

Cabinet

19 January 2021

Quarter 3 (Q3) 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 Q3 and the change since Q2;
2. comment on the actions/proposals to improve the position during the year and consider further action to address the budget gap;
3. note the latest position on the capital programme and the impact this is having on capital financing in the revenue budget (appendix 1);
4. 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. Also note the Government consultation on support for local tax losses in 2020/21;
5. note the impact that Spending Review 2020 (SR20) has had on the expectations for this year. Impact on the budget strategy and medium-term financial plan (MTFP) are covered in a separate report.

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 as well as other matters affecting the financial performance and position.

Understanding the current year's position and performance is a key component of assurance around the Medium-Term Financial Plan (MTFP) and budget strategy.

1. Executive summary

- 1.1 This paper comes to Cabinet to provide the third update on the financial impact of Covid-19 and other matters on the current year's financial performance.
- 1.2 The report also updates Cabinet on the progress of the capital programme at a summary level and summarises the impact of SR20 on this year's prospects. The impact for 2021/22 and beyond is covered in the budget strategy report.

2. Financial implications

- 2.1 Financial implications are covered throughout this paper.

3. Wellbeing and health implications

- 3.1 None specifically identified in this report.

4. Climate implications

- 3.1 None specifically identified in this report.

5. 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 that have been shared with Councillors through the scrutiny process as part of consultation on the development of the MTFP and budget strategy 2021/22.

6. Risk assessment

- 5.1 The Q3 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. This was a key issue in developing, scrutinising and finalising the budget strategy proposals for 2021/22.

Current Risk: High

Residual Risk: High

7. Equalities Impact Assessment

- 6.1 None.

8. Appendices

- 1. Capital programme summary 2020/21
- 2. Summary of approved projects from £15m capital fund 2020/21

9. Background Papers

Quarter 1 financial management report to Cabinet.

Quarter 2 financial management report to Cabinet.

Cabinet budget strategy paper, February 2020.

MTFP and budget report to Cabinet October 2020.

10. Covid-19 context update

10.1 The Covid-19 pandemic continues to adversely affect Dorset Council's income and expenditure levels despite the Council's efforts to mitigate and manage the impact. At the end of Q1, Dorset Council was forecasting an overspend of £43m for the financial year. At Q2 this had moved on to £27.6m and at Q3, the estimate of outturn is an overspend of £18.6m.

10.2 This continued improvement in the financial forecast reflects the Council's cautious approach to financial management. The initial financial forecasts were prudent and based on the financial and economic assessment of a prolonged period of lockdown. During the summer, the easing of restrictions and the reduced level of local infections led to a partial recovery in income and a reduction in anticipated expenditure levels, allowing Dorset Council to refocus on its transformation programme. Management also took a series of in-year actions to reduce planned expenditure such as implementing recruitment controls and accelerating some of the convergence activities.

10.3 The Council has also worked closely with Government to ensure that the financial consequences of Covid-19 are understood at a national level. The regular briefing of Dorset MPs, direct communication with Government Ministers and senior civil servants, combined with the close work with organisations such as the Local Government Association and County Councils Network have all helped Government understand the acute financial pressure that Covid-19 has placed on Local Government. Government has responded during the course of the year providing significant additional funding which improved the Council's financial position, though not enough to fully cover the budget gap caused by the pandemic.

10.4 These factors of increased funding, reduced expenditure, and higher than anticipated income levels enabled the forecast overspend to be brought down, despite the continued uncertainty surrounding the national and local picture as we entered the autumn and winter period.

10.5 Despite the improving position, the overspend remains a significant concern, and the financial uncertainty continues. The current local and national restrictions are continuing to cause service and financial pressures and there is still material risk in the forecast for the last quarter of the year.

11. Forecast of outturn, Q3 2020/21

11.1 The paragraphs below provide an overview of the position for each directorate as set out in the table.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	122,537	137,493	(14,957)	(12.21%)
People - Children's	75,075	83,928	(8,853)	(11.79%)
Place	66,246	79,539	(13,293)	(20.07%)
Corporate Development	25,455	25,332	122	0.48%
Legal & Democratic Services	6,182	9,764	(3,582)	(57.93%)
Public Health	0	0	0	0.00%
Total Service Budgets	295,495	336,057	(40,562)	(13.73%)
Central Finance	(296,799)	(318,799)	22,000	(7.41%)
Whole Authority	(1,304)	17,258	(18,561)	

