

Audit & Governance Committee

22 February 2021

Q3 financial management report

For Decision

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 3 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 3 forecast of outturn for the Council for 2020/21 as reported to the Cabinet on 19 January 2021 and raises any questions or challenges that it may have.

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 3 report that was presented to Cabinet on 19 January 2021.

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 a forecast overspend of £18.6m for 2020/21; an improvement of £9m since quarter 2. 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 continuing improvement in the period, only a small amount of this reduces financial pressure for 2021/22 – because the majority of changes 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 until 31 March 2023. However, DfE is currently working with the Council to understand our DSG position better. Further updates on these 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 around £16m is also forecast 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	122,537	137,493	(14,957)	(12.21%)	(7,343)	(7,614)
People - Children's	75,075	83,928	(8,853)	(11.79%)	(8,517)	(337)
Place	66,246	79,539	(13,293)	(20.07%)	(11,846)	(1,447)
Corporate Development	25,455	25,332	122	0.48%	(1,355)	1,478
Legal & Democratic Services	6,182	9,764	(3,582)	(57.93%)	(3,826)	245
Public Health	0	0	0	0.00%	0	0
Total Service Budgets	295,495	336,057	(40,562)	(13.73%)	(32,887)	(7,675)
Central Finance	(296,799)	(318,799)	22,000	(7.41%)	7,400	14,600
Whole Authority	(1,304)	17,258	(18,561)		(25,487)	6,925

Appendix 2