

Cabinet

26 July 2022

Quarter 1 financial management report 2022/23

For Decision

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

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Jim McManus/Heather Lappin

Title: Corporate Director – Finance and Commercial/Head of Strategic Finance

Tel: 01305 221713

Email: Heather.Lappin@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report comes to Cabinet with information about the Council's projected financial performance for the full 2022/23 financial year, being made at the end of Quarter 1.

Recommendation:

Cabinet is asked to:

1. note SLT's forecast of the full year's outturn for the Council, made at the end of Quarter 1 including progress of the transformational and tactical savings incorporated into the budget;
2. note the capital programme for 2022/23 including the slippage from previous years and the work taking place to review this before the capital strategy for 2023/24 is developed;
3. note the opening position for the Medium-Term Financial Plan (MTFP) refresh and the budget timetable headlines;
4. agree the budget movements (virements) set out in this report.

Reason for Recommendation:

The Council has responsibilities to deliver within its corporate plan and it must do this within the resources made available through the revenue and capital budgets

for 2022/23. This report summarises the Council's forecast financial performance for the year at the end of the first quarter.

The Council was established on 1 April 2019 as a result of local government reorganisation (LGR) in Dorset and delivered significant savings as a result. However, the ensuing pandemic and now, spiralling global inflation are bringing pressure to bear on what are essentially capped, cash-limited budgets for the Council. Effective control and monitoring of activities and budgets has never been more important.

It is therefore essential to understand the developing financial performance and projected position this year. This ensures that resources are deployed to deliver the Council's services in line with the plan's priorities, and to that the organisation remains in good financial health and is sustainable. The Council is a key player in supporting employment, training and economic prosperity as well as being provider and commissioner of critical public services. Balancing all of these strategic and often competing priorities is challenging.

Understanding and agreeing the starting point of the next financial planning round and setting out an initial set of assumptions for the financial model will allow officers to develop the first iteration of the MTFP and budget for 2023/24 and beyond.

1. Financial Implications

Financial implications are covered within the body of this report.

2. Climate Implications

The Council's budget continues to fund action set out in the climate and ecological emergency action plan, including a £10m capital expenditure commitment over the term of the current MTFP.

3. Well-being and Health Implications

The Council has continued its focus on keeping people safe and well, particularly during the pandemic and also in managing the transition out of national restrictions.

The Council continues to play an essential role in distributing government grants to individuals, businesses and other qualifying groups during the year as well as delivering high-quality public services.

4. Other Implications

None specific.

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

In recent months, despite world events, the Council has taken significant steps to bring high-risk budgets with volatile planning assumptions under much closer control. The short-term financial risk assessment had therefore been downgraded from high to medium.

However, pressure on prices continues to build and these affect a significant quantum of the Council's budget. Whether directly, through the goods and services we buy, or indirectly, such as those costs incurred in our supply chain that are subsequently passed on to us, prices are under pressure, meaning that the risk is escalating.

Significant changes in the way the Council does business are also on the horizon, most significantly in the form of the adult social care reforms, but also through a raft of other changes announced through the Queen's Speech. These come on top of local and national circumstances for social care, which are proving extremely challenging for all councils but more intensely for areas like Dorset where the demographic means a compounding of national concerns due to a localised concentration of those factors.

All of these have made it necessary for the S151 Officer, the Council's Chief Finance Officer, to raise the risk assessment to *high*.

6. Equalities Impact Assessment

No specific equalities issues have emerged in drafting the Council's various reports on financial performance and position.

7. Appendices

Appendix A - Savings Plans

8. Background Papers

[2021/22 draft outturn report](#)

[2022/23 budget strategy report](#)

9. Budget setting 2022/23 and context

9.1 2022/23 is Dorset Council's fourth year and, once again, involved setting a strategic budget and MTFP against a one-year settlement from Government. The early years of the Council have proved challenging yet positive as the organisation continues to deliver savings from reorganisation into a single unitary authority at the same time as dealing with a global pandemic and now experiencing and supporting residents and businesses through a period of sustained inflation, affecting almost all prices for businesses and individuals.