People Services – Adults and Housing

- 11.2 The budget is forecast to overspend by £14.957m (12.21%) a movement of £0.67m since Q2. In light of the new national lockdown the pressures on the budget are likely to increase as we go into Q4 and this will be kept under review.
- 11.3 Throughout Q3 effective budget controls and processes have continued to be in place to manage and monitor costs especially in light of the current pandemic. These will continue and be kept under review as the national and global position develops. During Q3 we were seeing an improving budget position and had been on track to report a reduction from the Q2 prediction of approximately £0.25m.
- 11.4 However, due to Health partners asking for care arrangements previously agreed and confirmed as funded to be reviewed (£0.57m) and additional pressure through emergency bed and breakfast accommodation (£0.35m) due to the pandemic, a new pressure arose. Though the impact of this has been mitigated in part, through underspends in other parts of the service, it has still created an increase in the forecast overspend at this point of £0.67m compared to Q2.
- 11.5 The Adult Care Packages forecast has increased since Q2 by £0.54m. There are several factors that have influenced this:
- Dorset Clinical Commissioning Group (DCCG) sought a retrospective review of the financial agreements previously made regarding the Covid Scheme 1 Hospital Discharge Programme and the costs that were being claimed by both Dorset Council and BCP due to pressures from National Health Service England (NHSE). As a result, an offer of £0.57m into a Pooled budget was made and agreed by both DCCG and NHSE. Dorset Council and BCP agreed to this negotiated contribution in spirit of partnership working across the system. DCCG

unlike others had asked for a significantly higher contribution which was not agreed.

- The forecast for Locality and Mental Health packages has had a net increase of £0.28m, with two new high-cost packages (£0.85m & £0.86m) offset by several smaller reductions in care packages.
 - There has been a £0.15m reduction in income relating to services users not being able to attend Tricuro day centres due to Covid-19. Negotiations are taking place with Tricuro and there will be a one-off adjustment in Q4.
- 11.6 There has been an improvement in Adult Care Operations of £0.37m. £0.26m is due to staffing vacancies and delays in recruiting to posts. Agency staff have been employed where necessary, to cover priority vacancies while recruitment of permanent employees takes place. £0.11m is a reduction within the Mental Capacity Acts and Best Interest Assessments (BIAs) forecast due to the lack of availability of Assessors.
- 11.7 The Housing forecast has increased by £0.59m since Q2 mainly due to a provision of £0.35m for additional pressures on emergency bed and breakfast accommodation – largely due to ongoing homelessness pressures relating to extended Covid-19 arrangements and cold weather which were anticipated to have ceased in September.
- 11.8 £0.13m of this is due to an increased bad debt provision. Work is taking place within the Housing Directorate to review and chase outstanding debt and to improve processes, but this is challenging in the current climate with the measures in place - and being strengthened - to protect the financial circumstances of vulnerable people.
- 11.9 There has been a £0.11k increase in the Housing Subsidy Shortfall forecast following additional pressures from Covid-19 and the *Everyone In* initiative. Further costs and demand are anticipated within bed and breakfast-type emergency accommodation likely to result in additional costs of £0.35m by year end. The prolonged cold weather period has triggered the *Severe Weather Emergency Protocol* raising the cost of emergency accommodation, due to 17 people previously sleeping rough, being taken in. These costs are mitigated in part by the Ministry for Housing Communities and Local Government (MHCLG) funding for the *Safe Sleep* initiative from 4 January, with The Lantern Trust supporting up to ten people in appropriate temporary accommodation.
- 11.10 As mentioned in the Q2 report the funding received from MHCLG, alongside that approved by Cabinet to acquire properties for temporary accommodation, will help manage these charges moving into 2021/22.

