# Cabinet

# 23 January 2023

# Quarter 3 financial management report 2022/23

## For Decision

**Portfolio Holder:** Cllr G Suttle, Finance, Commerical & Capital Strategy

**Local Councillor(s):** All

**Executive Director:** A Dunn, Executive Director, Corporate Development

Report Author: Heather Lappin
Title: 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 3.

**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, 3 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 more general delivery concerns.
3. note the impact of the pay award for 2022/23 and the impact this will have on base budget position going into 2023/24.
4. note the assumptions about the final quarter of the year and risks around those which might have impacts on the 2023/24 budget strategy beyond those specifically incorporated into the Council's financial model.

**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 full year at the end of the third quarter.

Reviewing and challenging the developing financial performance and projected position this year is a cornerstone of good governance. This ensures that resources are deployed to deliver the Council's services in line with the planned priorities, and that the organisation remains sustainable and in good financial health. The closing quarter of the year will be critical in ensuring that the Council positions itself well and accurately in terms of its budget assumptions for 2023/24 and beyond.

This report does not cover the budget or medium-term financial plan (MTFP) for 2023/24, these are covered by a separate report to this same Cabinet meeting.

## 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 has continued 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

Increasing prices and pay costs continue to cause pressure for the Council's budget, despite a small reduction in the headline rate of inflation of 10.7% in November 2022.

Inflation 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.

The continuing volatility of prices and supply-side issues in the economy make it necessary for the S151 Officer, the Council's Chief Finance Officer, to continue to assess the risk as *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 summaries

## 8. Background Papers

2021/22 draft outturn report

2022/23 budget strategy report

2022/23 Qtr1 financial management report

2022/23 Qtr2 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 continues to reflect savings from reorganisation being channelled into front line services.

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 the ability to generate income from trading is relatively limited in the short-term as well as potentially at odds with wider economic development ambitions.

9.4 The Council's commercial ambitions are, however, set out in the commercial strategy and to support this, a fees and charges policy has been developed through the Council's regular governance process and is included as an appendix to the budget strategy report on the same agenda as this report.

9.5 The report to Cabinet at the end of Qtr2 (link above), set out a projected overspend for the full year of £7.8m. This report covers the changes in performance and predictions since that time.

## 10. Forecast of financial performance at Quarter 3

Overall projection

10.1 At the end of Qtr3, the Council is forecasting net budget pressures of £8.376m, as summarised in the table below.

| Directorate | Net Budget | Forecast Outturn | Forecast (Overspend)/ Underspend | |
|---|---|---|---|---|
| | £k | £k | £k | % |
| People - Adults | 148,575 | 152,209 | (3,634) | (2.4%) |
| People - Children's | 75,876 | 77,668 | (1,793) | (2.4%) |
| Place | 87,022 | 92,881 | (5,860) | (6.7%) |
| Corporate Development | 24,944 | 25,231 | (288) | (1.2%) |
| Legal & Democratic Services | 6,533 | 5,967 | 566 | 8.7% |
| Public Health | 5,452 | 5,452 | 0 | 0.0% |
| Total Service Budgets | 348,402 | 359,409 | (11,007) | (3.2%) |
| Central Finance | (357,956) | (360,587) | 2,631 | (0.7%) |
| Whole Authority | (9,554) | (1,178) | (8,376) | |
| | | | | |
| Dedicated Schools Grant budgets | | | (16,911) | |

Pay costs

10.2 Before turning to directorate specific narratives, it is worth understanding the impact of the pay award for 2022/23 on the Council's budget.

10.3 The pay award has been agreed as £1,925 increase to each spinal column point across the entire pay scale. The % increase is therefore different for each spinal point rather than an overall % increase for all employees.

10.4 The higher than budgeted pay award has added an extra £6.4m to the pay bill than was originally budgeted, but this has been met by the contingency budget allocation.

