes. Additionally, the Bill will create a legal duty upon which the government must report on a number of missions for levelling up the country[1].

This report sets out the implications for a key element of the Bill; the proposed changes to allow councils to place a council tax premium on second homes and permit a 100% premium on empty properties at an earlier one year commencement point as opposed to the current two-year commencement point, with a number of recommendations on next steps. The aim of this draft legislation is primarily aimed to allow councils to raise additional revenue and to acknowledge

[1] Levelling Up and Regeneration: further information - GOV.UK (www.gov.uk)

the impact that second (referenced as 'dwellings occupied periodically' in the Bill) and empty homes can have on some communities. If the Bill receives royal assent, these options will become available to billing authorities with effect from 1 April 2024 at the earliest.

Through the Bill it is the government's intention to:

- reduce the minimum period for the implementation of a council tax premium for empty premises from two years to one year; and
- allow councils to introduce a council tax premium of up to 100% in respect of dwellings occupied periodically.

As a billing authority, Dorset Council must adopt policies for the application of discretionary council tax premiums across the whole of the council area. There are a number of premiums already in place, having been approved by the council in previous years.

At a meeting on 20th February 2019 the shadow Dorset Council agreed that for second homes no discretionary council tax discount be awarded and that in the case of dwellings which have been unoccupied and unfurnished for at least two years, a premium of 100% (meaning the council tax is doubled). Current premiums charged for properties that remain unoccupied and empty (substantially unfurnished for over 2 years) are:

From 1 April 2019, Dorset Council charge a 100% premium (meaning the Council Tax is doubled) on properties that have remained unoccupied and unfurnished for more than 2 years.

From 1 April 2020, a premium of 200% may apply to a property that has been unoccupied and unfurnished for a period between 5 and 10 years.

From 1 April 2021, a premium of 300% may apply to a property that has been unoccupied and unfurnished for a period over 10 years.

The government has confirmed that billing authorities that wish to adopt any council tax flexibilities arising from the Levelling Up and Regeneration Bill are required to make a council resolution confirming their requirements at least 12 months prior to the financial year in which the changes will come into effect. For Dorset Council to be able to utilise (from the year commencing 1 April 2024) the council tax flexibilities set out in the Bill two things must happen:

(i) the Bill will need to be enacted before the end of March 2023 and

(ii) the Full Council will need to meet after the Bill has been acted and before 1 April 2023.

There is a risk that the Bill might not be enacted before the end of March but early recommendations from the Cabinet will allow the Full Council to make timely decisions if and when Royal Assent is attained.

Recommendation:

Members of the Cabinet to recommend to Full Council the approval of the following additional council tax premiums be applied from 1 April 2024, or as soon as possible thereafter, subject to the required legislation being in place. That approval is given to:

1. 100% premium for dwellings occupied periodically;
2. 100% premium for properties which have been empty and unfurnished for a period of between 1 (previously 2) and 5 years

Reason for Recommendation:

The Levelling Up and Regeneration Bill has an avowed aim to reverse geographical disparities between different parts of the UK. The Bill is wide-ranging, including provisions for more widespread devolution across England, changes to local planning and enhancing the ability of local authorities to take forward regeneration schemes. Additionally, the Bill will create a legal duty upon which the government must report on a number of missions for levelling up the country[2].

The Bill is currently at the report stage of parliament. The government has confirmed that billing authorities wishing to adopt any changes arising from the Bill are required to make a council resolution confirming their requirements at least 12 months prior to the financial year in which the changes will come into effect; meaning that the Bill will need to obtain royal assent before the end of March 2023in order to adopt the changes for the year commencing 1 April 2024.

The proposed changes to legislation to allow councils to apply a council tax premium on second and empty homes is primarily aimed at allowing councils to raise additional revenue and to acknowledge the impact that second and empty homes can have on some communities, with a view that especially in the case of empty properties this would incentivise property owners to bring those properties back into use at the earliest opportunity.

[2] Levelling Up and Regeneration: further information - GOV.UK (www.gov.uk)

There is no official planning definition of a second home, but the government's English Housing Survey[3] does provide a logical definition, which is that: '*a second home is defined as a privately-owned habitable accommodation that is not occupied by anyone as their main residence. It may be occupied occasionally, for example as a holiday home or when working away from the household's main home*.' As aforementioned, the terminology that is used in the Bill refers to 'dwellings occupied periodically'.

From a Dorset perspective, this Bill once it has secured royal assent could have significant positive financial implications. Based on the latest figures (November 2022), Dorset has 5,722 second homes. If this was extrapolated into a revenue uplift, it would equate to around £10m, but from a fiscal budgeting perspective, the advice would be to expect a downward shift, based on owners changing use, selling or other changes to circumstances. As such, our prudent planning assumption is in the range between £8m and £9.5m for potential additional revenue. However, this will be updated once the legislation is passed.

It will be for the council at the time to establish the best use of this additional taxation income when setting future revenue budgets.

A growing number of local authorities across England are now making decisions in support of adopting the council tax premiums on second homes and empty properties, including a number in the Southwest. Within this context, it is important to recognise that the Levelling Up and Regeneration Bill contains enabling elements to go beyond the council tax premiums on second homes and empty properties. How councils embrace additional freedoms and flexibilities that come through legislation, especially when pertaining to more financial discretionary powers, could influence future discussions on substantive issues such as devolution.

1. Financial Implications

1.1. Initial high-level analysis suggests that the application of a 100% premium on second homes could generate around £10m in additional council tax revenue. However, as highlighted in the report, it would be prudent to assume a lower figure in a range between £8-9.5m given a range of factors that may impact on collection rates. However, this assessment will be updated once the legislation is passed.

1.2. Initial high-level analysis suggests that the potential adoption to commence a 100% premium on empty homes from the early one-year duration rather

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6719/2075342.pdf

than the existing two-year point could generate around £1.1m in additional council tax revenue. However, there is considerable increased scope for reasonable challenge which we estimate could see a reduction to this revenue yield factored in with normal collection rate expectations meaning that an actual increased revenue of between £500,000 to £600,00 is more reflective.

1.3. It is important to note that, given the uncertainty around the timings for royal assent of the Bill into law, that no provision has been made to factor the potential revenue into the medium-term financial planning assumptions.

2. **Environmental Implications**

The environmental implications of this recommendation have been considered, and there are no implications of the proposed course of action that would act against the strategic ambitions of the Climate and Ecological strategy and action plan.

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

3.1. There is a potential positive impact on resident's wellbeing if under-utilised or empty properties are made available for occupation.

4. **Other Implications**

4.1. The recommendations set out within the report are subject to the Levelling Up and Regeneration Bill receiving royal assent.

5. **Risk Assessment**

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

Current Risk: Medium
Residual Risk: Low

5.2. There is a risk that the implementation of a second homes premium may encourage council tax "avoidance" through people seeking to transfer their properties to business rates as holiday lets. This risk should be reduced with the government also bringing in a requirement for people to evidence to the Valuation Office Agency that alongside having their property available for let for at least 20 weeks in a year, it must also have been actually let for at least 70 days. It is the Valuation Office that make the decision if a property (hereditament) is entered and remains on the Council Tax list or the Business Rates list.

5.3. There is a risk that the legislation may be delayed, making it more challenging to build in future financial assumptions within the context of the medium-term financial plan.

6. Equalities Impact Assessment

There are no specific equalities issues that have emerged from the potential implementation of this policy, although subject to adoption there will be additional revenue for Dorset Council to invest into services for the residents of Dorset.

7. Appendices

N/A

8. Background Papers

N/A

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank