

Cabinet

3 November 2020

Quarter 2 financial management report

For Decision

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

Local Councillor(s): N/A

Executive Director: A Dunn, Executive Director, Corporate Development

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Report status: Public

Recommendations:

1. note the Senior Leadership Team's forecast for Dorset Council's revenue budget position at the end of quarter 2 and the improvement since quarter 1;
2. note the continuing impact that these changes could mean for the development of the 2021/22 budget strategy;
3. comment on the actions/proposals to improve the position during the year and consider further action to address the budget gap;
4. note the latest position on the capital programme and the impact this is having on capital financing in the revenue budget (appendix 1);
5. note the current positions on collection funds and collection rates and the impact that the council tax position in particular might have on local preceptors;
6. (i) to accept the grant allocation of £2.3m from the Department for Education (DfE) for the Priority Schools Building Programme 2 (PSPB2) project at The Woodroffe School, Lyme Regis and authorise the Executive Director for People – Children, and the Executive Director for Corporate Development to sign the grant agreement form
(ii) subject to signature of the grant agreement, for Dorset Council to Commit to Construct and delegate authority to the Executive Director People -

Children's in consultation with the Portfolio Holder for Peoples Children Education Skills and Early Help and the Executive Director for Corporate Development to enter into contract(s) on best terms achievable, provided the project is within budget.

Reason for recommendation:

The Council has responsibilities to deliver against its 2020/21 revenue budget and capital programme whilst maintaining adequate reserves. Cabinet wishes to understand clearly the financial impact and consequences of the Council's response to the COVID-19 pandemic.

Understanding the current year's position and performance is also key to developing the medium-term financial plan (MTFP) and budget strategy.

1. Executive summary

- 1.1 This paper comes to Cabinet to provide the second update on the financial impact of COVID-19 and other matters on the current year's financial performance.
- 1.2 The report also seeks Cabinet's agreement to accept £2.3m of grant from the DfE to allow works for The Woodroffe School, Lyme Regis to progress.

2. Financial implications

- 2.1 Financial implications are covered throughout this paper.

3. Climate implications

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

4. Other implications

- 4.1 None identified in this paper. The Council is taking action to reduce its operating costs before 1 April 2021 to deliver a balanced budget and a sustainable MTFP. Detailed implications of what this means will be brought to Cabinet as plans are sufficiently developed.

5. Risk assessment

- 5.1 The 2020/21 quarter 2 forecast sets out continuing, significant risks for the Council in dealing with the current pandemic and its longer-lasting financial implications. The Council has reserves, some of which can be used as a short-term measure to balance the budget, but longer-term use of reserves is not sustainable.

Current Risk: High

Residual Risk: High

6. Equalities Impact Assessment

- 6.1 None.

7. Appendices

1. Capital programme summary 2020/21
2. Update on £15m capital programme for 2020/21

8. Background Papers

Quarter 1 financial management report to Cabinet.

Cabinet budget strategy paper, February 2020.

9. COVID-19 context update

- 9.1 The COVID-19 pandemic has had an unprecedented impact on Dorset Council's income and expenditure levels and has created a huge degree of financial uncertainty. At the end of quarter one, Dorset Council was forecasting an overspend of £43m for the financial year, driven in particular by loss of income, increasing expenditure, and diversion of resources away from the planned efficiency programme.
- 9.2 Over the Summer, the easing of restrictions and the reduced level of local infections, led to a partial recovery in income levels and a reduction in anticipated expenditure levels, allowing Dorset Council to refocus on its transformation programme. These factors, combined with additional funding from Government, have enabled the financial forecast to be revised at quarter 2, and the predicted level of over overspend for the year is now £27.6m.
- 9.3 An overspend of this magnitude is of significant concern, but the improvement against quarter one is to be welcomed. Nevertheless, the financial uncertainty continues and any significant or prolonged change in local restrictions could lead to a deterioration in the forecast over the later part of the financial year.