10.5 The increase will also flow through to the 2023/24 base budget. This has been factored into our financial planning.

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

Children's Services

10.7 The Children's Services forecast is £77.668m compared with a net budget of £75.876m, an overspend of £1.793m (2.4%). The September position was a £1.5m overspend.

10.8 The main overspend areas and changes since the September position are discussed below.

10.9 Most of the overspend sits within Care and Protection, the social care side of the Directorate.

10.10 External placements for children in care are forecast to overspend by £2.8m (£2m in September) 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.

10.11 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.

10.12 There is an increased requirement and cost pressures of £1.3m (£0.695m in September) for direct payments, externally purchased overnight short breaks and bespoke support packages for disabled children and young people with complex needs, although Dorset do receive NHS contributions towards this cohort. Public Health funding of £0.5m was agreed during the third quarter.

10.13 A pressure of £0.367m (£0.22m in September) exists 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.

10.14 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. These thresholds could change again.

10.15 For Dorset, this represents a rise from 47 young people to 67 young people. We are currently looking after 42 young people and are responsible for 37 care leavers who were formerly asylum-seeking children.

10.16 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.

10.17 During quarter three, the Outdoor Education Service transferred from the Place directorate to Children's, bringing a £0.18m overspend.

10.18 Other favourable budget changes are predominantly pay-related due to careful vacancy management.

10.19 At the end of Qtr3, £3.79m (88%) of the total £4.3m transformation and tactical programme is designated as 'green', and therefore has been achieved or will be achieved. £0.22m (5%) is currently earmarked as 'amber', with the remaining £0.3m (7%) designated 'red', meaning this will not be achieved in this financial year.

10.20 Around £1.2m 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 continued during quarter 2 to identify ‘Plan B’ options to deliver the savings in the event of project slippage.

10.21 This is the forecast position at the end of the third 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)

10.22 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.

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

10.24 Dorset’s DSG allocation is £299m for 22/23 before recoupment including additional grants and the use of the Growth Fund reserve. The December forecast overspend is £16.9m, all within the High Needs Block.

10.25 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.

10.26 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 December) is forecast to be higher at £16.9m (£15.1m at September)

10.27 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.

- The number of children and young people with an EHCP remain within the forecast model, however the placement mix (for example % of children and young people with an EHCP in a mainstream school) is not as budgeted.

10.28 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.

10.29 The *Safety Valve* agreement contains ten conditions, including the financial delivery. Dorset are on track to deliver eight of the conditions, with risks around the capital programme and therefore overall financial delivery.

10.30 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.

10.31 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.

<u>Adults Services & Housing</u>

10.32 The Adults Services & Housing forecast is £152.2m compared with a net budget of £148.6m, an overspend of £3.634m (2.4%). The forecast has improved by £0.342m since Qtr2.

10.33 The forecast overspend within Adult Care and Commissioning is £2.180m. The forecast has improved by £432k since Q2. This compares positively to the forecast overspend position for the same period in 2021/22 of £7.3m. The improvement since Q2 is due to the following:

- £273k of savings have been achieved in Q3 within Commissioned Care packages.
- An improvement of the forecast within Adult Care Operations staffing teams due to vacancies. We have recruited into permanent posts during this quarter. The service is redesigning, part of this process will be looking to set a new workforce strategy.

10.34 This forecast assumes achievement of £3.7m of savings from the £4m target. £3.169m have been delivered to date with the remaining £0.536m due in the last quarter. Positive progress has been made in the last quarter and the Directorate is committed to achieving the remaining savings by year end.

10.35 During Q3 the Department of Health and Social Care announced the Adult Social Care and Discharge Fund. Dorset Council have been allocated £1.422m, Bournemouth, Christchurch and Poole (BCP) were allocated £1.458m and the Integrated Care Board (ICB) were allocated £6.444m to support both Dorset Council (DC) and Bournemouth, Poole and Christchurch (BCP). The funding allocated must be spent by the 31st March 2023 and is being issued in two tranches of which we have received one. This is welcomed by the Directorate as we are anticipating £15m spend on discharges from hospital in year compared to £4.1m pre pandemic.