9.2 The Council's *budget requirement* is £331.6m and was funded from rural services delivery grant (£2.5m), new homes bonus (£3.8m), business rates (£46.3m) and council tax (£279m). More detail is set out in the budget strategy report at the link above.

- 9.3 2021/22 ended with a very small overspend and this brought the Council into the current year in a relatively confident planning position. As mentioned earlier and elsewhere in this report, risk remains and needs careful monitoring and reporting during the year. At the time of writing, CPI inflation in the UK has reached 9.1% and this is widely expected to rise further. Whilst the Council made some provision for inflation in its 2022/23 budgets, and has a contingency budget to support price fluctuations, it is also important to remember that pressure on costs cannot and should not be managed by the Council alone.
- 9.4 The Council's budget is essentially fixed in cash terms and its ability to raise income is limited. There are national controls in place around council tax and business rates and ability to generate income from trading is relatively limited in the short-term as well as potentially at odds with wider economic development ambitions.
- 9.5 There are also major policy changes within our planning horizon – such as the social care funding reforms and work on education funding formulae. There is also significant political turbulence and the volatility around ministerial offices will make setting and implementing policy extremely challenging. For example, local government had been promised a two-year funding settlement, but the Minister for Levelling Up, Housing and Communities (Michael Gove) has been replaced in that office so the original commitment may be unfulfillable.

10. Forecast of financial performance at Quarter 1

Overall projection

- 10.1 At the end of Quarter 1, the Council is forecasting net budget pressures of £6.576m, as summarised in the table below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	142,531	144,670	(2,138)	(1.50%)
People - Children's	74,434	74,969	(535)	(0.72%)
Place	82,389	88,164	(5,775)	(7.01%)
Corporate Development	23,716	24,025	(309)	(1.30%)
Legal & Democratic Services	6,336	6,349	(13)	(0.21%)
Public Health	5,355	5,355	0	0.00%
Total Service Budgets	334,761	343,532	(8,771)	(2.62%)
Central Finance	(344,237)	(346,431)	2,194	(0.64%)
Whole Authority	(9,476)	(2,899)	(6,576)	

Dedicated Schools Grant budgets	9,476	24,412	(14,937)	(157.64%)
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Directorate-specific narrative is set out in the following paragraphs.

Children's Services

- 10.2 The Children's Services forecast is £74.969m compared with a net budget of £74.434m, an overspend of £0.535m (0.72%).
- 10.3 Most of the overspend sits within Care and Protection, the social services side of the directorate.
- 10.4 External placements for children in care are forecast to overspend by £1.12m as capacity and availability of suitable placements, and movements in placements, remain a challenge. Additional budget of £1.2m was allocated in the 2022/23 budget build for this area. This is currently forecast to be sufficient.
- 10.5 The external placement overspend is partially caused by delays within the capital programme - including Dorchester Road, which was originally planned to be operational from April 2022, but where building work has been subject to delay and is now anticipated to be complete in the next four weeks.
- 10.6 However, in-house residential care and fostering services help offset the external placement overspend through vacancies, including lower numbers of foster families. Although underspends are helpful, both in-house, residential care and fostering reduce the reliance on external placements and plans are in place to redress the balance.
- 10.7 A pressure of £0.152m is appearing for supporting unaccompanied asylum seeking children (UASC), or unaccompanied children. Dorset is part of the temporary mandate National Transfer Scheme, accepting transfers of children into our care to provide crucial placements for up to 47 children (Dorset's threshold).
- 10.8 The National Transfer Scheme provides a degree of funding to support unaccompanied children, however this mainly covers the direct placement costs. The funding varies depending upon the number of unaccompanied children and whether the child is part of the National Transfer Scheme. At the end of June there were 35 unaccompanied children, and the number will increase.
- 10.9 In April 2022, analysis of the full cost to Dorset Council was undertaken for supporting unaccompanied children. This analysis reviewed the costs against the number of unaccompanied children. Costs included additional social worker and Quality Reviewing Officer costs to maintain caseloads, interpreter fees, travel costs and support function costs.
- 10.10 For 47 unaccompanied children, the additional cost to Dorset Council, for a full year, was estimated to be £0.22m. However, this is an economy-of-scale figure. The cost to Dorset Council is greater for 40 unaccompanied

children due to lower funding levels and, for example, still needing three social workers whether there are 40 or 47 unaccompanied children to support. The full year cost range is between £0.22m and £0.345m.