10. Forecast of outturn, quarter 2 2020/21

- 10.1 The paragraphs below provide an overview of the position for each directorate as set out in the table. The table also shows the change in the forecast position for each directorate/area.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	122,335	136,624	(14,289)	(11.68%)
People - Children's	75,112	82,820	(7,708)	(10.26%)
Place	69,280	84,070	(14,790)	(21.35%)
Corporate Development	25,406	25,211	194	0.77%
Legal & Democratic Services	6,182	9,733	(3,551)	(57.45%)
Public Health	0	0	0	0.00%
Total Service Budgets	298,314	338,457	(40,143)	(13.46%)
Central Finance	(299,794)	(312,376)	12,582	(4.20%)
Whole Authority	(1,480)	26,081	(27,562)	

11. People Services – Adults and Housing

- 11.1 The People Services - Adults and Housing budget is forecast to overspend by £14.3m (11.7%). The movement shown since quarter 1 of £1.1m reflects the transfer of costs from the Corporate Development directorate for homelessness housing benefit expenditure, which exceeds the subsidy Dorset Council receives.
- 11.2 The Council has received £624k funding from Ministry of Housing, Communities and Local Government (MHCLG) and £4.7m internally from a Cabinet decision to acquire properties for temporary accommodation. £3.1m was approved for 2020/21 and £1.65m for 2021/22. The aim is to move people on into settled private rented and housing association tenancies allowing the Council to move people on from B&B into settled accommodation, with support, at sustainable rents, covered by housing benefit. This will reduce and stabilise costs over the medium term. However, there is still risk of additional demand occurring if there is a return to lockdown during the winter.
- 11.3 A significant amount of work has been done in September and October to quantify the impact and costs of COVID-19 on the system and to manage and more appropriately allocate costs going forward. In Q3 we will bring further detail on our financial position after confirmation of the Government position on funding and reconciliation of costs with our Health partners.

People Services – Adults

	Net Budget	Forecast Outturn	Forecast (Overspend)/underspend	%
	£k	£k	£k	%
Adult Care Packages	98,393	109,923	(11,530)	(11.72%)
Adult Care	14,306	14,146	160	1.12%
Commissioning	5,138	5,658	(520)	(10.12%)
Directorate Wide	1,892	2,666	(773)	(62.37%)
Housing & Community Safety	2,605	4,230	(1,625)	(40.85%)
Total Directorate Budget	122,335	136,624	(14,289)	(11.68%)

- 11.4 Adult Care Packages are causing an overspend of £11.5m. At least £5.6m of this is directly attributable to COVID-19. There are £2m savings which are forecast as being unachievable in this year. A programme of work was established last November to realise these savings, but the impact of COVID-19 has meant this work had to halt to provide the response. This programme has been restarted alongside associated transformation work.
- 11.5 There is a £1.5m budget pressure due to the increased complexity of clients transferring-in from Children's Services. So far this year five cases

