

# **Audit & Governance Committee**

## **16 November 2020**

### **Q2 financial management report**

Choose an item.

**Portfolio Holder:** Cllr G Suttle, Economic Growth and Skills

**Local Councillor(s):** N/A

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

Report Author: Jim McManus  
Title: Quarter 2 financial management report  
Tel: 01305 221235  
Email: jim.mcmanus@dorsetcouncil.gov.uk

**Report Status:** Public

#### **Recommendation:**

That the Committee notes the Senior Leadership Team's quarter 2 forecast of outturn for the Council for 2020/21 as reported to the Cabinet on 3 November 2020 and raises any questions or challenges that it may have regarding the forecast report.

#### **Reason for Recommendation:**

The Committee's terms of reference refer to "the Council's risk management framework including the internal control environment, integrity of financial reporting and governance arrangements".

Effective financial management is a cornerstone of this responsibility and understanding and challenging the quarterly financial management reports to Cabinet supports this.

#### **1. Executive Summary**

Dorset Council's governance arrangements involve review of the quarterly financial management reports by the Audit & Governance Committee after they have been received by the Cabinet.

This report covers the quarter 2 report that was presented to Cabinet 3 November 2020.

The Cabinet report is attached as Appendix 2. Members may also wish to refer to minutes of the Cabinet meeting for further information regarding the discussion of the report.

## **2. Financial Implications**

The Cabinet paper reports an overspend of £27.6m for 2020/21; an improvement of £15.5m since quarter 1. The report itself summarises the main changes since the previous quarter and sets out analysis by individual directorate for the Committee's review. That detail is not repeated in this covering report.

Despite the improvement in the period, only a small amount of this reduces financial pressure for 2021/22 – because for example, underspends on the contingency budget are already built into the budget process.

The position with the Dedicated Schools Grant (DSG) is not a feature of our financial reporting anymore, as Regulations clarify that responsibility for this falls to the Department for Education (DfE) rather than to local tax payers. However, DfE has recently written to the Council informing us that they are inviting us to take part in discussions with them “with the aim of agreeing a package of support and reform that will help you to bring your dedicated schools grant (DSG) deficit under control and ultimately, to eliminate it entirely.” Further updates on those discussions and on the ensuing work will be reported in due course.

However, the Council is carrying the cumulative overspend on DSG of £21.8m as a negative reserve in its balance sheet. Further overspend of £17.2m is currently being predicted for this year.

## **3. Climate implications**

None identified.

## **4. Other Implications**

None identified.

## **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

There are significant assumptions and risks in the forecast. The position is still very volatile and much of that is set out in the Cabinet report.

The key risk is that the impact of COVID-19 is sustained and not only does this materially impact upon our current reserves, but also makes the budget strategy and MTFP extremely challenging.

## **6. Equalities Impact Assessment**

N/A

## **7. Appendices**

1. Summary of COVID v other pressures
2. Cabinet financial management report 3 November 2020

**8. Background Papers**

None

**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

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		COVID-19	BAU & savings
	£k	£k	£k	%	£k	£k
People - Adults	122,335	136,624	(14,289)	(11.68%)	(6,840)	(7,449)
People - Children's	75,112	82,820	(7,708)	(10.26%)	(8,431)	723
Place	69,280	84,070	(14,790)	(21.35%)	(12,940)	(1,850)
Corporate Development	25,406	25,211	194	0.77%	(1,058)	1,253
Legal & Democratic Services	6,182	9,733	(3,551)	(57.45%)	(3,521)	(30)
Public Health	0	0	0	0.00%	0	0
Total Service Budgets	298,314	338,457	(40,143)	(13.46%)	(32,790)	(7,353)
Central Finance	(299,794)	(312,376)	12,582	(4.20%)	10,125	2,457
Whole Authority	(1,480)	26,081	(27,562)		(22,666)	(4,896)

## Appendix 2