People Services - Children

- 11.11 The People Services - Children's budget is forecast to overspend by £8.853m (11.79% of budget). This is a worsening forecast of £1.145m since the Q2 position.
- 11.12 The majority of the cost pressure is in social care, now forecast to overspend by £6.418m. These can be summarised as follows:
- unachieved additional income targets of £0.400m
 - overspends on external placements for children in care £5.937m
 - other social care project overspends including Children With a Disability services £0.750m
 - additional service manager support (Fostering) £0.115m
 - underspends against travel budgets -£0.110m
 - fostering underspends -£0.718m.
- 11.13 External placements were budgeted at 177, alongside assumptions about costs and settings giving rise to an estimated budget requirement of £17.6m. At end of December there are 187 placements, with a forecast cost of £23.520m. This highlights how relatively small changes in children numbers in external placements can have a dramatic effect on the financial position and illustrates the volatility in planning assumptions.
- 11.14 Director's Office is now forecasting to underspend by £0.177k. This includes £229k of Covid-19 related additional unbudgeted expenditure (total unbudgeted expenditure in relation to Covid-19 across all Children's Services budgets is over £900k) with additional costs falling to appropriate budget headings, or to Directors Office. There are unbudgeted costs of £81k in relation to a proposed new SEND facility. Savings are forecast in relation to the consultancy budget (£103k) and an assumption of savings in relation to staffing restructure work that is subject to clarification (£200k).
- 11.15 The Education and Learning budgets are forecast to overspend by £2.522m. The main causes are:
- Lost trading income with schools and academies £1.050m
 - Projected overspends in relation to SEN transport £1m
 - In-house nurseries projected deficit £0.300m
- 11.16 With the new national lockdown now in place, all of these figures need revisiting as services come under pressure.
- 11.17 As noted previously, there is also a projected shortfall of £0.052m against income recovery from Dedicated Schools Grant (DSG), however this could change as the basis for income recovery is subject to a wide-reaching

review, which has recently concluded and which will be discussed with Schools Forum in the final quarter of this financial year.

Dedicated Schools Grant

- 11.18 Members may recall that in previous financial reports, mention has been made of the overspend on the High Needs Block (HNB) of the DSG. Dorset Council closed 2019/20 with a DSG cumulative overspend of £21.8m and the overspend being predicted for 2020/21 is currently £18.2m.
- 11.19 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 prescribe accounting treatment for DSG overspends that accrue. The Regulations were brought in because overspends were – and continue – to accrue to an increasing number of Councils nationally.
- 11.20 The Regulations require that the overspend be shown as a negative reserve in the Council's balance sheet, and this is not the responsibility of the Council. However, this is only for a time-limited period and after three years, any residual deficit on the DSG overspend will revert to the Council.
- 11.21 Dorset Council has a deficit reduction strategy and continues to develop this with schools and other partners. In recent weeks, work has also started with representatives from the Department for Education who are supporting the deficit reduction work whilst developing the sufficiency strategy and SEND capital strategy work. Cabinet will be updated on progress.

Place Services

- 11.22 Place Directorate budget is forecast to overspend by £13.3m (20.07%). This is £1.4m better than at Q2. The majority of the overspend (£11.8m) is attributable to Covid-19-related income shortfalls/excess costs. £1.2m is due to savings that are unlikely to materialise and the remaining £0.3m is caused by various continuing pressures.
- 11.23 The ongoing impact of Covid-19 means the Directorate is continuing to operate in a very challenging financial climate. Many of the services have seen significant losses of income over the spring and early summer but with the easing of lockdown restrictions over the later summer months, income had improved, notably in the car parking area, although other areas have seen a continuation of income reductions. The forecast was based on data before the third lockdown was announced, so the financial position could deteriorate due to the closure and reduction of some services in coming weeks.
- 11.24 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.

- 11.25 Several 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 as effort has been required to support residents to manage the response to the pandemic.
- 11.26 There is also a growing number of significant business as usual (BAU) financial pressures that the Directorate is forecasting, particularly within Dorset Travel and Commercial Waste & Strategy. The forecast includes overspends against the school transport budget, while the volatile Dry Mixed Recyclate (DMR) market is causing increased costs.

Corporate Services

- 11.27 Corporate Services is the collective name for services across Corporate Development and Legal & Democratic Services. This includes Finance and Commercial Services, 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.
- 11.28 The projected overspend for these services at the end of Q3 is £3.46m. A very similar position to that reported at Q2.
- 11.29 The budget pressure on Corporate Services due to the Covid-19 response totals £5.1m. Aside from this, Corporate Services would therefore underspend by £1.72m. This comprises £1.1m from early achievement of savings for 2021/22, and £0.62m from vacancy management and convergence savings.
- 11.30 The majority of expenditure due to the Covid-19 response relates to the purchase of whole council PPE coded to the emergency planning budget and mortality support facilities (£3.5m).
- 11.31 Central Government support is available to support councils' pandemic responses and compensate for lost income and sales. This funding is reported within the Central Finance area and likely to be distributed at year end. For Corporate Services, this is approximately £0.6m.