- have transferred costing £1.4m. Two cases in Purbeck (£378k), one case in East (£95.3k) and two community mental health cases (£1m).
- 11.6 Inflation remains a national issue for these costs. One of the principal factors is the need to ensure carers are paid appropriately for all the essential work they do. The National Living Wage increased by 6.1% in April 2020 and had a significant impact upon the sector due to the majority of care staff being in this group. An increase of 4.5% was applied to care homes and 5.13% to domiciliary care to support these providers. Increased complexity has also meant an increase in training costs in order to provide appropriate levels of care. The budget for 2020/21 included a 3% increase, originally this was set at circa 5% but reduced with the aim of delivery negotiated savings where possible.
- 11.7 There are currently 866 people receiving care funded under COVID-19 arrangements, many of whom have ongoing care and support needs. There are two schemes which are currently funded through NHSE/i. Scheme 1, whereby anyone discharged from hospital during the period between 18 March and the 31 August is fully funded until they have a Care Act Assessment to determine their long-term care needs. This funding is available up until 31 March 2021. Scheme 2 was implemented on 1 September and is called *home first*. Anyone discharged from hospital receives up to 6 weeks funded care through NHSE/i. Some of these people would not, ordinarily have received council-funded care but in order to relieve pressure on the hospital system which is operating at severely reduced capacity we have taken them onto the books and we are finding and managing their care, including nursing care.
- 11.8 We need to prepare for this number to grow and manage the overall cost of care to the Council whilst fulfilling our statutory responsibilities and local policies. To do this we will review packages in a timely manner to assure that people are receiving care that helps them maintain independence, fairly and robustly allocate cost within the system for all 'Covid Funded Care' picking up Continuing Health Care costs and help staff and residents to understand the nature of the support offer from Dorset Adult Social Care under the 'new normal' arrangements.
- 11.9 Throughout the pandemic, support has been provided - including to those who would ordinarily have attended a day centre which had to close. This resulted in an increased cost and loss of income. Providers received a one-off, upfront payment to help with cashflow as well as the opportunity to claim an additional 10% on invoices to cover any increased costs of dealing with COVID-19, including personal protective equipment (PPE) and staffing. Staff have been working seven days a week to support the service and service users. There have been also been higher costs for care packages as a result of carers not being able support in full.
- 11.10 There is a current forecast of £750k within Housing relating to COVID-19. This was to support the *everyone in* initiative to take every rough sleeper

off of the streets and to provide appropriate accommodation and support. £13.5k was received from MHCLG to support this.

12. People Services - Children

- 12.1 The People Services - Children's budget is forecast to overspend by £7.7m (10.3%). The overspend is £0.2m higher than at quarter 1. Major variances are discussed below.
- 12.2 Care and protection budgets form the majority of the overspend, at a forecast of £5.8m overspent. The 2021/21 budget allows for 177 externally placed children in care, but actual numbers are 195 at the end of September (although this had reached 196 at the end of August). Numbers of children in care are subject to change but if the current cohort remained static then the overspend will be in the region of £5.3m. The care and protection budget also assumed £400k of additional health contributions which cannot now be secured this year.
- 12.3 The Directors Office includes an estimated £200k of favourable variance in relation to *Blueprint for Change* savings. These savings projections are currently undergoing validation with locality managers and HR in order to arrive at a definitive position. The Children's Service Leadership Team (CSLT) has also made savings in relation to the consultancy budget (Change Fund) estimated at £467k, being used as a contribution to savings this year. There are also some additional costs relating to COVID-19 in this area, at around £200k.
- 12.4 Education and learning includes a budget pressure for lost trading income from schools and academies during the schools closure period, estimated here at £1.05m but subject to ongoing review as the situation unfolds.
- 12.5 This service also includes an estimated £1m overspend on SEN transport. This figure is indicative only and is subject to the findings/outcomes of a working group that is currently engaged in this area.
- 12.6 This area now includes the in-house nursery provision, forecast to be running at a £301k deficit this year. The remaining forecast of overspend relates to various budget pressures across the service - such as vacancy factors and pay increments.
- 12.7 The Council may recharge certain costs related to the administration of the Dedicated Schools Grant against DSG funding. Regulations specify which costs may be recharged. The forecast here (£52k adverse variance) is presented on the basis of historic charges the under the predecessor County Council, however the recharge will be reviewed and recalculated in autumn 2020 using Dorset Council's cost base and cost drivers for the first time. This may result in a change to the forecast.

