

# Cabinet

**1 November 2022**

## **Quarter 2 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

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**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 2.

#### **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 2 including progress of the work to deliver savings that were incorporated into the budget;
2. note the spend to date on the approved capital programme for 2022/23 and the likelihood of significant slippage alongside the risk of inflation, interest rates and delivery concerns;
3. note the impact that financial projections for 2022/23 will have for the developing budget strategy and Medium-Term Financial Plan (MTFP).
4. Cabinet is also asked to agree the commencement of a procurement process for an insurance protection contract and agree that the subsequent decision to award the contract be delegated to the Portfolio Holder for Finance, Commercial and Capital Strategy, in consultation with the Executive Director, Corporate Development.

## **Reason for Recommendations:**

The Council has responsibilities to deliver its corporate plan priorities 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 half-way point.

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, global inflation, volatility and continuing instability 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 keep under review, 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 planned priorities, and that the organisation remains in good financial health and is sustainable. The Council continues to be 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.

This report sets out the predicted financial performance against the budget for the full year. It is the second report of the year to do this, a further report will be delivered at the end of Qtr3. Work on the budget and MTFP for 2023/24 are affected by performance during the current year but a separate report on budget strategy was agreed by Cabinet on 4 October, so that content is not revisited here.

The separate recommendation around the procurement process is to ensure the Council maintains sufficient insurance provision and this is approved in line with the scheme of delegation.

### **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. Wellbeing and Health Implications**

The Council has continued its focus on keeping people safe and well.

The Council continues to play an essential role in distributing government grants to individuals and businesses 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 and pay costs continues to build and this affects a significant quantum of the Council's budget. Whether directly, through the goods and services we buy, or indirectly, in our supply chain which then impacts on us, prices are under pressure, meaning that the risk is escalating.

Significant changes in the way the Council does business are also approaching, most notably 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 acutely for areas like Dorset where our geography and demographics compound national issues.

All of these made it necessary for the S151 Officer, the Council's Chief Finance Officer, to raise the risk assessment to *high* and this assessment remains in place.

## **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 summaries

## **8. Background Papers**

[2021/22 draft outturn report](#)

[2022/23 budget strategy report](#)

[2022/23 Qtr1 financial management report](#)

## **9. Budget setting 2022/23 and context**

- 9.1 2022/23 is Dorset Council's fourth year and the budget and MTFP was again based on a single-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. More can be done to deliver efficiency from becoming a single council and these themes continue through our budget work and planning.

- 9.2 The Council's *budget requirement* is £331.6m and this 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 The budget is essentially fixed in cash terms and the Council's 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. The Council's commercial ambitions are, however, set out in the commercial strategy and to support this, a fees and charges policy will come to the Place & Resources Overview Committee in November, aimed for full implementation in the last months of this year and therefore in time for inclusion in the budget strategy.
- 9.4 The report to Cabinet at the end of Qtr1 (link above), set out a projected overspend for the full year of £6.6m. This report covers the changes in performance and predictions since that time.

## 10. Forecast of financial performance at Quarter 2

### Overall projection

- 10.1 At the end of Quarter 2, the Council is forecasting net budget pressures of £7.8m, as summarised in the table below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	146,058	150,034	(3,976)	(2.72%)
People - Children's	74,434	75,954	(1,520)	(2.04%)
Place	83,293	88,554	(5,261)	(6.32%)
Corporate Development	24,049	24,296	(247)	(1.03%)
Legal & Democratic Services	6,306	5,972	334	5.30%
Public Health	5,452	5,452	0	0.00%
Total Service Budgets	339,592	350,263	(10,671)	(3.14%)
Central Finance	(349,251)	(352,131)	2,880	(0.82%)
Whole Authority	(9,659)	(1,868)	(7,791)	
Dedicated Schools Grant budgets	9,659	24,776	(15,117)	(156.51%)

Directorate-specific narrative is set out in the following paragraphs.

