

People & Health Scrutiny Committee & Place & Resources Scrutiny Committee

11 December 2020

Budget scrutiny

For Decision

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

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

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Report Status: Public

Recommendation:

Members of the People & Health Scrutiny Committee and the Place & Resources Scrutiny Committee are recommended to:

- (i) note the updated assumptions and cost pressures set out in this paper and the validation work that has been carried out on them to calculate the total budget gap;
- (ii) note the latest financial estimates of transformation, tactical savings and other measures taken to close the budget gap;
- (iii) note the headlines from the recent spending review and the impact this will/could have on Dorset Council;
- (iv) review and test/challenge any assumption or proposed course of action as part of the scrutiny role before the budget strategy goes forward to Cabinet;
- (v) consider the council tax assumptions, including proposals to levy the full adults social care precept in 2021/22;
- (vi) submit to the Cabinet any post-scrutiny thoughts about any matter set out in the proposed budget strategy that will assist in setting a balanced budget for the Council in 2021/22.

Reason for Recommendation:

Councils are required to set a balanced budget. Essentially this means that expenditure is balanced by income without unsustainable use of one-off, or short-term sources of finance.

This paper is coming to the People & Health Scrutiny Committee and to the Place and Resources Scrutiny Committee to ensure there is effective consideration of the budget proposals before proceeding to produce the final budget paper for recommendation to Cabinet on 19 January.

1. Executive Summary

The purpose of this report is to provide a summary of progress to date on the budget strategy and process, and to enable the Scrutiny Committees to review further, budget assumptions and actions being proposed to deliver a balanced and sustainable budget for 2021/22.

This paper provides important updates since the budget paper was submitted to Cabinet on 6 October. The Scrutiny Committees will want to review progress, validate assumptions and understand and/or challenge why particular courses of action are being proposed in order to close the budget gap and deliver a balanced, sustainable budget for next year.

This year's budget setting exercise takes place against a continuing, national background of extreme pressures for councils resulting from the coronavirus pandemic. Most councils are facing challenges in containing the impact of Covid-19 within the additional funding provided by Government.

As well as Covid-19, councils are also facing unprecedented levels of demand for core services; not just locally, but nationally as we aim to support increasing numbers of residents that need services to help keep them safe and well. This paper provides further updates on funding for this year and for 2021/22, albeit these are at a national level and we await the detail of the local government settlement before we are clear on Dorset Council's position.

2. Financial Implications

All covered within the report.

3. Well-being and health implications

None specifically identified in this report.

4. Climate implications

The Council will need to give consideration to the declared climate and ecology emergency in all its operating and financial business.

5. Other Implications

None 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 challenge resulting from Covid-19 and the risks that surround this remain very high for all local authorities.

In 2020/21, Dorset Council is still facing a budget shortfall after grants and reliefs from Government and although the picture continues to move, we must remain alert to the risks. We continue to press Government on additional funding and MHCLG continues to gather data for the sector as we provide evidence that funding has not kept pace with additional costs, lost income and savings opportunities foregone.

7. Equalities Impact Assessment

Not applicable for this paper, though individual strategies that are implemented as a result of budget proposals that are eventually approved by the Council will need to consider any equalities impacts.

8. Appendices

1. Budget movements – Adults Services & Housing
2. Budget movements – Children’s Services
3. Budget movements – Place Directorate
4. Budget movements – Corporate Services
5. Budget movements – Contingency, capital financing & central
6. Draft capital programme 2021/22

9. Background Papers

Quarterly financial management reports to Cabinet

MTFP and budget report to Cabinet 6 October 2020

10. Introduction

10.1 Dorset Council adopted the Dorset Council Plan 2020-24 in February 2020. The priorities for Dorset set out in that plan are:

- economic growth - we will deliver sustainable economic growth, increasing productivity and the number of high-quality jobs in Dorset, creating great places to live, work and visit;
- unique environment - we will help to deliver sustainable development while protecting and enhancing Dorset’s environment;