10.36 The fund is to be used flexibly on interventions that best enable to discharge of patients from hospital to the most appropriate location for their ongoing care. The funding is design to free up the maximum number of hospital beds and reduce the bed days lost. It is crucial the health and care systems and providers work together across health and social care. As a result, DC has collaborated with BCP to produce a joint programme called Home First Accelerator programme which will give maximum impact.

10.37 The Home First Accelerator Programme sees in additional investment in reablement and work to contractualise and optimise home care capacity using a Provider led approach.

10.38 Housing is currently projecting an overspend of £1.454k. The forecast for Housing has worsened by £0.090m in the last quarter.

10.39 There is a continued increase in family homelessness and room rates are increasing in tandem with other inflationary rises, and set against the fixed Local Housing Allowance rate, means that the cost per unit is increasing above what was set in the budget. This is also a demand led budget meaning pressures and demands are subject to change and can have a budgetary impact.

10.40 As mentioned in the Quarter 2 report 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.

Public Health

10.41 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.

10.42 Forecast at Qtr3 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.

10.43 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.

10.44 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

10.45 The Place Directorate forecast is £92.881m compared with a net budget of £87.022m, an overspend of £5.860m (6.7%). The forecast at Qtr2 was an overspend of £5.261m, so there has been a net £599k worsening since that point. There have some relatively minor changes in both directions (i.e. some improvements, some worsening's) across the Directorate since the Qtr2 report, however the primary cause for concern is the steady worsening of the Dorset Travel position. More on this below.

10.46 Just as it was at Qtr2, the Qtr3 forecast has inflation as the major issue for Place budgets, at over £3m additional cost. The larger items are utility costs, for which the two main areas are our buildings and our streetlighting (total utilities projected overspend £778k), materials price increases within Highways such as road salt (£136k), disruption in the local travel market (discussed further below), waste disposal contracts tied to inflation indices (£683k) and directly purchased vehicle fuel (this has reduced in recent months, now projected at £358k overspend compared to £750k as at Qtr2). Major issues are explored further below.

10.47 Assets and Property are showing a forecast adverse variance of £68k, a considerable improvement from the adverse projected position of £456k at Qtr2. The improvement arises from unbudgeted savings such as business rates on unoccupied buildings, business rates at South Walks House which is now a cost to the occupier since it was rented out, and unbudgeted income in respect of Coombe House. Nonetheless, significant issues remain as follows:

- gas and electricity prices on the property estate – £301k forecast of overspend
- public conveniences – £102k pressure including planned savings not being realised
- no County Hall car parking income – £168k
- housing service – cost recovery £65k.

10.48 Highways had previously forecast an overspend of circa £1.3m around the time of Qtr2, with much of this relating to the car parking budget line. This has now worsened to an adverse variance of £1.465m, with car parking income still being the main issue. Car parking income is in fact very buoyant but will not achieve the income budget as set. There are also overspends in relation to increases in road salt prices, plus legislative change from red diesel to white diesel.

10.49 Planning continues to show an adverse variance, £855k at Qtr2 and now £787k at Qtr3. The issues are still the level of Development Management income and as noted previously the costs of agency staff are also causing pressures.

10.50 Dorset Travel is forecasting a £2.960m overspend (£2.1m as at Qtr2) due to the issues around prices on external contracts for all aspects of travel (public transport, school transport, and SEND transport).

10.51 Environment and Wellbeing budgets have a forecast adverse variance of £448k, an improvement since the Qtr2 forecast of £695k. The majority of this relates to Leisure Services, for which income projections have been adverse but have improved somewhat in recent months. Leisure Services also no longer includes a negative variance for Outdoor Education Service, which has now moved to Children's Services.

