

Councillor Questions for Cabinet 26 July 2022

Question 1 from Cllr B Heatley

The forecast overspend for the current year, excluding the Dedicated Schools Grant, is £6.6m (para 18.1, Quarter 1 Financial Management Report 2022/23). Para 9.3 reports that CPI inflation has now reached 9.1% as the report was written (but now 9.4%). What assumptions about monthly inflation for the rest of the year and the local government pay settlement underlie the £6.6m forecast?

Response from the Portfolio Holder for Finance, Commercial and Capital Strategy

The Council has already done a significant amount of work with its supply chain to mitigate the impacts of inflation. This includes re-establishing the Commercial Board which reviews specific areas of the business where inflation is putting pressure on budgets and which makes recommendations to SLT about use of the £8.7m contingency budget.

As contracts are renewed or renegotiated, we are building price increases into our forecasts. Finance Business Partners and their teams are also working continuously with managers across all services to model inflationary pressures as we become aware of them and again include them in forecasts – but this doesn't amount to a single inflation number across all the Council's spend, it is at a granular level. In total we have identified non-pay inflation pressures of £2.9m with a further £3m being earmarked in contingency against pay.

Beyond this, the Commercial and Procurement Team continues to provide support to managers to strengthen the commercial nature of contract negotiations with our suppliers. It is true that inflation is hitting businesses and residents across the Council area – and indeed nationally and globally – but it is also impacting on the Council itself, and it *is not* and *cannot* only be Dorset Council's problem to solve. Our budgets are effectively cash limited and suppliers who are in business with us know that there is risk involved in what is essentially a commercial relationship.

We are keen to work over the long-term with as many local businesses as possible, to deliver sustainable jobs, investment in high quality skills and training, secure employment and a vibrant and growing local economy, but this must be done alongside financial responsibility and the need to balance our budget as part of the Council's own affordability and sustainability agenda.

Question 2 from Cllr B Heatley

A further £14.9m overspend is predicted for the Dedicated Schools Block (para 10.9, Quarter 1 Financial Management Report 2022/23). Where will this money come from?

Response from the Portfolio Holder for Finance, Commercial and Capital Strategy

As part of the *safety valve* agreement signed with the DfE, Dorset Council will receive £42.5m of support towards what was estimated to be a total High Needs Block deficit of £79.5m. As part of this, the model estimated an overspend in 2022/23 of £10.4m. The Qtr1 forecast regrettably estimates that this will actually be nearer £14.9m.

Current Regulations mean that overspends against the Dedicated Schools Grant are ring-fenced and treated as negative reserves that are unusable by the Council. However, these Regulations are scheduled to fall away on 1 April 2023 at which point deficits are anticipated to fall to councils to fund.

This Council has demonstrated its commitment to increasing sufficiency of SEND provision and to recover the HNB financial position as part of this. A further paper on SEND capital spend is coming to Cabinet in September and a further update on the position on the HNB will be provided in the Qtr2 finance report in November. Between now and then, officers will continue to work towards delivering the provision that Dorset Children and their families need within the funding provided.