12. Public Health

- 12.1 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).
- 12.2 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.

12.3 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.

13. Central finance

- 13.1 Central budgets include the main sources of the Council's funding; council tax, business rates and general grants (such as new homes bonus and rural services delivery grant). The additional, non-ringfenced Covid-19 funding of £25.1m is also included here (though some of this total was actually spent in 2019/20), as is our expected income of around £7m from the sales, fees and charges support scheme from the Government which partially offsets shortfalls mentioned in individual directorates' performance, noted earlier.
- 13.2 Due to slippage on the capital programme in 2019/20 and due to better cash balances than predicted at the budget setting stage, there have been savings in the capital financing budget. Around £4.1m of this is in the minimum revenue provision (MRP) budget and £0.8m on net treasury management performance. These savings expectations have been factored into the 2021/22 budget proposals.
- 13.3 An underspend of £4.5m is also being released from the contingency budget at this stage. It may be possible to release further underspend from this budget during the closing months of the financial year as not all of it is yet committed.
- 13.4 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, these savings cannot be delivered this year as the organisation's resources were deployed in support of Covid-19 response and recovery.
- 13.5 The Joint Public Health Board's new partnership agreement for the shared service has resulted in Dorset Council being able to invest £0.5m in activities outside the shared service but still within the grant conditions. This is currently forecast in the central finance area.
- 13.6 Central budgets remain at risk from reductions in income from council tax and business rates. Our estimated collection shortfall for the year, based on 31 December 2020 data is £7.5m for council tax (our forecast provides for estimated loss of £10m). For business rates, the corresponding figures feed through to a potential shortfall of nearly £2m for the Council (with a forecast of £3m).
- 13.7 The Spending Review for 2020 (SR20) announced Government support for collection funds this year. The scheme, referred to as the *council tax and business rates income guarantee scheme*, will be paid next year to compensate councils for 75% of irrecoverable losses in collection funds this year. The scheme is still at the consultation stage, so we await

confirmation of the final details of its operation, but it will result in support for whatever the eventual irrecoverable losses on the funds will be. This support is not yet factored into the forecast, but our initial estimate is that it might not be worth a material amount in any event.

- 13.8 This is because the scheme is intended to support *irrecoverable losses* rather than slow payment. The majority of the issue faced by the Council at present is non-payment or slow payment rather than irrecoverable loss and Government has made it clear that it wishes councils to continue to pursue slow and late payment as usual and it will not compensate for these amounts. Our forecasts therefore provide for £13m of “losses” in total, but it will be a matter of judgement at year-end, as to exactly how much of this late payment the Council wishes to make provision for in its accounts. A lower provision would reduce the size of the financial burden in-year and would mean a more positive view was taken on the Council’s ability to recover these late payments.

14. Reserves

- 14.1 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 and repurposed because the risk profile of the new Council is different from its predecessors. This will enable us to fund the current year’s projected overspend but it does affect the council’s resilience and ability to mitigate future risks.
- 14.2 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 without plans to top them up. They can only be spent once and if they are not cash-backed this will also trigger an increase in the Council’s borrowing.
- 14.3 The impact on reserves has been a key driver in addressing areas of overspend during the year and has also informed the representations made to Government for additional financial support. The Council is pleased that Government continues to listen to the sector and collect data to inform additional funding being brought to councils through SR20 as described in the budget strategy paper.

15. Additional Covid-19 funding

- 15.1 As well as its own £304m net budget, the Council has also received and/or administered other funds during the course of the year that Government has chosen to distribute to/through local authorities. Some of these are described below. New grants continue to come through – even as this report is written, so it cannot be guaranteed as 100% accurate at the time of reading. Future finance reports will give additional updates.

Business grants

- 15.2 The Council was given an initial allocation of £133.7m for this scheme which Government closed on 30 September. Dorset Council 6,615 payments of £10k to small businesses, 1,280 payments of £10k to smaller retail, hospitality and leisure (RHL) businesses and a further 1,124 payments of £25k to larger RHL businesses.

Discretionary grants

- 15.3 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 1,619 payments to distribute this funding.
- 15.4 After the schemes were closed, Government called for the return of the £20.7m unspent funding. MHCLG have agreed our reconciliation which confirms the effective control and reporting that this Council put in place to administer this funding.