- 10.11 At the end of Quarter 1, there is forecast to be no transformation and tactical saving slippages (rated as red). £2.828m of transformational and tactical savings are defined as amber and £1.492m are rated green. The Children's Services Transformation team monitor and review the progress of these projects monthly.
- 10.12 The forecast Children's Services overspend is £0.535m. £0.131m is inflationary pressure for services to support our children with a disability. Inflation is a rapidly changing area that is also influenced by time of the year. For example, education-related inflationary increases generally impact in September, at the start of a new academic year. Therefore, this position is likely to change as better information becomes available and the economic situation changes.
- 10.13 This is forecast outturn position at the end of the first quarter in what could be a changeable year. The main risks for Children's Services, that may further impact the outturn position, are: inflation (including cost of living upon the children and families we support as this may increase demand), delivering capital projects on time and budget (there are revenue implications for late projects), delivery of transformation and tactical savings and legislative changes (i.e. Care Review, Education White Paper), although the impact is likely to be felt in future years.
- 10.14 Dorset Centre of Excellence (DCOE)
- 10.15 Page 13 of the April 2021 DCOE business plan that was agreed at Cabinet on the 29 April 2021 stated:
- "It is also important to note that in the early years of the business plan, the Company will be running a cumulative deficit and this will need to be supported by the Council. It is therefore important to highlight that the planning assumption for financing the Company is that all costs prior to the Company starting to trade will be absorbed by the Council. These costs will be a call on reserves and a clear forecast of these will be monitored so they can be incorporated into the Council's reserves strategy. These costs will impact on the Council's outturn in 20/21 and 21/22 before the company starts trading."
- 10.16 At 31 March 2022, DC had funded £1.043m to meet all revenue costs until the company started to trade.

Dedicated Schools Grant (DSG)

- 10.17 The Dedicated School Grant (DSG) is a ring-fenced grant, the majority of which is used to fund individual schools budgets in local authority maintained schools and academies in Dorset, early years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special

provision and mainstream schools in Dorset and out of county. Part of the DSG, the Central Services Schools Block (CSSB) provides funding for Dorset Council to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England.

10.18 There are four blocks within the DSG: Schools Block (SB), Early Years Block (EYB), High Needs Block (HNB) and Central Services Schools Block (CSSB).

10.19 Dorset's DSG allocation is £299m before recoupment including additional grants and the use of the Growth Fund reserve. The June forecast overspend is £14.9m, all within the High Needs Block.

10.20 Dorset Council signed a £42m *Safety Valve* agreement with the Department for Education (DfE) in March 2022 to help eradicate the cumulative DSG deficit and support a return to a balanced in-year DSG position by 2026/27. Dorset Council will contribute £33m as part of the agreement.

10.21 As part of this agreement with the DfE, Dorset Council agreed a planned overspend for the year of £10.4m. However, the spend for the full year (based on expenditure to the end of June) is forecast to be higher at £14.9m.

10.22 The reasons for the higher forecast include:

- there are significantly more children in independent specialist placements than budgeted;
- inflation, capital delays and school place changes.

10.23 If the Council is unable to achieve the agreed level of deficit with the DfE then it could jeopardise the second tranche (2022/23) of Safety Valve funding of £6.25m. Officers are working hard to improve the situation.

10.24 The Dorset SEND capital strategy is still a key component of the Safety Valve agreement and supporting children and young people with SEND in Dorset, however rising construction costs and labour shortages are impacting on project costs and project timelines. This includes DfE free school projects. An updated SEND capital report is being prepared for September's Cabinet.