### Children's Services

- 10.2 The Children's Services forecast is £75.954m compared with a net budget of £74.434m, an overspend of £1.52m (2.04%).
- 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 £2m as capacity and availability of suitable placements and placement moves

remain a challenge. The external placement overspend is partially caused by delays within the capital programme, including Dorchester Road.

- 10.5 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.
- 10.6 A pressure of £0.22m is appearing for supporting unaccompanied, asylum-seeking children (UASC). Dorset is part of the temporary mandate National Transfer Scheme, accepting transfers of children into our care to provide crucial placements.
- 10.7 The Scheme set a quota for all local authorities to be required to accommodate the equivalent of 0.07% of the local child population. This was revised upwards in a letter from the Minister for Safe and Legal Migration on 24 August to 0.1% of the local child population.
- 10.8 For Dorset, this represents a rise from 47 young people to 67 young people. We are currently looking after 40 young people and are responsible for 33 care leavers who were formerly asylum-seeking children.
- 10.9 The National Transfer Scheme provides a degree of funding to support unaccompanied children, however this mainly covers the direct placement costs, so excludes costs such as interpreter fees, and social worker resource. The funding varies depending upon the number of unaccompanied children and whether the child is part of the National Transfer Scheme.
- 10.10 At the end of Qtr2, £2.944m (68%) of the total £4.3m transformation and tactical programme is designated as 'green', and therefore has been achieved or will be achieved. £1.076m (25%) is currently earmarked as 'amber', with the remaining £0.3m (7%) designated 'red', meaning this will not be achieved in this financial year.
- 10.11 Around £1m of savings have been achieved through methods other than originally intended. Children's Services has a dedicated transformation team which manages and resources the projects, however some of these are taking longer to implement than originally estimated. Children's Services are committed to delivering the savings, and therefore work was undertaken during August to identify 'Plan B' options to deliver the savings in the event of project slippage.
- 10.12 This is the forecast position at the end of the second quarter in what could be a very 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 and/or the need for increased fees), 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.

#### Dedicated Schools Grant (DSG)

- 10.13 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.
- 10.14 There are four blocks within the DSG: Schools Block (SB), Early Years Block (EYB), High Needs Block (HNB) and Central Services Schools Block (CSSB).
- 10.15 Dorset's DSG allocation is £299m for 22/23 before recoupment including additional grants and the use of the Growth Fund reserve. The September forecast overspend is £15.1m, all within the High Needs Block.
- 10.16 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.
- 10.17 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 September) is forecast to be higher at £15.1m.
- 10.18 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.
- 10.19 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.
- 10.20 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.

- 10.21 An updated SEND capital report was approved by cabinet in September, this will allow for an additional 228 places by 2025/26 which will play a key part in the success of the Safety Valve agreement. At this stage it is anticipated that the 'Safety Valve' agreement will be achieved, however the time taken to achieve a balance in-year position might take longer due to the issues highlighted above.

Adults Services & Housing

- 10.22 The Adults Services & Housing forecast is £150.034m compared with a net budget of £146.058m, an overspend of £3.976m (2.72%). The forecast has worsened by £1.838m since Qtr1.
- 10.23 The forecast overspend within Adult Care and Commissioning is £2.723m. The forecast has worsened by £757k since Q1 which is due to the following:
- an increase in three high-cost packages within learning disabilities
  - a change in the local government pension scheme (LGPS) contribution requirement within the Care Dorset contract based on a report which was prepared by Barnet Waddingham. They set a contribution level of 25.1% for LGPS contributions, 7% higher than the historic contribution level resulting in the change in forecast. The underlying Service User forecast is holding steady through the continued controls in place against a backdrop of rising demand.
- 10.24 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 now only 31 people on the hospital discharge list who have planned assessments. Since Qtr1 80 individuals have been assessed and moved off this pathway.
- 10.25 This forecast assumes achievement of £3.7m of savings from the £4m target. £2.9m have been delivered to date with the remaining £0.8m due in the last half of the year. £0.3m will not be achieved.
- 10.26 Work continues with reforms to Adult Social Care charging. The cap is scheduled to come into effect from October 2023.
- 10.27 Housing is currently projecting an overspend of £1.364k. £445k of this overspend relates to increases in bad debt provision in relation to rent arrears where tenant contributions, in excess of the subsidy reimbursed by Government, have not been recovered. A £300k movement is due to the increase in the Housing Subsidy shortfall savings not being likely to be achieved in year.
- 10.28 This is alongside an increased forecast set against the Housing Benefit Subsidy Shortfall of £600k based on Q2 actuals being higher than anticipated in the previous forecast and the need to be prudent about ongoing pressures such as 'front door homelessness demand' being up by