10.52 Community and Public Protection (CPP) have a forecast adverse variance of £287k, a worsening of £67k since the Qtr2 forecast which was £220k adverse. Issues are as previously reported, with variances spread across all the services, with income forecasts, vacancy factor, savings targets and costs in the Coroner's service being the main causes. The worsening in this quarter is mainly in Coroners due to some high profile cases, which by their nature tend to incur additional expenditure.

10.53 The Waste (Commercial and Strategy) service is forecasting a favourable variance of £913k, a slight worsening since the Qtr2 forecast of £1.215m. Garden waste and Commercial waste services are doing well and the recyclate price was buoyant in the first half of the year but has since worsened considerably.

10.54 The Waste Operations (including fleet) Service is forecasting an adverse variance of £896k, an improvement since the Qtr2 forecast of an adverse £1.1m. The overspend primarily relates to the cost of vehicle fuel, which has improved in recent months, vehicle parts and some operational staffing overspends.

10.55 Customer Services, Libraries and Archives are forecasting an underspend of circa £0.5m, almost unchanged since Qtr2. 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. There are also vacancies.

10.56 Harbours are not specifically referenced here, as the regulations around harbour finances mean that they are ringfenced.

10.57 The overall position in the Director's Office is an overspend forecast of £418k, up from £290k at Qtr2. We have previously reported on 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.

In addition, one-off changes in the Directorate management arrangements have seen an additional overspend of circa £90k.

Corporate Development

10.50 The Corporate Development forecast is £25.231m compared with a net budget of £24.944m, an overspend of £0.288m (1.2%). The forecast has worsened by £0.041m since Qtr2.

10.51 Finance and Commercial Services are forecasting an overspend of £657k, which in the main is due to an expected loss of court fee income from non-payment of business rates and council taxes.

It was originally anticipated that there would be court hearings in the early part of 2023, however, it has not been possible to secure any court dates, so the full budget of £913k is now forecast as a shortfall. The forecast also includes overspends in bank charges of £166k and the external audit fee of £58k.

These have been offset by reductions in the bad debt provisions of £486k and savings in pay related costs.

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 £5.967m compared with a net budget of £6.533m, an underspend of £0.566m (8.67%). The forecast has improved by £0.232m since Qtr2.

10.54 The Assurance Service is forecasting a £92k underspend which comprises a £59k underspend due to staff vacancies, savings in supplies and services of £21k plus additional income of £12k.

10.55 Democratic Services are forecasting a £229k underspend due to savings identified within the service.

10.56 Legal Services are forecasting a £227k underspend due to staff vacancies and difficulties in recruiting.

Central budgets

10.57 The forecast for central budgets is £361m compared with a net funding budget of £358m, a net forecast underspend of £2.631m (0.7%). The forecast has worsened by £249k since Qtr2.

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 £1.4m held in contingency, and this has been earmarked as follows:

- £0.3m earmarked to support Housing Services
- £1.1m earmarked for inflation pressures

£6.4m was reallocated from contingency to support the additional costs of the 2022/23 pay award.

## 11 Material movements of budgets

There were no material movements of budgets during Qtr3.

## 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 (£2.3m) and are included in the forecast – i.e. it is assumed they cannot 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 £1.03m 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 The general fund balance currently stands at £33.2m, in line with Council's agreed budget strategy for 2022/23. Any overspend for the year falls to the general fund to finance. There are also further reserves available to support the Council but most of these are earmarked for specific purposes and cannot be repurposed without impacting the risk for which they have been provided.

13.2 The Council also has a contingency budget in place but £1.1m 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 recyclate prices have partially offset contract inflation on waste disposal contracts and other operational pressures such as fuel.