Additional round of business grants

- 15.5 On 5 January, the Chancellor announced a further £4.6bn national fund for business top-up grants. Details of this are not clear at the time of writing but the affected business in the retail, hospitality and leisure sectors will be eligible for one-off grants of up to £9,000, depending on the rateable value of premises. There will also be a further £594m nationally to support businesses not eligible for these grants but which are affected.

Business rates relief

- 15.6 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.

Reopening high streets safely

- 15.7 A national fund of £50m means £335k for Dorset Council to prepare for and support the safe reopening of high streets and other retail spaces.
- 15.8 This new money will support practical measures so businesses can re-open quickly when they are allowed to, staff get back to work and customers return to shops, confident it is safe.

Infection control grant

- 15.9 Dorset Council's infection control grant totalled £9.4m. 80% of this is being distributed to care homes within our geographical area on a 'per-bed' basis and to Care Quality Commission (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 & trace payment scheme

- 15.10 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.

Test & trace service support grant

- 15.11 Dorset Council has been allocated £1.3m from this fund to provide support to local authorities in England towards expenditure in relation to the mitigation against and management of local outbreaks of Covid-19

Local restrictions support grants

- 15.12 Government has devised a number of grant schemes under the umbrella of Local Restrictions Grants. These grants cover the second lockdown and subsequent tier systems since 2 December 2020. The grants are paid to business ratepayers and are fully funded by Government. Government has provided councils with 80% of estimated funding in advance. A new tranche of grants will apply from 5 January 2021 (lockdown 3) but details and funding are yet to be received.

Grant	Description of grant	Funding	Award (number)	Award value
LRSO Closed (addendum)	Businesses that were required to close under the national restrictions between 5 November 2020 and 2 December 2020	£9,378,252	3,112	£4,766,254
LRSO open	Businesses affected by Tier 2 restrictions during the period from 2 December 2020 to 19 December 2020 where businesses are open Further funding will be received post 19 December	£2,367,946	Payments will commence Jan 2021	TBC
LRSO closed	Businesses affected by Tier 2 restrictions during the period 2 December 2020 to 19 December 2020 where businesses are closed Further funding will be received post 19 December	£79,993	Payments will commence Jan 2021	TBC
LRSO sector	Businesses which have been required to close since 23 March 2020 (Nightclubs, dancehalls and adult entertainment establishments)	Funding included with LRSO Closed (addendum)	Two identified	TBC
LRSO – Christmas Grant	Support for “wet led” pubs during the Christmas period	£249,600	72	£72,000

Additional Restrictions Support Grant (ARG)

- 15.13 This is a single allocation based on £20 per head of population (ONS 2019 Mid-Year Population Estimates) for each local authority to use to run a discretionary grant scheme, for example to closed businesses that do not have a rateable value or have costs that are significantly higher.
- 15.14 For Dorset with a population of around 378,000, this amounts to some £7.57m. Discretionary grants can also be paid to businesses that are severely impacted rather than closed. The allocation can also be used for other direct business support at the discretion of the local authority, for example support for businesses from Growth Hubs. The grant is a one-off payment for Local Authorities in financial year 20/21 and is to be used in 20/21 and 21/22 and will not be renewed.
- 15.15 The ARG forms part of the local restrictions support grants package. It is for businesses that are required to close under the imposed coronavirus restrictions that do not qualify for the Local Restrictions Grants. The ARG also provides for support for the wider business community. The full allocation of £7,570,160 has been received and payments can be made up to 31 March 2022. To the end of Q3 745 payments amounting to £707,014 have been made.

Local authority compliance and enforcement grant

- 15.16 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.

School transport grants

- 15.17 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.

Active travel fund

- 15.18 This funding has come to Dorset in two tranches totalling £567k. The grant supports local transport authorities with producing cycling and walking facilities. The funding is in 2 tranches:
- tranche 1 supports the installation of temporary projects for the Covid-19 pandemic
 - tranche 2 supports the creation of longer-term projects.
- 15.19 The funding was announced by the Secretary of State on 23 May 2020 as part of the work to combat the COVID-19 pandemic.

Sales, fees and charges support scheme

- 15.20 The Council has submitted two claims 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 has claimed a total of £5.4m through the scheme with another return to be completed to cover the period to the end of March. The scheme has also been extended into Q1 of 2021/22.

Clinically extremely vulnerable individuals (CEV)

- 15.21 £220k of a national funding total of £32m has been allocated to Dorset Council. This is calculated at £14.60 per CEV from a national total of 15,150 people.