28% from this time last year. Bed and Breakfast usage is slightly reducing, but there is an increase in family homelessness and when more than one room is booked (for a family) the subsidy shortfall is much higher (double for two rooms). Room rates are also increasing in tandem with other inflationary rises, and set against the fixed Local Housing Allowance rate, means that the cost per unit is increasing beyond that anticipated when the budget was set.

- 10.29 Measures are under way to increase the supply of non-B&B accommodation (including using Council assets), continue the good work of the restructured Housing Team in preventing homelessness and accelerating the drive to use other temporary accommodation for families instead of B&Bs. This will drive a reconfiguring and balancing of budget and savings projections in years two and three of the rough sleeping and homelessness strategy and action plan – with the same projected level of savings achieved, profiled over that longer period. This relies on ‘supply side’ interventions such as the use of capital and assets to provide Council controlled or commissioned housing or the leveraging in of greater levels of grant either from Homes England or DLUHC.
- 10.30 The reforecasting has been done to recognise that current rises in front door demand are unlikely to reduce in the short term, due to winter pressures on energy bills, inflation, and the pressure on the private rented sector, making lower income households an unattractive option for landlords. This explains our focus on improving supply, such as acquiring our own, entering fresh leases and considering the use of higher incentives for landlords to take on a tenant (preventing them becoming homeless – costing us money and being bad for the household in human terms).
- 10.31 The disproportionate negative cost impact of housing families in B&Bs has been a factor this quarter which has risen and brought about a subsidy shortfall of circa £950k in the first half of this year, when this was £1.3 million last year. Our Bed and Breakfast reduction plan, focusing on families, is under way and includes starting to use one-bedroom temporary accommodation flats (where the subsidy problem isn’t present) and continuing the good work on ‘move on’ getting families to leave B&Bs into settled affordable housing.

#### Public Health

- 10.32 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.
- 10.33 Forecast at Qtr2 for the shared service is currently £279k 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.



- 10.34 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 the use of Public Health reserves for fixed-term safeguarding capacity. No overall variance from budget is anticipated.
- 10.35 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

- 10.36 The Place Directorate forecast is £88.554m compared with a net budget of £83.293m, an overspend of £5.261m (6.32%). The forecast at Qtr1 was an overspend of £5.775m, so there has been a net £514k improvement since that point.
- 10.37 Inflation remains the major issue for Place budgets, at over £3m additional cost. The larger items are utility costs in buildings (estimated at £300k+ but subject to confirmation of latest price changes), materials price increases within Highways such as road salt (£136k), disruption in the local travel market, waste disposal contracts tied to inflation indices (£683k) and directly purchased vehicle fuel (£750k). Major issues are explored below.
- 10.38 Assets and Property are showing a forecast adverse variance of £456k. Significant issues remain as follows:
- gas and electricity prices on the property estate – subject to announcements still to come
  - public conveniences – £102k pressure including planned savings not being realised
  - no County Hall car parking income – £168k
  - housing service – cost recovery £65k.

The issues above are partially offset by various unbudgeted property related favourable variances, such as rental income from South Walks House and NNDR reductions at unoccupied properties. £292k also 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.

- 10.39 Highways are forecasting an overspend of circa £1.3m with much of this relating to the car parking budget line. There are also overspends in relation to increases in road salt prices, plus legislative change from red diesel to white diesel.
- 10.40 Planning is showing an overall £855k forecast adverse variance. Development Management income is the major negative issue here, though the costs of agency staff are also causing pressures.