Adults Services & Housing

10.25 The Adults Services & Housing forecast is £144.670m compared with a net budget of £142.531m, an overspend of £2.138m (1.5%).

10.26 The forecast overspend within Adult Care Packages is £1.993m and is based on the current cohort of adults being supported; it should be noted that since Covid we have seen an additional 400 people enter our long-term service over the pre-Covid profile. It should also be noted that volume and pace of in-year hospital discharges is also above our pre-Covid-19 demand level. As with any demand-led service, it is challenging

to completely predict the future demand at this early stage of the budget cycle. Packages are reviewed via Corporate Directors as per the scheme of delegation for oversight and rigour.

- 10.27 This forecast includes people being discharged from hospital, for whom we would have received additional funding during 2021/22 (HDP funding), and this cohort is assumed to fall at full cost to the adult care budget as the health funding stream has now ceased. There are 111 people on the hospital discharge list who have planned assessments. Of this, it is assumed 40% will be self-funders, 20% will be the responsibility of the NHS and the remainder will not remain in the system for the full year, resulting in the forecast overspend provided. For each package that becomes the responsibility of Dorset Council, following a hospital discharge there is an average annual cost of £44k.
- 10.28 This forecast assumes achievement of all savings, with £284k having been delivered to date.
- 10.29 To support the social care reform agenda the Council has developed a programme office to deliver the two-year programme. At the moment the level of government funding available to support the programme is unknown but, in anticipation that some costs may fall to the Council, the programme office will develop a funding proposal.
- 10.30 Work is continuing on the reforms to Adult Social Care charging. The cap is scheduled to come into effect from October 2023. These reforms require a considerable amount of work to be undertaken in preparation. Teams across the Council are engaged in this, from Digital to Finance.
- 10.31 The Council has also started work towards the implementation of the *fair cost of care* exercise which expects councils to work with providers in partnership to fund a fairer level for care based on a data-led discussion. This year we will start to implement increases to our Dorset care framework providers fee levels in line with the findings of the initial exercise and these costs are included in this forecast.
- 10.32 The outcome and findings of our fair cost of care exercise alongside our Market Sustainability Plan is due to be returned to Central Government on 14 October 2022.
- 10.33 The delivery of Care Dorset is being undertaken by the Directorate funded through additional transformation funding. Work is currently progressing to plan with no critical risks identified.
- 10.34 Housing is currently overspent by £267k due to a higher bad debt provision. There is an underspend on the other areas within Housing. The bad debt provision is related to rent arrears, and where tenant contributions, in excess of the element paid by Housing Benefit, have not been recoverable. Good progress is being made in improving former tenant and current arrears, and the provision is forecast as a lower amount than last year.

Public Health

- 10.35 The public health grant for 2022/23 for BCP Council is £20.616m and for Dorset Council is £14.613m. Agreed local authority contributions for the year gave a shared service budget of £25.614m after retained amounts.
- 10.36 Forecast at Quarter 1 for the shared service is currently £453k underspent. This is based on equivalent health improvement activity, developments within early intervention and LiveWell Dorset spend being to budget and no further cost pressures.
- 10.37 PH Dorset generally has a net nil budget (grant transferred from partner councils is equal to expenditure) but the position for 2022/23 is a *positive* budget, due mainly to grant from previous years being carried into this year. No overall variance from budget is anticipated.
- 10.38 There are external factors that could create financial risk or volatility in 2022/23 for the service which include ongoing Covid-19 response work, wider health protection work, the development of the Integrated Care System, and additional short-term changes to national grant funding.