- suitable housing - we will work with registered housing providers, community land trusts and local housing partners to deliver affordable, suitable and decent housing;
 - strong, healthy communities - we will work with residents and partners to build and maintain strong communities where people get the best start and lead fulfilling lives;
 - staying safe and well - we will work with all of our residents to have a good quality of life.
- 10.2 Aligned to the Dorset Council Plan, Cabinet approved the Transformation Plan, which described the approach that the Council would take to redesign 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 has been a huge challenge. The Council has risen to this challenge, in providing urgent support to vulnerable residents in the wake of the lockdown and shielding restrictions. Looking forward to the recovery phase has brought into focus the importance of making sure our priorities as a council are going to help Dorset and its residents move forward in the recovery stage and beyond, rather than returning to the way things were.
- 10.4 The impact of Covid-19 on the Council's financial position has been dramatic as income levels have fallen significantly whilst expenditure has increased. There is still a substantial amount of risk and volatility around our assumptions, but our current forecast for 2020/21 is improving and the recent Spending Review 2020 (SR20) announced some additional funding for councils that might provide further financial support to the package of measures already being implemented. These could improve financial prospects further for 2020/21 and for 2021/22.
- 10.5 The headline announcements are broadly positive, but we need to wait for the detail to assess the impact on Dorset Council, so we must be cautious about any assumptions we make as part of our budget strategy or medium-term financial plan (MTFP). Although the announcements (more below) give cause for cautious optimism, it is likely that the Council will still overspend this year, and this will need to be funded from reserves.
- 10.6 The Council continues to face cost pressures, specifically from Covid-19, but it is important to note that Government continues to provide financial support both this year and in SR20. Whilst this support is not the full cost that Dorset Council is incurring, it is important. It is also worth reminding ourselves of the financial efficiency from becoming a unitary council, saving £10m from the pay bill alone when compared with its predecessor councils. Further convergence savings are still being realised in the budget 21/22 process.

10.7 The challenge for 2021/22 and beyond is clear. How will the Council achieve a balanced budget whilst continuing to provide high quality services for the residents of Dorset? The challenge is further amplified by the uncertainties caused by the effects of the pandemic on Dorset and the wider national economy, and the impending exit from the European Union. These are extremely challenging times.

11. Financial Context

11.1 It is extremely difficult to estimate how future Covid-19 impacts 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.

11.2 This is an unprecedented year, and this is borne out by the potential volatility in our financial assumptions. Some of these have moved quite significantly in recent months of planning, particularly around general inflation, pay assumptions and council tax strategy (social care precept). The latest budget assumptions are shown in the table below compared with those originally used.

	Original assumption 2021/22	Updated assumption 2021/22
Council tax increase	<2%	<2%
Council tax base growth	0.75%	0%
Social Care Precept	0%	3%
Business rates growth	0%	-5%
Pay award	2.50%	0%
General inflation	2.25%	0.65%
Increase in fees & charges	2.25%	1.50%
Employer pension contribution	0% +£252k	0% +£252k

11.3 Despite the recent Spending Review, there is still a degree of uncertainty relating to the Council's future resources, much of which will not be clarified until the settlement is delivered (anticipated 17 December 2020).

12. Spending Review 2020 (SR20) headlines

12.1 The Chancellor of the Exchequer announced the results of the Government's Spending Review to Parliament on 25 November 2020. We have already noted that we will need to understand the detail of the local government finance settlement before we can finalise Dorset Council's budget, but it is worth summarising what we know so far.

Council tax

12.2 The Chancellor announced that the existing arrangements for local referendum limits will continue for council tax – in that a proposal to

increase council tax by 2% or more will trigger a local referendum. Dorset Council's planning assumption is for a general council tax increase just under 2%. A 1% council tax increase is just over £2.5m for Dorset Council.

- 12.3 The Chancellor also announced that in addition to the general level of increase in council tax, councils could also levy a social care precept equivalent to a further 3% of council tax across the next two years. Dorset Council's planning assumption is that this full 3% will be levied in 2021/22. The council tax increase brought about by the social care precept must be used for adult social care and has therefore been incorporated into our financial plans accordingly.
- 12.4 Whilst the Council makes every attempt to deliver value for money and manage its cost base and income streams effectively, the ever-increasing need for services to residents and communities outpaces our ability to generate sufficient revenues to fund these costs. Dorset Council, and its predecessors were also badly impacted by the changes to revenue support grant (RSG) that were implemented following the 2015 spending review and it was estimated that the County Council alone, lost the equivalent of more than £77m in general funding, at 2010/11 prices, as a result.

Covid-19 grant

- 12.5 Government recognises that councils continue to be at the forefront of the response to Covid-19 and has announced additional resources to support these efforts. Government has announced another £1.55bn of unringfenced grant for the pressures expected to emerge in the first few months of 2021/22. We understand that this position will be kept under review and that MHCLG will continue to gather data from the sector to assess the ongoing financial impact of the response and recovery compared with the funding being made available.
- 12.6 It is not yet possible to assess how much of this grant will come to Dorset Council, but it is not included in our budget model yet.

Sales fees and charges

- 12.7 SR20 set out that the sales, fees and charges support scheme will continue for Qtr1 of 2021/22. We had originally anticipated that the scheme would close at the end of the current financial year.
- 12.8 Dorset Council has already claimed nearly £3.8m of lost income through the scheme in 2020/21 and the next return is due at the end of December. We await the details to see how Government proposes to collect the information for the new financial year.