- 10.41 Dorset Travel is forecasting around a £2.1m overspend due to the issues around prices on external contracts for all aspects of travel (public transport, school transport, and SEND transport). A detailed report has been seen by the Commercial Board and an allocation of £800k from contingency was subsequently approved by SLT towards this budget pressure but the situation continues to deteriorate.
- 10.42 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. As noted above, the Coastal Risk team budgets will move to this area shortly.
- 10.43 Community and Public Protection (CPP) have a forecast adverse variance of £220k. Variances are spread across all the services, with income forecasts, vacancy factor, savings targets and costs in the Coroner's service being the main causes.
- 10.44 The Waste (Commercial and Strategy) service is forecasting a favourable variance of £1.2m. Garden waste and Commercial waste services are doing well and the recycle price was buoyant in the first half of the year. Latest recycle prices have worsened dramatically, and it remains to be seen how this continues for the remainder of the year but with an expectation that prices will be far less favourable in the second half of the year. Disposal contract uplift prices are causing a cost pressure of £683k.
- 10.45 The Waste Operations (including fleet) Service is forecasting an adverse variance of £1.1m, largely reflecting the pressure on the directly purchased vehicle fuel budget but also some vehicle parts.
- 10.46 Customer Services, Libraries and Archives are forecasting an underspend of circa £0.5m. This is largely a reflection of resources that have gone into supporting the Homes for Ukraine project, with appropriate costs now funded from that grant. This is one-off money and will not be repeated in future years.
- 10.47 Harbours are not specifically referenced here, as the regulations around harbour finances mean that they are ringfenced.
- 10.48 In the Director's Office, there is an unfunded cost pressure of £260k in relation to historic Weymouth Harbour capital financing, and a net cost arising from supporting the Tour of Britain.

#### Corporate Development

- 10.50 The Corporate Development forecast is £24.296m compared with a net budget of £24.049m, an overspend of £0.247m (1.03%). The forecast has improved by £0.062m since Qtr1.
- 10.51 Finance and Commercial Services are forecasting an overspend of £416k, which is due to an expected 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 £5.972m compared with a net budget of £6.306m, an underspend of £0.334m (5.3%). The forecast has improved by £0.347m since Qtr1.
- 10.54 The Assurance Service is forecasting a £61k underspend which comprises a £70k underspend due to staff vacancies, offset by a £10k increase in the South West Audit Partnership contract which was not clear when the budget was set.
- 10.55 Democratic Services are forecasting a £3k overspend due to a change in staffing costs for the service.
- 10.56 Legal Services are forecasting a £267k underspend due to staff vacancies and difficulties in recruiting.

#### Central budgets

- 10.57 The forecast for central budgets is £352.131m compared with a net income budget of £349.251m, a net forecast underspend of £2.880m (0.82%). The forecast has improved by £0.686m since Qtr1.
- 10.58 General Funding is forecasting an £8k underspend due to an expected increase in grant funding.
- 10.59 Capital Financing costs are forecasting a £1.06m underspend due to slower than expected progress implementing the capital programme leading to forecast borrowing costs being lower than budget.
- 10.60 There is currently £8m held in contingency, and this has been earmarked as follows:
- £6.2m earmarked for potential additional cost of national pay award
  - £1.8m earmarked for inflation pressures

### **11 Material movements of budgets**

There were no material movements of budgets during Qtr2.

### **12 Progress against budgeted savings**

- 12.1 Appendix A shows the latest summary of the progress being made against the savings that were agreed to balance this year's budget. It also risk-rates the achievement of these savings. The shortfalls classified as red total (£2.305m) and are included in the forecast – ie they are assumed not to be delivered in 2022/23.
- 12.2 At this stage, the forecast assumes all other savings will be achieved, though clearly this may change as the Council progresses through the remainder of the year. There is a further £1.885m of savings currently

RAG-rated as amber which will need to be delivered or there will be a further shortfall in this year – and added pressures in the MTFP.

