Cabinet

20 June 2023

Draft outturn 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: Sean Cremer
Title: Corporate Director, Finance & Commercial
Tel: 01305 228685
Email: sean.cremer@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report comes to Cabinet with information about the Council's draft, unaudited financial performance for the year ended 31 March 2023 and the financial position at that date.

Recommendation:

Cabinet is asked to;

1. Note the draft revenue and capital outturn and the financial performance for the year ended 31 March 2023; and
2. To approve use of un-ringfenced reserves to support the overspend position in addition to increasing the general fund balance in line with the financial strategy document.
3. To approve an increase of £2.0m to the working capital loan facility available to Dorset Centre of Excellence limited and delegate authority to agree the terms of the loan to the Section 151 officer in consultation with the Portfolio Holder for finance.

Reason for Recommendation:

Although this report does not seek formal approval from Cabinet for the reported outturn, the financial performance for the year and the financial position at 31 March 2023 are important aspects of financial management as they mark the start of the next medium-term financial plan update (MTFP) and budget strategy development for 2024/25.

In addition to reporting outturn, with the financial performance for the year materially complete, it is important for Cabinet to review the risks the organisation now faces and to consider areas where it wishes to make strategic investments and/or to repurpose and prioritise its reserves to facilitate these aims.

1. Financial Implications

The financial performance for the year and the position at year-end are set out in this document. The report also summarises the impact on the 2023/24 budget and the MTFP.

The actions to reduce the balance and age of debt and arrears following the increases in these numbers during the pandemic and more recently the cost of living rises, are critical to reducing debt as well as supporting residents and businesses to pay what is due. Most of the charges levied by the Council – and all local taxes – are underpinned by national, legal requirements so they must be supported by appropriate and proportionate recovery action by all local authorities.

2. Natural Environment, Climate & Ecology Implications

The outturn for the year and the position at 31 March 2023 includes revenue and capital spend which support the delivery of the Council's climate and ecology strategies.

3. Well-being and Health Implications

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

The Council continued to play an essential role in distributing Government grants to individuals, businesses, and other qualifying groups during the year.

4. Other Implications

None specific.

5. Risk Assessment

5.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Low

Residual Risk: Low

Reporting draft outturn against budget has very limited risks.

6. Equalities Impact Assessment

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

7. Appendices

a) Financial Savings graph

8. Background Papers

[2022/23 budget strategy report]

[Financial management report Qtr1 2022/23]

[Financial management report Qtr2 2022/23]

[Financial management report Qtr3 2022/23]

[2023/24 budget strategy report]

9. Budget setting 2022/23 and context

9.1 2022/23 once again involved setting a strategic budget and MTFP against a one-year settlement from Government. This year has proved challenging which has required the Council to drive proactive and positive action to achieve high quality service provision within limited resources. Once again this requirement has been delivered at the same time as dealing with a global pandemic. The Council has also been experiencing a period of sustained inflation. These rising costs directly affects the Council in terms of cost of providing services as well as leading to increased demand for support from residents and businesses.

9.2 The Council's budget requirement was £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 Members will recall that the Council had been anticipating an overspend against its budget for much of the year. During 2021/22, reserves were realigned to sit within a new financial management strategy and were better aligned with risks facing the organisation as well as to take advantage of opportunities to invest in areas where pressures on the MTFP can be reduced.

9.4 Areas of risk remain and are carefully monitored and reported on during the year. During the year, inflation in the UK reached 10.1%. Whilst the Council made some provision for inflation in its 2022/23 budgets, and has a contingency budget to support price fluctuations this level of inflation was not generally foreseen and has put additional pressure on Council resources. The Council has robust contract management in place to best manage rising costs but ultimately the pressure on costs could not and should not be dealt with by the Council alone.

9.5 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.

9.6 Despite the risk around this report being deemed low, the financial risk was increased to high at the time of the budget report, and additional pressures are building in the economy and the Council is not impervious to these.

10. Financial performance for the year

Overall performance

10.1 The financial performance for the year was an overspend of £1.7m. This overspend falls to be financed from the general fund. Headline performance against budget is summarised in the table below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People – Adults	149,481	152,420	(2,939)	(2.0%)
People - Children's	77,847	78,682	(834)	(1.1%)
Place	75,763	81,132	(5,369)	(7.1%)
Corporate Development	29,581	27,967	1,614	5.5%
Legal & Democratic Services	6,274	5,788	486	7.7%
Public Health	3,002	3,002	0	0.0%
Total Service Budgets	341,949	348,990	(7,041)	(2.1%)
Central Finance	(358,770)	(364,138)	5,368	(1.5%)
Whole Authority	(16,821)	(15,148)	(1,673)	

10.2 The draft outturn variance of £1.673m as a proportion of the £331.6m net budget is 0.5%. This is a significantly better performance than had been predicted earlier in the year and one which reflects positively on the Council's performance in response to operating and cost pressures arising during the year.