Tax income guarantee scheme

- 12.9 Government had previously announced that collection fund deficits could be spread over the next three years rather than councils having to fund them all in a single year, as required by the current Regulations.
- 12.10 In an update to this arrangement, SR20 also announced that Government would be providing just under £0.8bn to support up to 75% of irrecoverable losses in the collection fund. Again, we await the detail to see how this affects Dorset Council, but the headline news is positive and will improve the financial performance in 2020/21.
- 12.11 Government has also announced £670m nationally, to support council tax payments for those least able to pay in 2021/22. Again, Dorset Council's share of this unringfenced grant is not yet clear but the funding is welcome support to Dorset residents in most need to support their council tax payments.

Social care grant

- 12.12 Spending Review 2019 (SR19) introduced the social care grant; effectively a consolidation of some previous grants along with some new money. £1bn nationally translated into just under £9m for Dorset Council. SR20 confirmed that this funding would continue but that an additional £300m would be added to the national pot, £150m of money recycled from other sources plus £150m of new money.
- 12.13 We are not yet clear how much of the additional funding will flow to Dorset Council. None of the new money is included in our current financial model but we had assumed the roll-over of the previous £9m, so confirmation of this funding is very welcome.

Public sector pay "pause"

- 12.14 SR20 announced that with certain exceptions, there would be an expectation of a general pause on public sector pay increases.
- 12.15 Technically, this announcement does not actually include local government as pay is negotiated outside of the arrangements which are within the scope of the Chancellor's announcement. Our financial model assumes no pay inflation for next year, though the cost of contractual increments is included in the budget.

"Levelling-up"

- 12.16 The Government has also announced a £4bn levelling-up fund which the Council will be reviewing in due course to consider accessing the fund for key projects that align with our priorities and which meet official criteria.
- 12.17 The fund will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery.

Reforms

- 12.18 It is now clear that the Government will not be proceeding with the implementation of the review of relative needs and resources (formerly the fair funding review) or with 75% business rates retention in 2021/22.
- 12.19 In order to provide further stability for the sector in these times, the reset of accumulated business rates growth will also be postponed beyond 2021/22. Government intends that these announcements will allow both Government and councils to focus on the immediate health challenges posed by the pandemic.
- 12.20 We understand that further decisions on reform will be taken in the context of the next spending review. Government has stated its intention to return to multi-year financial settlements as soon as this proves possible, though the exact timing of this is yet to emerge. We will continue to lobby both directly with MHCLG and via Dorset's MPs for multi-year settlements in the future.

Announcements from other government departments

- 12.21 SR20 also included announcements on the following policies and programmes that are relevant to Dorset Council, though we await the detail of what these national indicators will mean for us.
- £16m to support modernisation of local authorities' cyber security systems;
 - £15bn for NHS test and Trace;
 - £2.1bn for PPE next year;
 - £254m of additional resource funding to support rough sleepers and those at risk of homelessness during Covid-19, including £103m announced earlier this year for accommodation and substance misuse support;
 - £98m of additional resource funding, bringing total funding to £125m, to enable local authorities to deliver support to victims of domestic abuse and their children in safe accommodation in England;
 - £165m for Troubled Families;
 - over £70m for additional school transport capacity;
 - £24m in capital funding to start a new programme to maintain and expand provision in secure children's homes;
 - £60m for Social Housing Decarbonisation;
 - £1.7bn in 2021/22 for local roads maintenance and upgrades to tackle potholes, relieve congestion and boost connectivity. This includes £500m for the Potholes Fund and £310m for upgrades to larger local roads;

- £257m for cycling, which will fund thousands of miles of safe, continuous and direct cycling routes;
- £621m to regenerate high streets, town centres and communities through the Towns Fund.

13. MTFP process and budget development

- 13.1 The budget and MTFP approved in February 2020 presented a total budget gap, including planned savings, of £31m from 2021/22 to 2025/26, of which £7.4m arose in 2021/22.
- 13.2 Following the revisiting of our assumptions and the financial impact of Covid-19, the budget gap moved on, as summarised in the table below, that was presented to Cabinet on 6 October.

	£k
Budget gap from 2020/21 MTFP	7,434
Reduction in tax base growth	1,924
Reduction in business rates yield	1,000
Change in inflation assumptions on pay, non-pay & income	1,324
Adult Services & Housing 2020/21 continuing budget pressures	6,584
Children's Services 2020/21 continuing budget pressures	625
Place Directorate 2020/21 continuing budget pressures	2,208
Corporate Services 2020/21 continuing budget pressures	294
Corporate savings not achieved in 2020/21 *	6,392
Adult Services & Housing new budget pressures	1,955
Children's Services new budget pressures	7,142
Place Directorate new budget pressures	2,730
Corporate Services new budget pressures	2,287
Revised budget gap	<u>41,899</u>

* corporate savings that the Council was unable to deliver due to resources required to be diverted to the Covid-19 pandemic.

- 13.3 It was clear that Covid-19 was having a dramatic impact on the MTFP, increasing the budget gap to £71.4m over the five-year MTFP period, with a revised gap of £41.9m in the first year. Cabinet gave a clear steer to officers that they should work with portfolio holders and lead members to identify a range of transformational options and tactical savings that would help to close this budget gap over the autumn.