Place Directorate

- 10.39 The Place Directorate forecast is £88.164m compared with a net budget of £82.389m, an overspend of £5.775m (7%). The economic situation, with significant and escalating inflation, is affecting direct costs and also third-party prices. Major issues are explored below.
- 10.40 Assets and Property are showing a forecast adverse variance of £1.266m. The main issues are:
- gas and electricity on the estate £373k
 - Building Design staff funding from capital programme £250k
 - public conveniences – £102k pressure including planned savings not being realised
 - no County Hall car parking income – £168k.
- 10.41 In addition, £290k of this relates to the Coastal Risk team which has now moved to Environment and Wellbeing, but this move is not yet reflected in the finance system.
- 10.42 Highways are forecasting a £262k overspend. £164k of this relates to increases in road salt prices, plus legislative change from red diesel to white diesel.
- 10.43 The Planning service is predicting an overall £386k forecast adverse variance. Development Management is the largest part of this with a pessimistic forecast based on income for the year to date. This is partly offset by positive income to date in the Building Control service.
- 10.44 Dorset Travel is forecasting around a £2m overspend due to the issues around prices on external contracts for all aspects of travel (mainstream

transport, school transport, and SEND transport). The situation is very fluid and is being kept under review, particularly around vehicle fuel prices and other components of price.

- 10.45 Environment and Wellbeing budgets have a forecast adverse variance of almost £700k. The majority of this relates to Leisure Services, which includes the Outdoor Education Service, at a forecast adverse variance of £623k. As noted above, the Coastal Risk team budgets will move to this area in the near future.
- 10.46 Community and Public Protection (CPP) have a forecast adverse variance of £151k. Variances are spread across all of the services, with income forecasts and vacancy factor being the main causes.
- 10.47 The Waste (Commercial and Strategy) service is forecasting a favourable variance of £105k based on the garden waste and trade waste services. The recycle price market remains very buoyant, however disposal contract uplift prices are causing a cost pressure of £683k. The current assumption is that favourable recycle income prices can cover this cost but this needs to remain under review.
- 10.48 The Waste (Operations including fleet) service is forecasting an adverse variance of £837k, largely reflecting the pressure on the directly purchased vehicle fuel budget but also some vehicle parts.
- 10.49 In the Director's Office, there is an unfunded cost pressure of £260k in relation to historic Weymouth Harbour capital financing.

Corporate Development

- 10.50 The Corporate Development forecast is £24.025m compared with a net budget of £23.716m, an overspend of £0.309m (1.3%).
- 10.51 Finance and Commercial Services are forecasting an overspend of £200k, which is due to an expect loss of court fee income from non-payment of business rates and council taxes (linked to Covid-19).
- 10.52 Dorset Care Record is forecasting an overspend of £109k, which is due to budget savings only being partially achieved due to contractual obligations.

Legal & Democratic Services

- 10.53 The Legal & Democratic forecast is £6.349m compared with a net budget of £6.336m, an overspend of £13k (0.21%).
- 10.54 The Assurance Service is forecasting a £10k overspend which is an increase in the South West Audit Partnership contract which was not known when the budget was set.
- 10.55 Democratic Services are forecasting a £3k overspend due to a change in staffing costs for the service.

Central budgets

- 10.56 The forecast for central budgets is £346.431m compared with a net income budget of £344.237m, a net forecast underspend of £2.194m (0.64%).
- 10.57 General Funding is forecasting an £8k underspend due to an expected increase in grant funding.
- 10.58 Capital Financing costs are forecasting a £72k underspend due to the council holding cash balances which has meant that there are less borrowing costs.
- 10.59 There is currently £8.7m held in contingency, and this has been earmarked as follows:
- £3.0m earmarked for potential additional cost of national pay award
 - £3.3m earmarked for inflation pressures
 - £2.4m contingency remains unallocated.

11 Material movements of budgets

- 11.1 Adults and Housing have received £1.152m into the budget from the Department of Health and Social Care for work on market sustainability, all of which will be spent this year. This budget was originally held in contingency.

12 Progress against budgeted savings

- 12.1 In setting the budget strategy for 2022/23, the Council closed a budget gap of £36.094m. The subsequent reports to Cabinet and Full Council set out how the gap was calculated and subsequently closed. Part of that process involved identification of transformational and tactical savings.
- 12.2 Appendix 1 sets the summary of the progress being made against the transformational and tactical savings and risk rates the achievement of savings. The shortfalls classified as red total (£381k) are included in the forecast – ie they are assumed not to be delivered in 2022/23.
- 12.3 At this stage, the forecast assumes all other savings will be achieved, though clearly this may change as the Council progresses through the year. There is a further £6.549m of savings currently RAG-rated as amber which will need to be delivered.
- 12.4 Leadership Performance Board continues to monitor the transformation programme and associated savings. Work continues to identify strategies to deliver services within the funding available.