## 14 Capital programme and financing

14.1 The approved capital programme now stands at a total of £301.6m for the next five years and is 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 |
|---|---|---|---|---|---|---|
| (23,136) | Full external funding | 0 | 0 | 0 | 0 | (23,136) |
| (29,922) | Partial external funding | (1,977) | (1,600) | (1,500) | 0 | (34,999) |
| (26,208) | Dorset Council part funding (borrowing requirement) | (1,094) | (3,798) | (1,078) | (2,500) | (34,678) |
| (59,957) | Dorset Council funding (borrowing requirement) | (35,076) | (27,694) | (22,092) | (5,497) | (150,316) |
| 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 | (10,053) | (12,053) | (13,053) | (13,303) | (58,515) |
| | | | | | | |
| | | | | | | |
| **(149,276)** | **Total funding** | **(48,200)** | **(45,145)** | **(37,723)** | **(21,300)** | **(301,644)** |

14.2 Spend against the programme to the end of Qtr3 is low at just £48.2m, 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 as at 31 December 2022 was £33.1m. £11.3m (34%) 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 | 20,566,803.49 | 4,604,037.00 | 2,916,367.74 | 5,288,988.71 | 7,757,410.04 |
| Children's Services | 1,670,664.43 | 1,419,549.26 | 70,001.74 | 57,339.92 | 123,773.51 |
| Place | 8,926,719.17 | 4,103,819.04 | 1,657,417.06 | 1,836,635.43 | 1,328,847.64 |
| Corporate | 1,900,940.43 | 1,158,991.20 | 113,548.00 | 315,244.31 | 313,156.92 |
| **Grand Total** | **33,065,127.52** | **11,286,396.50** | **4,757,334.54** | **7,498,208.37** | **9,523,188.11** |

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 in-year collection rate as at 31 December 2022 is 83.76%. This equates to £296m of a total council tax (all preceptors, not just Dorset Council element).

| Financial Year | In year collected (%) |
|---|---|
| 2022/23 | 83.76 |
| 2021/22 | 83.77 |
| 2020/21 | 83.30 |
| 2019/20 | 85.69 |

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 £8.5m of arrears from previous years have also been collected in the first nine months of the year.

Business rates (non-domestic rates – NDR)

16.4 The in-year collection rate is 82.43%. This equates to £78.6m 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 final quarter of this year.

## 17 Summary, conclusions, and next steps

17.1 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 at the end of the third quarter of the year, Dorset Council's financial forecast is a £8.4m budget pressure.

17.2 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 moves towards financial balance. Of particular importance is tighter cost control in the Place Directorate. This, combined with strict vacancy management across the organisation are anticipated lead to improvement in the financial position by the end of the year.

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

# Appendix A

| 2022/23 Savings Plans | | Officer assessment on savings target Green | Amber | Amber 2 | Red |
|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's |
| **Tactical** | | | | | |
| Adults | 200 | 0 | 0 | 0 | 200 |
| Childrens | 2,092 | 1,869 | 223 | 0 | 0 |
| Place | 4,556 | 3,071 | 0 | 0 | 1,486 |
| Central | 2,500 | 2,500 | 0 | 0 | 0 |
| Corporate | 1,808 | 1,674 | 0 | 0 | 134 |
| **Total Tactical** | **11,156** | **9,113** | **223** | **0** | **1,820** |
| **Transformation** | | | | | |
| Adults & Housing Services | 3,805 | 2,896 | 644 | 165 | 100 |
| Place | 70 | 0 | 0 | 0 | 70 |
| Childrens | 2,228 | 1,928 | 0 | 0 | 300 |
| **Total Transformation** | **6,103** | **4,824** | **644** | **165** | **470** |
| **Total - Tactical and Transformation** | | | | | |
| Adults & Housing Services | 4,005 | 2,896 | 644 | 165 | 300 |
| Childrens | 4,320 | 3,797 | 223 | 0 | 300 |
| Place | 4,626 | 3,071 | 0 | 0 | 1,556 |
| Central | 2,500 | 2,500 | 0 | 0 | 0 |
| Corporate | 1,808 | 1,674 | 0 | 0 | 134 |
| **Summary Savings Plans** | **17,259** | **13,937** | **867** | **165** | **2,290** |