14. Setting a balanced budget

- 14.1 The approach to setting a balanced budget in 2021/22 was underpinned by eight principles:
- The budget should be driven by the Dorset Council Plan and priorities
 - Front line services should be protected

- iii) Where possible, 'back office' costs should be reduced
 - iv) Maximise the savings from becoming a unitary council
 - v) Accelerate our transformation programmes
 - vi) Take a more commercial approach
 - vii) Mitigate the impact on jobs where possible
 - viii) Be open to invest to save opportunities
- 14.2 Using the principles listed above, along with continuing to keep the MTFP up to date with new information, the budget gap is proposed to be closed as shown in the following table.

Budget gap reported to Cabinet 06/10/2020	£41,899,442
Adult Social Care Precept 3%	(£7,546,688)
Increase in grant income (New Homes Bonus)	(£168,000)
Reduction in pay award from 2.5% to 0%	(£3,478,912)
Reduction in general inflation from 1.5% to £2m allocated	(£2,504,612)
Reduction in overspend from services	(£179,000)
Reduction in Adults - savings and pressures	(£9,271,422)
Reduction in Place - savings and pressures	(£6,532,013)
Reduction in Childrens - savings and pressures	(£5,521,000)
Reduction in Public Health - savings and pressures	(£500,000)
Reduction in Central Finance - savings and pressures	(£3,872,511)
Reduction in Corporate Services - savings and pressures	(£2,325,284)
Revised budget gap	£0

- 14.3 More detail on budget movements is shown in the appendices to this paper and these should be read alongside the directorate updates, below.

15. Summary budget proposals

- 15.1 At this stage, the budget for 2021/22 is not built in detail. This is partly due to timing but partly because the scrutiny and other governance processes may identify initiatives that are not taken forward. However, summary budgets by Directorate are available and a broad summary is shown in the table below (rounded to hundreds of £).

	2021/21 Base Budget	Changes	2021/22 Base Budget	% change
People - Adults & Housing	£122,253,200	£6,141,000	£128,394,200	5.02%
Corporate Development & Legal	£31,120,100	(£1,523,100)	£29,597,000	(4.89%)
Place	£68,456,100	(£5,387,800)	£63,068,300	(7.87%)
People - Children's	£72,978,400	£3,662,300	£76,640,700	5.02%
Public Health	£0	(£500,000)	(£500,000)	0.00%
Contingency, capital financing & central	£9,412,300	£6,492,600	£15,904,900	
Total	£304,220,100	£8,885,000	£313,105,100	2.92%
Funding	(£304,220,100)	(£8,885,000)	(£313,105,100)	2.92%

15.2 Fuller analysis of budget movements and savings is set out in the appendices to this report.

16. Directorate-level context updates

16.1 This section of the report deals with the budget contexts for each of the Council's Directorates.

Adult Services & Housing

16.2 The Directorate's financial pressures are set out in the detail at appendix 1 to this report. There will continue to be underlying increases in demand for services and cost pressures for providers due to Covid-19.

16.3 After ten years of funding constraints, efficiency is becoming increasingly challenging. Health budgets are strained as never before and limited funds are passported to social care to support the acute health sector.

16.4 Increases in unemployment and numbers accessing benefits will cause increased poverty and homelessness, and families and individuals in distress will lead to higher demand for emergency accommodation and support.

16.5 Longer-term impacts of Covid-19, such as delays in treatment in the health system are likely to lead to more people in crisis arriving at the Adult Social Care 'front door', requiring more intense and expensive support. We are already seeing people being discharged from hospital earlier in their recovery, with increasing complexity of care need. There is also now in place a mandatory 7-days-a-week service to support the Health Service.

16.6 The Directorate's priorities are to recover from the immediate impact of the pandemic and deliver a balanced budget in 2021/22 through the following actions:

- the five locality teams returning to strength-based conversations to ensure that care is appropriate and maximises long-term independence

- commissioners strategically supporting a fragile care market back to stability and to be prepared for the changing needs of Dorset residents. Working with communities to make the most of Dorset's strengths and assets, and to increase opportunities for people to live a better life
- working together with Health to rebalance costs in the system to sustainable levels, removing ineligible Covid-19-related costs (self-funders) and negotiating with our providers
- moving on from emergency housing arrangements and helping people move from bed and breakfast to more stable housing arrangements.