- 12.3 The directorate narratives earlier in this report also set out where in-year savings targets have been met using tactics other than in the plan and therefore whether there are any base budget issues to be considered because of delivery using a different approach.
- 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

- 13.1 As summarised in the October budget report to Cabinet, the general fund balance stands at £33.2m. The Council has some further, earmarked reserves which were also summarised in that document and aligned to the approved financial strategy statement set out in appendix 1 to the 2021/22 outturn report. Any overspend for the year falls to the general fund to finance.
- 13.2 The Council also has a contingency budget in place but £1.8m of this has already been used to offset inflation on contracts across various services where prices could not be held at budgeted levels. There are further forecast inflationary pressures which are being contained within service budgets at present – such as within the waste service where increased recycle prices have partially offset contract inflation on waste disposal contracts and other operational pressures such as fuel. Our working assumption is that the rest of the contingency budget will be needed to support the 2022/23 pay award, over and above the funds that are already in service budgets.

### 14 Capital programme and financing

- 14.1 The approved capital programme now stands at a total of £341m for the next five years and is summarised in the table below.

	Capital Programme	2023/24	2024/25	2025/26	2026/27	Total Budget 22/23-26/27
<b>Total Budget 2022/23</b>						
(23,016)	Full external funding	0	0	0	0	(23,016)
(29,402)	Partial external funding	(1,977)	(1,600)	(1,500)	0	(34,479)
(25,247)	Dorset Council part funding (borrowing requirement)	(1,094)	(3,798)	(1,078)	(2,500)	(33,717)
(60,877)	Dorset Council funding (borrowing requirement)	(44,076)	(37,694)	(33,592)	(13,997)	(190,236)
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)
<b>(148,595)</b>	<b>Total funding</b>	<b>(58,200)</b>	<b>(55,145)</b>	<b>(49,223)</b>	<b>(29,800)</b>	<b>(340,963)</b>

- 14.2 Spend against the programme to the end of Qtr2 is low at just £27.7m, despite inflationary pressures and this reflects the difficulty in supply

chains and markets. This is the main reason why the treasury budget is outperforming its targets this year and why there is likely to be further, significant slippage of the capital programme into 2023/24.

- 14.3 Delivery of such an ambitious capital programme is challenging at any time, but in the current climate it is even more complex. We are experiencing contractor inflation, supply chain issues and labour shortages, interest rate risks around borrowing and logistical fulfilment failure as a result of EU exit, the aftermath of a pandemic and war in Ukraine. These factors mean we need to keep an extremely close eye and a firm grip on our capital programme.

## 15 Sundry debt management

- 15.1 The net sundry debt position at 30 September 2022 was £36.654m. £16.909m (46%) of this is less than 30 days old. The breakdown of this debt is as follows:

Directorate	Balance	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	26,364,974.74	11,753,861.50	1,461,367.68	5,209,301.14	7,940,444.42
Children's Services	642,054.59	207,650.08	56,224.52	221,347.36	156,832.63
Place	9,226,651.37	4,873,242.10	659,287.83	2,484,712.23	1,209,409.21
Corporate	420,261.11	74,156.51	32,752.84	89,667.43	223,684.33
<b>Grand Total</b>	<b>36,653,941.81</b>	<b>16,908,910.19</b>	<b>2,209,632.87</b>	<b>8,005,028.16</b>	<b>9,530,370.59</b>

- 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 continue work to implement the auditor's recommendations and progress is being monitored through the Audit & Governance Committee.

## 16 Council tax and business rates debt management

### Council tax

- 16.1 The Qtr2 in-year collection rate as at 30 September 2022 is 55.96%. This equates to £197.5m of a total council tax (all preceptors, not just Dorset Council) of £352.8m. This is the lowest collection rate for Dorset Council, previous years' figures are set out in the table below, for comparison.