Council tax hardship fund

- 15.22 A grant of £2.6m was allocated to Dorset to support working-age Local Council Tax Support (LCTS) claimants. Not all of this has yet been distributed but will be allocated by the end of the financial year.

Outbreak management fund

- 15.23 Given that all of the country was effectively been locked down and put into the highest tier “very high” all areas are now to receive funding. Those authorities who were already in receipt of it will not get any more but for Dorset Council this amounts to around £3m.

Covid winter grant scheme

- 15.24 A national fund of £170m translates into a £922k allocation for Dorset to provide support for vulnerable families with children who are particularly affected by the pandemic. The grant is being administered by Children's Services.

LA emergency assistance grant for food and essential supplies

- 15.25 An allocation of £341k is coming to Dorset Council and being administered in Children's Services for support to those who are struggling to afford food and other essentials due to Covid-19.

16. Capital expenditure and financing

- 16.1 Appendix 1 sets out the summary position on the capital programme. The 2019/20 capital programme was underspent and that slippage therefore rolled into 2020/21. The underspend on capital in previous years is a contributing factor to the underspend on the capital financing budget mentioned earlier.
- 16.2 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.
- 16.3 The Capital Strategy and Asset Management Group (CSAMG) 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 further details are set out in the budget strategy report.

17. Next steps

- 17.1 The Council has continued to refine its forecasting as the year has progressed and updates its financial models as estimates become actual results. Our projections for the remainder of the year are still just that and risk around them remains. Monthly updates to the forecast are still carried out and shared with relevant portfolio holders. We also continue to feed latest forecast predictions for this year into the MTFP and budget strategy as part of our continuous financial management process.
- 17.2 Despite the risks, our forecast position has improved, though it is also clear that the cost of the pandemic cannot be contained within our current budget envelope - even with Government's current support. The budget strategy has therefore been established against a backdrop of 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 – beyond the support being offered by Government - so we continue to address our cost base and commercial aspirations accordingly.

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

- 18.1 A separate report on the budget strategy and MTFP is coming to the January Cabinet meeting, so this paper does not repeat that work in any real detail.
- 18.2 The budget strategy has been developed as part of a continuous process of financial management, ensuring events in the current year are fed-into the MTFP model and evaluated as well as paying attention to new pressures, opportunities affecting 2021/22 and beyond, and the substance of the Spending Review and local government finance settlement.

19. Conclusions

- 19.1 The Council has made considerable savings since reorganisation and further convergence savings are being made as the Authority's operations stabilise - even during the pandemic. Whilst many of these savings have been realised already, the budget report still includes further efficiency from bringing the predecessor councils together.
- 19.2 Although the situation has improved during the year, 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, we will not see this translate into a baseline funding increase and we must therefore look to continue to close the budget gap in future years, ourselves. The Spending Review was also for a single year only, 2021/22, with further funding programmes still uncertain.
- 19.3 The Council therefore continues to focus on reducing further, the current year's operational and financial pressures, refining its financial modelling and transforming itself to deliver better outcomes for Dorset residents within the budget 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 from 19/20 £000	Approved Budget £000	Changes £000	Total £000
<u>Fully externally funded</u>				
Spend	14,434	18,032	21,509	53,975
Grant	(14,434)	(18,032)	(21,509)	(53,975)
Net	0	0	0	0
<u>Partially externally funded</u>				
Spend	13,610	13,660	5,710	32,980
Grant	(1,017)	(11,900)	(3,935)	(16,852)
Net	12,593	1,760	1,775	16,128
<u>Council funded</u>				
Spend	18,262	34,360	(6,254)	46,368
Grant	0	0	0	0
Net	18,262	34,360	(6,254)	46,368
<u>Total</u>				
Spend	46,306	66,052	20,965	133,323
Grant	(15,451)	(29,932)	(25,444)	(70,827)
Net	30,855	36,120	(4,479)	62,496

Appendix 2

Summary of approved projects from £15m capital fund

		2020/21	2021/22	2022/23
	Approval date	£000	£000	£000
Balance of unallocated bid from approved budget paper		15,000	6,410	3,124
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)	(75)	(75)
Acquisition of temporary accommodation	08/09/2020	(3,130)	(1,650)	
Dinah's Hollow	06/10/2020	(130)		
Acquisition of AV1 robots for schools	SLT	(150)		
Balance of unused funds		6,410	3,124	3,049