Children's Services

- 16.7 This budget proposal sets out an increased budget requirement of almost £3.7m. This reflects the pressures seen in the current year of approximately £8m, largely due to children in care numbers and placements, and significantly affected by the Covid-19 pandemic. The budget also includes tactical savings of just over £3m and transformation savings of almost £1.9m. The cost of increments has also been funded, at almost £0.6m.
- 16.8 The budget aligns with the aims of the new three-year strategy; the Children, Young People and Families plan. The six strands of that strategy are not explored here, but the document is available online.
- 16.9 The budget is of course being set against a background of the Covid-19 pandemic. The implications for Children's Services are:
- increasing complexity of demand, including parental mental health, substance misuse, and domestic abuse;
 - increasing financial hardship for families;
 - loss of access to education and therapy services;
 - reduced availability of care placements;
 - loss of respite provision, meaning more family stress;
 - limited opportunities for the employment of young people.
- 16.10 The savings focus on decreasing the numbers of children in care and the unit cost of placements, and only delivering good care provision. We aspire to bring our numbers in line with statistical neighbours by better planning across our new localities, new processes, and refreshed oversight and focus on the right permanence plans. We will establish a new provision in Weymouth called The Harbour. Unregistered provision will be eliminated.

Place Directorate

- 16.11 In Place-Based Services the largest budget pressures are a result of increasing waste materials and market conditions, though next year significant pressures will also arise across all services due to loss of

- income due to Covid-19 this year. Savings will be generated largely from income generation across harbours, country parks, fleet maintenance, registration and bereavement services. There will also be more income generated from trade waste and garden waste to cover service costs; and further savings as a result of waste behavioural campaigns and convergence in seasonal street cleansing and regulatory services.
- 16.12 In Economic Growth and Infrastructure, the focus of the service is through the transformation of the planning system and implementing professional charges, refocusing the operating model within Dorset Travel and providing consistency of parking charges across Dorset. Next year significant pressures will also arise across all services due to loss of income due to Covid-19 this year.
- 16.13 For the Assets and Property Service, the focus in the coming financial year is on delivering the Property Strategy & Asset Management Plan in order to improve the management of the Council's property portfolio and deliver the transformational benefits envisaged within the Council Plan whereby social, commercial and economic benefits will be delivered through rationalisation and re-purposing of the Council's property estate and the disposal - where appropriate - of surplus assets.
- 16.14 In Libraries, Archives and Customer Services and also in Economic Development, savings will be achieved substantially through service efficiency costs by the removal of vacant posts. A number of budget lines not adequately provided for in the budgets from the predecessor authorities have also been corrected as pressures. Details are set out in appendix 3.

Public Health Dorset

- 16.15 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 Ministry for Housing, Communities and Local Government. 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.
- 16.16 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. In previous years, savings and efficiencies in the shared service have been passed back to the Councils using a population-based allocation formula.
- 16.17 The Joint Public Health Board agreed a new partnership agreement for the shared service in November 2020. This will consider using the budget in a prospective way, with contributions to the shared service agreed in

advance. The budget will be considered in February 2021 by the Joint Board, leaving the Councils to invest any remainder outside of the shared service but within the grant conditions.

- 16.18 It is likely that around £0.5m will be passed back to each Council for underspend that is accruing during 2020/21, using a formula based on the proportions of grant contributed to the partnership. The budget assumes that Public Health Dorset can deliver a similar outcome for 2021/22.

Corporate Services

- 16.19 The corporate Services team consists of the Corporate Development Directorate combined with the Business Insight, intelligence and communications team and the Legal and Democratic teams.
- 16.20 The role of Corporate Services is threefold
- to provide direct support and services to residents (eg the Revenues and Benefits team and the Land Charges Service);
 - to support colleagues in the Place Directorate, in Childrens 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.
- 16.21 Corporate Services was launched in January 2020 following an extensive staffing restructure which was required to bring six Councils into one. Through that process the corporate services budget was rebased, contributing to savings of over £10M year. During 2020/21 the department has continued to establish itself whilst providing crucial services which have enabled the Council to continue to function throughout the Covid-19 pandemic.
- 16.22 The budget proposals for 2021/21 have identified a further reduction of £1.5M (4.9%). The majority of these savings come from reductions in contract spend, and reductions in staffing budgets as the Council continues to benefit from becoming a Unitary Authority. Further details are identified in Appendix 4.
- 16.23 Members have also recently signalled their wish to consider capacity in Democratic Services. Reviewing the scrutiny role and resourcing could provide Democratic Services with better capacity to support scrutiny members and would in turn enable the team to better support overview members involved in policy development. The budget does not make provision for any costs for this yet as the outcome must be the result of a proper process, but the principle of reviewing arrangements will be taken forward if members deem this to be a priority.

17. Risk

- 17.1 There is risk in any budget proposal. We are facing a future where we are unclear how the impact of Covid-19 will play out. 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.
- 17.2 We are limited in what we can do at this stage to mitigate that, but we will remain focused on delivery of the work programmes required to support services to Dorset’s residents, within the budget we have 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.
- 17.3 Dorset Council is fortunate in that local government reorganisation meant it has reduced its cost base and has adequate reserves to see it through 2020/21 – and there are indicators that our financial position could improve slightly. But reserves cannot be relied on as a sustainable source of finance; we can only spend them once and doing so seriously reduces our capacity to mitigate the risks that reserves provide for, as well as reducing resilience against unknown future events.
- 17.4 Even without the impact of Covid-19, there is considerable risk around our planning assumptions for growth in demand. The budget gap quoted in this paper is after allowing for reasonable and forecast 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. This will become even more pressing if the impact of national or local measures to contain the impact of Covid-19 mean that councils are required to deliver more or different services to safeguard residents.