Council Tax collection rates	2019/20 %	2020/21 %	2021/22 %	2022/23 %
April	10.58	10.52	10.67	10.75
May	19.93	19.60	19.73	19.86
June	29.40	28.85	28.84	28.80
July	38.82	37.99	38.05	37.63
August	48.14	46.99	47.10	46.50
September	57.56	56.02	56.28	55.96

- 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 have resumed, and the Council is working with taxpayers and remains confident that arrears will reduce, and collection rates will improve.
- 16.3 £6.423m of arrears from previous years have also been collected in the first six months of the year.

Business rates (non-domestic rates – NDR)

- 16.4 The Qtr2 in-year collection rate is 62.08%. This equates to £59.4m which compares favourably with previous years. However, this does include the application of Covid-19 Additional Relief Funding (CARF) which was applied to business rate payers' accounts during September, and which will even-out over the remainder of this year.

**17 Insurance**

- 17.1 The Council's long-term insurance arrangements come to an end on 31 March 2023. The corporate Insurance Manager supported by the Council's appointed insurance broker, Arthur J Gallagher (AJG), is currently preparing a presentation to showcase the Council's insurance and risk profile.
- 17.2 For context, the annual spend on insurance premiums for 2019/20 was £642k including VAT & Insurance Premium Tax (IPT). Due to the hardening of the insurance market and the Council's risk profile, this rose to £1.055m in 2022/23.
- 17.3 The overall cost of our cover is reduced by adopting a high level of self-insurance and in-house claims handling. Members have been briefed on these arrangements. There are no proposed changes to the Council's self-insurance or claims handling processes for this renewal.
- 17.4 The cost of insurance for the period 2023/24 is forecast to be £700k, a significant reduction from 2022/23. Several insurers have expressed interest in the Council's portfolio and the presentation will provide potential insurers with more information about our business. Cabinet's approval is therefore sought to start a procurement exercise to approach the insurance market with the aim of obtaining competitive insurance protection at the best price available, in line with recommendation 4, above.

**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 £7.8m budget pressure. The rate

of overspend has reduced since Qtr1 and the Council is confident that further measures in train can reduce the rate of net spend further in the second half of the year.

- 18.2 It is vital that the Council remains focused on living within its means, and in particular ensuring that savings and efficiencies continue to be actively sought out and delivered to ensure the 2022/23 budget is brought back into balance. Specific measures including tighter cost control in the Place Directorate and strict vacancy management across the organisation have already been introduced. They are anticipated to have a significant impact in the second half of the year, and we should see an improvement in the financial position by the end of Qtr3.

Aidan Dunn

**Executive Director, Corporate Development (S151 Officer)**

## Appendix A

### Officer assessment on savings target

2022/23 Savings Plans		Green	Amber	Amber 2	Red
	£000's	£000's	£000's	£000's	£000's
<b>Tactical</b>					
Adults	200	0	0	0	200
Childrens	2,092	1,694	398	0	0
Place	4,556	3,056	0	0	1,501
Central	2,500	2,500	0	0	0
Corporate	1,808	1,674	0	0	134
<b>Total Tactical</b>	<b>11,156</b>	<b>8,923</b>	<b>398</b>	<b>0</b>	<b>1,835</b>
<b>Transformation</b>					
Adults & Housing Services	3,805	2,896	644	165	100
Place	70	0	0	0	70
Childrens	2,228	1,250	678	0	300
<b>Total Transformation</b>	<b>6,103</b>	<b>4,146</b>	<b>1,322</b>	<b>165</b>	<b>470</b>
<b>Total - Tactical and Transformation</b>					
Adults & Housing Services	4,005	2,896	644	165	300
Childrens	4,320	2,944	1,076	0	300
Place	4,626	3,056	0	0	1,571
Central	2,500	2,500	0	0	0
Corporate	1,808	1,674	0	0	134
<b>Summary Savings Plans</b>	<b>17,259</b>	<b>13,069</b>	<b>1,720</b>	<b>165</b>	<b>2,305</b>