13. Place Services

- 13.1 The Place Directorate budget is forecast to overspend by £14.8m (21.3%). The overspend is £1.4m lower than at quarter 1. The majority of the

- overspend is attributable to COVID-19-related income shortfalls/excess costs, accounting for £12.940m of the overspend. £1m is attributable to savings that are unlikely to materialise and the remaining £0.8m is caused by various continuing pressures.
- 13.2 The ongoing impact of COVID-19 means the Directorate is continuing to operate in a very challenging financial climate. Many services have seen significant losses of income over the spring and summer – mainly (but not limited to) car parking, country parks, commercial rental income from assets, licensing, registration services, planning application fees, leisure centres, outdoor education and commercial waste. As well as significant income shortfalls, the provision for doubtful debts is increasing and a figure of £747k has been built into the forecast.
 - 13.3 The easing of lockdown restrictions over the summer months saw a recovery of income in certain areas, most notably car parking, although in other areas, services have seen continued income reductions.
 - 13.4 The directorate has also borne additional COVID-19 staffing costs due to the additional responsibilities incurred during shielding. Under normal circumstances, these teams would have been undertaking capital projects, with full cost recovery from the capital budget into revenue. There have also been other costs, ranging from agency cover for shielding/isolating staff, to cleaning materials and PPE.
 - 13.5 A number of services had savings targets built into the base 2020/21 budget. The impact of the pandemic has meant it is unlikely these savings will be realised this year.
 - 13.6 There is also a growing number of significant BAU financial pressures that the directorate is forecasting, particularly within Dorset Travel, Commercial Waste & Strategy and Planning. The forecast includes overspends against the school transport budget, while the volatile dry mixed recyclate (DMR) market is causing increased costs. Agency costs remain high in the planning service, although this is partially offset by savings that follow a restructure. These pressures continue to be monitored closely.

14. Corporate Development & Legal & Democratic Services

- 14.1 Corporate Services is the collective name for services across Corporate Development and Legal Services. This includes Finance and Commercial (including Revenues and Benefits), Human Resources and Organisational Development, ICT Operations, Digital and Change, Business Intelligence, Communications and Engagement, Legal Services, Assurance, Democratic and Electoral Services and Land Charges.
- 14.2 The projected overspend for these services at the end of quarter 2 is £3.4m. This is nearly £3m lower than at quarter 1.
- 14.3 The majority of the overspend relates to the purchase of whole council PPE coded to the emergency planning budget and mortality support facilities (£3.5m) due to the COVID-19 response.

14.4 The favourable movement in forecast can be attributed to £1m housing benefit over subsidy forecast pressure moving to Housing. The Housing service make the placement so the costs should rightly sit with the service. There have also been tactical decisions to hold vacancies and to review and reduce non-pay expenditure such as travel costs because staff are not travelling to meetings or other locations. There has also been a pleasing upturn in income forecasts since quarter 1.

15. Public Health

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

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

15.3 Public Health Dorset recognises that Dorset is facing significant financial challenges so agreed that any cost pressures in the service relating to COVID-19 would be funded through the grant uplift or other system partners and no call would be made on the MHCLG funding.

16. Central finance

16.1 Central budgets include the main sources of the Council's funding; council tax, business grants and general grants (such as new homes bonus). The additional, non-ringfenced COVID-19 funding of £23m is also included here, as is our expectation of around £5m from the sales, fees and charges support scheme from the Government which offsets shortfalls mentioned in individual directorates' performance, noted earlier.

16.2 At the time of writing, £1bn of additional, general funding has been announced for councils to support response and recovery. Dorset's share of this is just £1.3m, which is very disappointing and far lower than rhetoric around the announcement had led us to believe we would receive. Due to the lateness of the announcement, this is not included in the forecast but will improve our reported position.

16.3 Due to a historic underspend on capital budgets and due to better cash balances than predicted at the budget setting stage, there have been savings in the capital financing budget. Around £1.1m of this is in the minimum revenue provision (MRP) budget and £0.8m on net treasury management performance.

16.4 An underspend of £2.5m is also being released from the contingency budget at this stage. It may be possible to release further underspend from this budget during the second half of the financial year as not all of this is currently committed.