13 General fund position and other earmarked reserves at year-end

- 13.1 The 2021/22 draft outturn report set out Cabinet's agreed, strategic approach to reserves management. Dorset Council therefore started the current financial year with a general fund balance of £33.2m and a further set of aligned, earmarked reserves was summarised in that document.

- 13.2 Any overspend for the year falls to the general fund to finance, although the Council has a contingency budget of £8.7m in place, established during the budget process for the current year and this will help mitigate some volume of price increases and unforeseen events with financial impact.
- 13.3 However, whilst the Council's position is sound and gives a good starting point for the development of the MTFP, the issue of the accumulated overspend on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) remains. In March 2022, the Department of Education (DfE) and Dorset Council signed a £42m agreement to eradicate Dorset's cumulative DSG deficit by 2025/26.

14 Capital programme and financing

- 14.1 The approved capital programme for the MTFP period was set out in the appendices to the budget strategy report approved by full Council in February 2022. This totalled almost £350m but included the funding for 2021/22 in the overall numbers, with a commitment to restate the programme from 2022/23 to 2027/28 once 2021/22 had closed.
- 14.2 The 2021/22 capital outturn was reported to Cabinet in June 2022 and the result of that was that there was programme slippage into 2022/23 of £106.2m. This, along with the approved budget and updates since that date, mean a programme of £259.8m for the next five years, as summarised in the table below.

Total Budget 2022/23	Capital Programme	2023/24	2024/25	2025/26	2026/27	Total Budget 22/23-26/27
(22,352)	Full external funding	0	0	0	0	(22,352)
(29,271)	Partial external funding	(1,977)	(1,600)	(1,500)	0	(34,348)
(21,345)	Dorset Council part funding (borrowing requirement)	(1,094)	(3,798)	(1,467)	(2,500)	(30,204)
(57,279)	Dorset Council funding (borrowing requirement)	(25,584)	(19,067)	(13,937)	2,503	(113,364)
0	Dorset Council funding (reserves)	0	0	0	0	0
0	Dorset Council funding (capital receipts)	0	0	0	0	0
(10,053)	Minimum Revenue Provision	(11,053)	(12,053)	(13,053)	(13,303)	(59,515)
(140,300)	Total funding	(39,708)	(36,518)	(29,957)	(13,300)	(259,783)

- 14.3 At the end of Quarter 1 the spend against year 1 of the programme was £5.53m. It is too soon to forecast what level of slippage we might anticipate into future years, but it is unlikely that all aspects of the programme will be deliverable this year and so this is kept under continuous review by the Capital Strategy and Asset Management Group (CSAM).

15 Sundry debt management

- 15.1 The net sundry debt position at 30 June 2022 was £42.4m. £19.6m (46%) of this is less than 30 days old. The breakdown of this debt is as follows:

Directorate	Balance	Current	30-90 Days	90-365 Days	Over 365 Days
Adults	20,353,474.13	2,711,922.83	2,851,151.66	6,923,405.46	7,866,994.18
Central Finance	2,269,411.79	938,945.14	1,082,215.53	204,125.36	44,125.76
Children's	1,046,296.03	467,591.22	49,804.30	395,203.18	133,697.33
Corporate Development	7,247,728.66	6,853,154.93	11,334.62	331,729.89	51,509.22
Legal & Demo	124,983.06	100,338.38	1,304.00	19,895.40	3,445.28
Other	1,214,239.32	3,216,031.75	(1,062,955.17)	(255,236.47)	(683,600.79)
Place	10,092,412.20	5,358,101.59	497,102.18	3,280,707.35	956,501.08
Public Health	69,363.15	168.99	34,063.00	35,131.16	
Grand Total	42,417,908.34	19,646,254.83	3,464,020.12	10,934,961.33	8,372,672.06

- 15.2 The Council had been expecting increases in the level of overall debt given the economic circumstances. The introduction of *breathing space* and the limited capacity of the Courts Service over the past two years led the Council to commission SWAP internal audit services to review debt policy and process. Officers are working to implement the auditor's recommendations and progress is being monitored through Audit & Governance Committee.