18. Capital programme

- 18.1 A summary of the approved capital programme rolled forward from the last MTFP round is set out in appendix 6. Members should note that this is not yet the *complete* programme as it needs updating for recently announced grants and other, similar projects such as S106-funded schemes coming forward in 2021/22.
- 18.2 The 2020/21 capital programme amounts to nearly £131m including slippage from previous years. There will be slippage of some of this programme into 2021/22 as well as the work set out in appendix 6. We will not know the size of the carry forward until much closer to the end of the current year.
- 18.3 The Council has an officer group (Capital Strategy and Asset Management Group (CSAMG)) that reviews bids for capital programme funding and recommends them to Cabinet for funding from the year’s programme allocation. It is also possible that other, externally funded

projects (such as under the levelling-up scheme) could be developed between now and then and added to the ultimate programme.

- 18.4 However, as the consideration of bids for the 2021/22 programme is not sufficiently advanced for officer consideration, they are not included as part of this scrutiny paper, though thoughts on the £15m programme funding are welcome. The £15m itself is included in the current draft of the programme and this is affordable within the capital financing budget.
- 18.5 CSAMG is also working on a minor works budget for use across the Council on relatively minor capital items that can be accessed by project managers without the need to invoke the formal governance arrangements required for larger projects. £250k is included as a place holder for this budget line.
- 18.6 Members might also wish to consider the concept of a capital contingency budget to cover unforeseen circumstances arising in the year. Again, a place holder of £2m is included for this. Both the contingency budget and the minor works budget mentioned above are affordable within the capital financing budget.

19. Scrutiny committees and timing for the remaining budget process

- 19.1 The two scrutiny committees are reviewing and testing these budget proposals on 11 December in order to give consideration to any feed back members wish to give to Portfolio Holders, Executive Directors and their teams of any concerns they might have or any alternative proposals that they might want to be considered during the remainder of the budget strategy and setting process.
- 19.2 Cabinet will receive the final budget and council tax proposals at its meeting on 19 January, so there is limited time to evaluate any further options required to develop a balanced budget for Cabinet to recommend to full Council on 16 February 2021.

20. Other factors influencing budget strategy development

- 20.1 The Council's **Transformation Plan** has been refreshed and was approved at the November Cabinet meeting. We will need to make sure that spend to save opportunities are integrated into the financial planning process to ensure investment comes at the right time to ease pressure on the revenue budget. We should also be mindful of the impact that the pandemic has had on our previous plans and how the diversion of resources to support residents and businesses through the response and recovery meant that the Council was unable to deliver the programme of work that would have generated savings in our cost base.
- 20.2 The **Asset Management Strategy** was approved at the November Cabinet Meeting, detailing the opportunities and approach that the Council will take to right-size 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

- 20.3 The Asset Management Strategy dovetails with the **Dorset Workplace Strategy** which was adopted in October which enables the Council to deliver better services more flexibly in a range of ways to meet Dorset residents' needs.
- 20.4 Delivering better value will also be the aim of our emerging **Commercial Strategy**. Cabinet has recently approved a new Procurement Strategy and we now look to strengthen our commercial approach further – not just through better procurement and contract management, but also through more effective income management and better relationships with our customers and our supply chain.
- 20.5 Dorset Council's **climate and ecological emergency strategy delivery plan** is currently being consulted upon. Delivery could involve significant investment over the MTFP period and beyond and the results will need careful consideration. At this stage nothing is built into the budget or MTFP, and capital funding will be required for whatever level of investment is agreed.

21. Summary and conclusions

- 21.1 The financial climate remains extremely challenging, though the Spending Review was perhaps slightly more positive than we had been anticipating. There are challenges ahead meaning the Council started planning for 2021/22 early to develop and implement robust plans to fit within our assumed budget envelope.
- 21.2 Members of the two scrutiny committees have time to assimilate and consider the information in this report as part of their scrutiny process before we proceed to finalise budget recommendations for inclusion in the Cabinet report for 19 January 2021.