- 16.5 The budget also set targets of £3m cost reductions from transformation projects and a further £3m from better procurement and contract management. Whilst transformation work continues, at this stage it is unlikely that these savings can be delivered this year, so they are forecast to fall short of budget.
- 16.6 Central budgets are also still at risk from reductions in income from council tax and business rates. At quarter 1, our yield from both these sources was lagging slightly behind budgeted expectations. At the end of quarter 2, the position has deteriorated, and council tax collection is 1.54% below the comparable rate for last year. Business rates collection is 6.88% lower.
- 16.7 When residents are eligible either for local council tax support or single person's discount, there is a further impact on the collection fund as these cause a reduction in the amount being billed. The increase in the claim rate this year has reduced the council tax charge by around £1.9m. The forecast to this point has included £13m as the total potential shortfall on collection funds and it is the Council's view that this continues to be sufficient at this stage based on a current, projected council tax shortfall of £4.4m and business rates of £2m. Collection fund performance is reviewed monthly and any material changes to the forecast will be shared with the Cabinet. The Council has just produced the council tax base (CTB1) return to Government which shows a very small contraction in the tax base since this time last year. The MTFP assumes no growth in the tax base for 2021/22, so we are slightly behind our planning assumptions and there is concern that the position could deteriorate further between now and 30 November, the date for extraction of data for setting the precept.
- 16.8 As part of the overall response to COVID-19, Government is allowing councils the flexibility to recover shortfalls on their collection funds over three years. This could be the option that Dorset Council decides to pursue, but at this stage our forecast anticipates the full deficit against the 2020/21 budget. The impact of phasing deficits would indeed reduce the impact on this year's outturn but it also leaves problems for the next two years. Any unfunded deficit carried forward from this year into 2021/22 would have to be funded through future budget processes. Cabinet received a paper at its 6 October meeting, setting out a significant budget gap. This will be challenging enough to close without adding collection fund deficits, so the assumption at this stage is to fund these in 2020/21 if this remains financially viable.
- 16.9 We also continue to share information about collection funds with Town and Parish Council colleagues. Whilst these councils do not participate in deficits or surpluses in any given year, any continuing impact on the collection rate or the council tax base will impact on budget and precept strategies.

17. Reserves

- 17.1 The Council's overspend will need to be financed. Bringing six Councils together generated a general fund of £28.2m and allowed other earmarked reserves to be reviewed because the risk profile of the new Council is different from its predecessors. This will enable us to fund the current year's overspend but it does affect the council's resilience and ability to mitigate future risks.
- 17.2 We continue to review our reserves but at this stage no formal recommendation is coming forward to Cabinet for further repurposing of these funds. It is important that the Council provides adequate reserves for the risks that it faces and anything other than short-term use of reserves is unsustainable. They can only be spent once and if they are not cash-backed this will also trigger an increase in the Council's borrowing.
- 17.3 A further update on reserves will be provided at quarter 3 as this will sit alongside the timescale for approving the budget strategy. As part of that process the S151 Officer will need to give his assurance that the level of reserves is adequate.
- 17.4 The overspend predicted therefore needs to be managed quickly and effectively in preparation for the next budget and MTFP. Whilst the Council continues to press Government for additional funding, it is difficult to see how this could be provided with the current national and global contexts underpinning what has recently been confirmed as a single-year Spending Review.

18. Additional COVID-19 funding

- 18.1 At quarter 1, Cabinet received an update on additional funds that Government was providing through councils, for example, business grants, Business Rates holidays, infection control grants etc. A further brief update is set out in this section.

Business grants

- 18.2 The Council was given an initial allocation of £133.7m for this scheme which Government closed on 30 September. Dorset Council has made 9,031 payments to qualifying businesses, totalling £107.1m.

Discretionary grants

- 18.3 In response to feedback about the first tranche of grants, Government announced further business support through a round of discretionary grants, funded at 5% of our estimated total potential payments through the tranche 1 funding - amounting to just over £6m. Again, this scheme closed on 30 September by which time Dorset Council had made 1,610 payments to distribute this funding.