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

Children's Services

10.4 The Children's Services outturn was £78.682m compared with a net budget of £77.847m, an overspend of £0.834m (1.1%). Given the demand-led nature of this directorate and national situation a variance of

1.1% demonstrates the outcome of effective operational and financial management within the directorate.

10.5 The Quarter 3 forecast indicated a £1.793m overspend, so there was an improvement of £0.958m between the last predictions reported to Cabinet and the draft outturn. The narrative below considers major variances from budgets during the year as well as any risks or other factors that need to be considered in the next iteration of the MTFP.

10.6 The national overspending position for children in care external placements is also true at Dorset Council. This area overspent by £2.9m despite the number of children in care falling, excluding unaccompanied asylum-seeking children:

10.7

	April 2022	March 2023	Change
Children in Care (excluding UASC)	434	404	-30
Unaccompanied Asylum-Seeking Children (USAC)	23	34	+11

Source: Monthly Financial Tracker

10.8 The children in care external placement overspend has been balanced by in-house fostering and in-house residential underspends of £2.9m.

10.9 Other Care and Protection budget pressures are within services for children who are disabled (CWAD) (£0.7m), unaccompanied asylum-seeking children (£0.5m), other children in care expenditure and Section 17 (£0.4m).

10.10 Education and learning budgets underspent in 22/23 by £0.522m. This was a result of unbudgeted grant income from public health (£0.122m) and the Schools monitoring and brokering grant (£0.108m).

10.11 Further underspends in this area of £0.292m were due to vacancy savings within the six locality teams.

10.12 Director's Office budgets underspent by £0.358m as a result of underspends against the change fund (£0.079m), innovation pots (£0.091m), premature retirement funds (£0.024m) and underspends on pay, predominantly as a result of Ukrainian education funding (£0.164m).

10.13 The Children's directorate also delivered £4.0m (93%) of targeted transformation and tactical savings during the year.

10.14 However, there are risks within the 2022/23 budget that will require careful monitoring and management as we move into 2023/24. Risks include capital project delays and the subsequent impact on revenue budgets, inflation (particularly for placements and externally provided services), the Social Care reforms and the delivery of transformation and tactical savings.

Dedicated Schools Grant (DSG)

10.15 The DSG was overspent by £19.96m. The grant is split into four blocks, with the High Needs Block (HNB) overspending by £19.3m, and the Early Years Block (£0.66m) with an underspend in the Central Services to Schools Block (£0.04m). The Schools Block had no variance.

10.16 The outturn position is over the required *Safety Valve* 2022/23 DSG outturn position by £9m. In March 2022, the Department for Education (DfE) and Dorset Council signed a £42m agreement to eradicated Dorset's cumulative DSG deficit by 2025/26.

10.17 The cumulative DSG deficit, including the 2022/23 overspend, application of all tranches of *Safety Valve* funding and Dorset Council funding, is £35.9m. Without the support this would be £64m.

10.18 Consequently, the Department for Education (DfE) are currently in discussions with Dorset Council about the *Safety Valve* agreement and collaborating as part of the DfE's Enhanced monitoring and support (EMS) programme. This programme seeks to ensure returning the DSG to a balanced financial position.

10.19 Capital delays are a significant reason for the financial position.

10.20 The historical DSG deficit is a long and well-documented risk stemming from a change in government legislation in 2014. The number of children who require an Education Health and Care Place (EHCP) continues to rise and coupled with Dorset Special Schools reaching capacity, has seen an increase in the use of generally more expensive special school places.

10.21 This picture has been mirrored nationally. The County Council Networks (CCN) estimates that if no changes are made, the deficits built up in the system meeting the statutory demands from the 2015 reforms would reach £3.6bn by 2025.

10.22 In response to the national challenges, in March 2023 the government released the Special Educational Needs and Disabilities (SEND) and Alternative Provision (AP) Improvement Plan.

10.23 The SEND and AP Improvement plan sets out measures for reforming the SEND system, following consultation on last year's SEND Green Paper - Right Support, Right Place, Right Time. The reforms will seek to deliver greater consistency in provision across the country, and link closely with the recently announced Children's Social Care reforms.