11 December	Scrutiny Committees consider the 2021/22 budget proposals
19 January 2020	Cabinet considers budget and council tax strategy
16 February 2020	Council considers budget and council tax strategy

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

Analysis of budget movements – Adults Services & Housing

	£
Opening Base Budget 20/21	122,253,222
Extra cost of Care and Operations	7,449,000
Cost of Increments	295,000
Inflation on sales, fees & charges	(395,622)
Pathways to employment	11,000
Housing benefits in excess of Govt cap	1,000,000
Adult Care packages	5,208,076
Building Better Lives	355,000
Respite Care	600,000
Introduction of assistive technology	(375,000)
Increased income from self funders	(31,000)
Less reliance on contracted care (current arrangements)	(833,500)
Reduction of Learning and Development budget @10%	(45,000)
Flexible and remote working - less travel	(30,000)
More efficient brokerage pathways and digitising of routine tasks	(60,000)
Administrative savings	(25,000)
Reduction in housing benefit costs through capital investment	(400,000)
Fewer people going into residential and nursing care	(3,700,000)
Helping people do more for themselves, less reliance on home care	(1,181,922)
Development of more flexible and responsive menu of day opportunities	(500,000)
Realignment of long-term health and care costs within the system	(1,200,000)
Proposed 2021/22 budget	<u>128,394,254</u>

Appendix 2

Analysis of budget movements – Children's Services

	£
Opening base budget 20/21	72,978,419
Cost of Increments	550,000
Add in additional pressures from overspend	625,000
Transfer of SEN Travel to Place	(123,718)
Inflation on sales, fees & charges	(36,983)
Pathways to employment	11,000
Increase in no. and costs of external Placements	6,171,293
SEND Transport	1,000,000
Weymouth residential home project staffing	345,000
Blueprint for Change pay protection	(8,300)
MASH savings - relocation and redesign of front door operations	(100,000)
Review Short Breaks programme and increase wraparound offer	(125,000)
Reduce staff travel budgets by 10%	(132,000)
Remove 15% from all training budgets	(64,000)
Increase trading charges by 10% in targeted areas	(100,000)
Review and reduce subscription spend	(30,000)
Review and decrease external room usage	(50,000)
Review Early Years sector qualification support	(150,000)
Reduction in recharges to Dedicated Schools Grant (DSG)	(1,000,000)
Review information, advice and guidance delivery model	(400,000)
Redesign of Family Contact delivery model	(150,000)
Additional contributions from Health and Education to Placements	(500,000)
Review support packages for families with SGO and Troubled Families arrangements	(200,000)
Review of existing CIC internal and external placements	(1,470,000)
Development of Family Hubs	(400,000)
Proposed 2021/22 budget	<u>76,640,711</u>

Appendix 3

Analysis of budget movements – Place Directorate

	£
Opening base budget 20/21	68,456,066
Cost of Increments	810,216
2020/21 existing budget pressures in Place	1,850,000
Transfer of SEN Travel Team to Place	123,718
Inflation on sales, fees & charges	(642,195)
Move Waste Asset Financing to Central Finance	(3,570,527)
Pathways to employment	11,000
Unfunded TIC's	60,000
Increase in property costs	200,000
Gully clearance	400,000
Increase in school transport costs	750,000
Waste pressures	796,000
CCTV replacement programme	25,000
Harbour base budget adjustment	65,000
Loss of café income at Durlston	20,000
Harbour dredging	85,000
Streetlighting contract prices	400,000
Service redesign of Property and Assets Service	(850,000)
Ex RCCO Revenue Maintenance Budget	(187,500)
Dorset Innovation Park-Insourc CBRE Services	(64,000)
Increased income Housing Support	(50,000)
Reduction in property costs	(672,000)
Reprofile support to Dorset LEP	(52,500)
Community economic development (formerly North Dorset DC)	(12,144)
Delete currently vacant positions - Economic Growth	(57,344)
Service efficiencies across the Parking Service	(136,590)
Car Parking Phase 1 Project	(788,800)
Street Lighting LED energy savings	(160,000)
Service efficiencies across the Highways Service	(4,000)
Change of operating model for Fleet Services (Dorset Travel)	(880,000)
Service efficiencies across Dorset Travel	(163,935)
Increase in Commercial Income across Harbours, Coast and Greenspace and Fleet Maintenance	(245,000)
Managed reduction in transport costs	(20,000)
Income generation for listed building and EPC pack	(25,000)
Income generation for Neighbourhood Plan support service	(15,000)
Income generation for discretionary planning services (pre-app and Planning Performance Agreements)	(250,000)
Planning transformation	(490,000)
Behavioural change - Right Stuff Right Bin Campaign	(187,250)
Trade Waste - increased income	(100,000)
Garden Waste - increased income	(330,000)
Convergence of service budgets	(43,353)
Waste disposal technical consultancy budget reduction	(25,000)
Reduction of vacant posts and running costs of Customer Services	(244,254)
Service efficiencies in Libraries	(155,000)
Service redesign of the remaining TIC's	(52,000)
Leisure centres - reduce casual and zero hours staff with revised service offer 21/22	(115,000)
Service efficiencies across the Outdoor Education Service	(80,000)
Increased income across the Regulation Service	(152,500)
Regulatory convergence and transformation	(70,000)
Reduction in travel budget - 30%	(55,843)
Reduction in training budget - 20%	(37,000)
Proposed 2021/22 budget	<u>63,068,265</u>