Business rates relief

- 18.4 As well as grants, businesses in Dorset have further benefitted from the Government's decision to extend business rates reliefs this year. In 2020/21, 3,464 Dorset businesses will benefit by more than £54.5m through all types of discount.

Infection control grant

- 18.5 Dorset Council's infection control grant for round 1 totalled £5.05m. A further £4.37m has been allocated to Dorset Council for round 2. 80% of this grant will be distributed to care homes within our geographical area on a 'per-bed' basis and to CQC regulated community care providers. The remaining 20% of the funding will be used to support the full range of providers to manage infection control.

Test and trace payment scheme

- 18.6 The test and trace scheme went live from 28 September 2020 with Dorset Council making the claim process available from 12 October 2020 in line with Government requirements. The scheme runs until 31 January 2021 and claimants qualify for a payment if they meet the conditions for either the standard scheme or the discretionary scheme. Dorset has been allocated £134k for the standard scheme and £80k for the discretionary scheme, with a further £40k coming to the Council as funding for administration of the grant under the *new burdens* doctrine.

Local restrictions support grants

- 18.7 Details of this scheme are still emerging at the time of writing. Indeed, policy itself appears to be under development as the Prime Minister announces new proposals for dealing with restrictions deemed necessary in specific localities. It is likely that proposals to support businesses will continue to change in the period up to the date of Cabinet so a clearer update might be available after the date of this report.
- 18.8 As with other schemes, it looks likely, from early versions of the guidance that there will be a standard scheme and a discretionary scheme as part of the overall approach.

Local authority compliance and enforcement grant

- 18.9 Dorset Council has been allocated £161k of the £60m national funding (£30m to councils) from this source to spend on COVID-19 compliance and enforcement.

Schools transport grants

- 18.10 Dorset Council has received two tranches of funding totalling £744k to support the additional costs of school transport/SEN transport for the autumn term. Beyond that, the situation will be kept under review.

Sales, fees and charges support scheme claim

- 18.11 The Council has submitted the first claim to MHCLG to recoup lost sales, fees and charges for the council. Not all income streams are covered and

the first 5% of all losses are borne by the Council. Thereafter 75p in the £1 of lost income is receivable. Dorset Council's claim for the period 1 April to 31 July was £3.773m.

19. Capital expenditure and financing

- 19.1 Appendix A sets out the summary position on the capital programme. The 2019/20 capital programme was underspent and has slipped into 2020/21. The underspend on capital in previous years is a contributing factor to the underspend on the capital financing budget mentioned earlier.
- 19.2 The budget approved by Cabinet in February 2020 included £15m of unallocated capital funding which was fully financed, but work had at that stage not been completed to identify the priority areas for spend. Appendix 2 therefore sets out the bids to that capital fund which Cabinet has already approved.
- 19.3 The Capital Strategy and Asset Management Group (CSAM) continues as the officer group responsible for review of capital bids and recommending them to Cabinet. The review work for the 2021/22 budget is in progress and recommendations will form part of the budget strategy paper in due course.

Priority Schools Building Programme 2 (The Woodroffe School)

- 19.4 In September 2017 Dorset County Council signed a Memorandum of Understanding with the Department for Education (DfE) for the local delivery of a project at The Woodroffe School, Lyme Regis, under PSPB2, which has continued under Dorset Council. Since that time the scheme has been developed through both outline and full business case for the DfE and received planning consent back in the summer. The Council was advised at the end of August that full business case approval had been granted by the DfE and we were required to sign-off on a grant agreement, to enable funding to be released to us.
- 19.5 The total grant allocation is £2.3m and is therefore a key decision requiring Cabinet approval to enable Officers to sign the agreement. Of the £2.3m of grant funding £56k has already been drawn down to enable early design costs up to planning to be settled, so the remainder of the grant funding to be paid to the Authority totals £2,256k.
- 19.6 The project is being undertaken on a *design and build* basis and is progressing with the expectation that the Council will need to enter into contract with the contractor during November. Cabinet authority to commit to construct is also requested to ensure the construction contract can be signed at the appropriate time, to keep the project on schedule.