16 Council tax and business rates debt management

Council tax

- 16.1 The Q1 in year collection rate as at 30 June 2022 is 28.80%. This equates to £110.8m
- 16.2 These headline figures need to be taken in the context of the wider economic realities that local taxpayers have lived through, although of course there is a legal requirement on all taxpayers to pay what is due. The collection and recovery processes are now resuming after significant periods of closure/delay during the pandemic and the Council remains confident that arrears will reduce, and collection rates will continue to improve. Further updates on collection rates are provided quarterly to Cabinet in financial management reports.

Business rates (non-domestic rates – NDR)

- 16.3 The Quarter 1 in year collection rate as at 30 June 2022 is 28.82%. This equates to £27.5m.

17 Financial planning, strategy and the MTFP

- 17.1 The Council will shortly start the process of refreshing the MTFP and developing the budget strategy for 2023/24. Recent budget rounds have seen significant turbulence and volatility, and the backdrop to setting the budget for next year is likely to be very similar, with uncertainty around prices, markets and labour conditions.

- 17.2 There are significant and sustained inflationary pressures building in the UK economy and globally, driven principally by fuel and energy prices but the knock-on effect of these is increasingly apparent across other commodities and supply chains. Labour is also a significant concern, especially in the care sector although this is spreading to other areas where the Council needs to engage significant human resources in coming months, such as in gearing-up to meet the challenges of adult social care reform.
- 17.3 The first update of the refreshed update of the MTFP financial model will come to Cabinet in October for endorsement of the planning assumptions for the year ahead as well as the longer-term financial planning horizon.

18 Summary, conclusions and next steps

- 18.1 2022/23 continues to be an extremely challenging time for local government, with inflationary and demand pressures impacting on income and expenditure. There remains a large degree of financial uncertainty and, having reviewed expenditure for the first quarter of the year, Dorset Council's prudent financial forecast is a £6.6m budget pressure.
- 18.2 The Council has set aside contingency funding to manage some of this risk, but a prolonged period of inflation could jeopardise the prospect of improvements in the latter part of the financial year. It is vital that the Council remains focused on living within its means, and in particular ensuring that the savings and efficiencies identified in the 2022/23 budget are achieved.
- 18.3 The information contained within this report will form basis of the starting position for the 2023/24 budget setting process, which will once again prove to be extremely tough as the Council seeks to achieve its priorities whilst meeting the growing cost of demand, all from within limited funds.

Aidan Dunn

Executive Director - Corporate Development (S151 Officer)

Appendix A

Summary Savings Plans		Officer assessment on savings target			
2022/23 Savings Plans		Green	Amber	Amber 2	Red
	£000's	£000's	£000's	£000's	£000's
Tactical					
Adults	200	0	200	0	0
Childrens	2,092	1,492	600	0	0
Place	4,556	4,355	0	0	202
Central	2,500	2,500	0	0	0
Corporate	1,808	1,699	0	0	109
Total Tactical	11,156	10,045	800	0	311
Transformation					
Adults & Housing Services	3,805	284	1,721	1,800	0
Place	70	0	0	0	70
Childrens	2,228	0	1,170	1,058	0
Total Transformation	6,103	284	2,891	2,858	70
Total - Tactical and Transformation					
Adults & Housing Services	4,005	284	1,921	1,800	0
Childrens	4,320	1,492	1,770	1,058	0
Place	4,626	4,355	0	0	272
Central	2,500	2,500	0	0	0
Corporate	1,808	1,699	0	0	109
Summary Savings Plans	17,259	10,329	3,691	2,858	381