Appendix 4

Analysis of budget movements – Corporate Services

	£
Opening base budget 20/21	31,120,112
Cost of Increments	320,199
Inflation on sales, fees & charges	(48,741)
Pathways to employment	11,000
Trade Union Secondees	140,000
McFarlane telephone, cyber security	205,000
Hive - staff survey	48,000
Licences for Power Business Intelligence	50,000
Treasury Management	50,000
Lost income for Dorset Magazine	50,000
Legal Services - case management software	50,000
Members allowances	89,315
Finance & Commercial Convergence savings	(608,000)
Finance & Commercial Establishment savings	(247,000)
Finance & Commercial other savings	(38,000)
ICT operations efficiency savings	(449,150)
ICT operations savings	(48,400)
ICT Operations establishment savings	(176,624)
HR and OD Convergence savings	(30,000)
HR and OD efficiency savings	(63,000)
HR and OD establishment savings	(102,000)
Assurance Convergence savings	(26,500)
Assurance efficiency savings	(51,000)
Assurance other savings and audit fee savings	(211,561)
Assurance training and travel savings	(4,000)
Democratic & Electoral convergence savings	(144,400)
Democratic & Electoral efficiency savings	(122,500)
Democratic & Electoral establishment savings	(13,000)
Democratic & Electoral training and travel savings	(6,600)
Legal convergence savings	(13,900)
Legal efficiency savings	(3,400)
Legal other savings and audit fee reduction	(27,000)
Legal training and travel savings	(6,000)
Business Intelligence efficiency savings	(5,000)
Business Intelligence training and travel savings	(13,000)
Communications efficiency savings	(5,000)
Communications training and travel savings	(2,590)
Chief Executive Office convergence savings	(36,550)
Chief Executive Office efficiency savings	(2,700)
Chief Executive training and travel savings	(28,220)
Community grants - efficiency savings	(750)
Community Grants - training and travel savings	(2,000)
Proposed 2021/22 budget	<u>29,597,040</u>

Appendix 5

Analysis of budget movements – contingency, capital financing and contingency

	£
Opening base budget 20/21	9,412,263
Shortfall in savings 20/21	6,000,000
Cost of funding increments from contingency	(1,975,415)
Waste Asset Financing transfer to Capital Finance	3,570,527
Increase in cost pressures held in contingency	1,627,489
Allocation of inflation held in contingency	2,000,000
Increase in R&M costs	268,000
Increase in MRP calculation	250,000
Increase in Pension costs	252,000
Reduction in overall asset financing	(3,000,000)
Reduction of contingency budget	(2,500,000)
Proposed 2021/22 budget	<u>15,904,864</u>

Appendix 6

Capital Programme 2021/22 - WIP

Dorset Council Draft Capital Programme 2021/22 Projects with full external funding

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	5 year MTFP Total £000
Funding source						
Capital grant DFT/DFE/other	(15,101)					(15,101)
Total funding	(15,101)	0	0	0	0	(15,101)
Projects						
Local Transport Plan programme of works	15,101					15,101
Total spend	15,101	0	0	0	0	15,101
Net expenditure	0	0	0	0	0	0

Dorset Council Draft Capital Programme 2021/22 Projects with partial external funding

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	5 year MTFP Total £000
Funding source						
Capital grant DFT/DFE/other	(4,019)					(4,019)
Total funding	(4,019)	0	0	0	0	(4,019)
Projects						
Dorset History Centre original bid	2,334	165				2,499
DWP Infrastructure - Blandford site	1,948	2,902				4,850
Schools Basic Need programme	4,619					4,619
Total spend	8,901	3,067	0	0	0	11,968
Net expenditure	4,882	3,067	0	0	0	7,949

Dorset Council Draft Capital Programme 2021/22 Projects with no external funding

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	5 year MTFP Total £000
Projects						
Schools Access Initiative	200	200	200	200	200	1,000
ICT minor capital works and projects	2,000	2,000	2,000	2,000	2,000	10,000
ITS asset replacement programme	200	200	200	200	200	1,000
Property Improvements Programme	6,000	6,000	6,000	6,000	6,000	30,000
Dorset Council Fleet Replacement Programme	4,781	2,983	6,024	5,770	5,000	24,558
Weymouth Peninsula including Harbour Walls (W&PBC)	4,946					4,946
Minor works non-programmed	250	250	250	250	250	1,250
Capital contingency	2,000	2,000	2,000	2,000	2,000	10,000
Investment fund	15,000					15,000
Total spend	35,377	13,633	16,674	16,420	15,650	97,754
Net expenditure	35,377	13,633	16,674	16,420	15,650	97,754

Dorset Council Draft Capital Programme 2021/22 Summary of net expenditure and funding

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	5 year MTFP Total £000
Total expenditure	59,379	16,700	16,674	16,420	15,650	124,823