20. Next steps

- 20.1 The Council needs to continue to refine its forecasting as time progresses and update its financial model as our estimates become actual results. In some cases, our projections could prove to be prudent or imprudent, so an

update will be carried out each month and shared with relevant portfolio holders. However, it is also right to take appropriate, responsible and responsive action to mitigate risks and reduce the overspend during the year; firstly to protect reserves but more critically to return the base budget to a sustainable position by the time the new financial year arrives.

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

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

- 21.1 Cabinet considered a budget-specific paper in October so that content is not repeated here. It is worth reminding Cabinet, however, that as the year progresses, the MTFP and financial model will continue to be updated to reflect the changing reality that better informs our assumptions about the future.
- 21.2. This could amount to better information about collection funds and tax base growth, new costs from COVID-19, new savings or transformation opportunities or revisions to assumptions about income recovery and compensation. This will all be fed into briefings for members as part of the scrutiny sessions being held on 27 November 2020.

22. Conclusions

- 22.1 The Council has made considerable savings since reorganisation and further convergence savings are being made as the organisation's operations stabilise - even during the pandemic. Whilst many of these savings have been realised now, there is still much to do to close the budget gap.
- 22.2 Although the situation has improved since quarter 1, COVID-19 has had a dramatic impact on the Council's finances with a loss of income and increased expenditure. Whilst the announcement of some further funding from Government is very welcome, it is unlikely to translate into a baseline funding increase and we must therefore look to close the budget gap ourselves.
- 22.3 Work continues on this with a very clear steer that the scrutiny sessions in November will need to look at a balanced budget position. Difficult choices are therefore required between now and then. The Council therefore needs to continue to focus on three things:

- a. making every effort to reduce further, the current year's operational and financial pressures;
- b. continuing to explain the financial reality of the situation to Government and secure additional funding where possible;
- c. continue the challenge around the current budget round which combines the identification of tactical savings with the development of a transformation programme which enables the Council to meet the needs of Dorset's residents within the funding which is available.

Aidan Dunn

Executive Director of Corporate Development

Footnote:

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

Appendix 1

Summary of capital programme 2020/21

	Slippage £000	Budget £000	Changes £000	Total £000
<u>Fully externally funded</u>				
Spend	14,534	18,032	23,130	55,696
Grant	(14,534)	(18,032)	(23,130)	(55,696)
Net	0	0	0	0
<u>Partially externally funded</u>				
Spend	13,300	13,660	5,504	32,464
Grant	(1,704)	(11,900)	(5,504)	(19,108)
Net	11,596	1,760	0	13,356
<u>Council funded</u>				
Spend	18,572	34,360	285	53,217
Grant	0	0	0	0
Net	18,572	34,360	285	53,217
<u>Total</u>				
Spend	46,406	66,052	28,919	141,377
Grant	(16,238)	(29,932)	(28,634)	(74,804)
Net	30,168	36,120	285	66,573

Appendix 2

Summary of approved projects from £15m capital fund

	Approval date	2020/21 £k	2021/22 £k
Balance of unallocated bid from approved budget paper		15,000	6,560
Residential sufficiency in Weymouth	03/03/2020	(3,065)	(1,072)
Compulsory Purchase of Long Term Empty Property	28/07/2020	(255)	(489)
IT programme	28/07/2020	(1,450)	
ITS Asset Replacement Programme	28/07/2020	(200)	
Slipway extension and storage solutions	28/07/2020	(135)	
Healthy Homes Dorset	28/07/2020	(75)	
Acquisition of temporary accommodation	08/09/2020	(3,130)	(1,650)
Dinah's Hollow	06/10/2020	(130)	
Balance of unused funds		6,560	3,349