10.24 The ‘mission’ of the plan is to setup a new SEND and alternative provision national system with a three-fold aim:

a. Fulfil children’s potential: children and young people with SEND (or attending AP) enjoy their childhood, achieve good outcomes and are well prepared for adulthood and employment;

b. Build parents’ trust: parents and carers experience a fairer, easily navigable system (across education, health and care) that restores their confidence that their children will get the right support, in the right place, at the right time;

c. Provide financial sustainability: local leaders make best use of the high needs budget to meet children and young people’s needs and improve outcomes, while placing local authorities on a stable financial footing.

10.25 Although the reforms will take time to implement, Dorset Council and partners need to be ahead of the curve, especially regarding the *Safety Valve* and for our children and young people.

10.26 A key component in the delivery of the Council’s SEND strategy is increasing the provision of placements to meet need. A key part of this is the operations of Dorset Centre of Excellence Limited

10.27 Based on the latest business plan, approved at shareholder panel on 5th June 2023 it is recommended that the Council increases the working capital loan by a value of £2.0m.

10.28 The exact terms of the loan are delegated to the Councils s151 officer in consultation with the Portfolio holder for finance.

Adults Services & Housing

10.29 The Adults Services & Housing outturn was £152.4m compared with a net budget of £149.5m, an overspend of £2.939m (2%). Given the national picture and demand for service provision post-pandemic this is a positive outcome for the directorate.

10.30 The quarter 3 forecast indicated a £3.634m overspend, there was an improvement of £0.695m between the last predictions reported to Cabinet and the draft outturn. The final quarter’s improved performance was achieved through Adult Care packages and Adult Care operations.

10.31 The Adult Social Care budget supports approximately 3,925 people and provides approximately 3,900 services.

10.32 The Adult Care Packages budget ended the year with an overspend of £2.113m. The main driver for the overspend was the continuation of the Hospital Discharge Programme legacy costs.

10.33 Positive work has taken place in year with the 'Home First Accelerator' programme which started in December and supports Hospital Discharge. Through the ICS (Integrated Care System), partners have brought forward Home First plans. The proposals along with actions taken, are intended to rebalance demand across the out of hospital pathway, improve system resilience and improve outcomes for people.

10.34 30 therapy led, reablement beds have been commissioned through Care Dorset supported by multi-disciplinary teams. To date, we have seen a flow of circa 60 individuals through these beds.

10.35 There has been a positive shift in year between supporting more people at home 1,204 in July 22 and 1,258 in March 23 an increase of 54 with an average weekly cost of £433. This is compared to a reduction in residential care 1,075 July 22 and 1,017 in March 23 at an average cost of £1,184 per week. The net saving of this shift is £45,290 per week.

10.36 This work will continue into 2023/24 where we will see a full year's benefit.

10.37 The Adult Care Budget ended the year with an underspend of £1.129m. There were a number of vacancies across the Directorate in the year, particularly within Locality and Specialist Teams which were the primary cause of this.

10.38 Housing overspent by £2.134m. This overspend is attributable to the Council needing to pick up the widened Housing Benefit Subsidy shortfall on B&B accommodation used for homelessness. This is adverse because of the impact of increased demand and increased charges and rents for such accommodation. Front door homelessness demand is up by 28% from this time last year and this is expected to continue.

10.39 Performance in homelessness prevention is strong, but the increased demand means that Bed and Breakfast and other expensive nightly rate accommodation is still being required at charges which are punitively high. Charges are rising from the private landlord and B&B sector, whilst Local Housing Allowance remains frozen at 2011 rates (meaning that the cost of the shortfall is picked up by the Council). Due to the attractiveness of AirBnB and holiday lets, it is increasingly expensive to secure rented accommodation in the private rented sector. Housing Association lettings are at a good level (around 1,000 a year) but are not sufficient to meet demand.

10.40 To meet the high increases in demand and costs, plans are being prepared to scale up and transform the work on prevention of homelessness and also to increase the supply of better priced non B&B accommodation (including proposals to make better use of Council assets and land, but to operate from several approaches, such as Government grants, leases with private providers and Housing Associations). Prevention of homelessness is the key result, but the financial mitigations are primarily linked to finding alternatives to the high net cost accommodation, such as B&Bs, which are delivered with a smaller subsidy gap.

10.41 Adults and Housing have delivered £3.705m of transformation and tactical savings during the year with a total of £10.3m over the last two years.

Public Health

10.42 The public health grant for 2022/23 for BCP council was £20.616m and for Dorset council was £14.613m. Agreed local authority contributions for the year gave a shared service budget of £25.614m.

10.43 Final outturn was £25.337m, resulting in a £0.375m underspend which has been added to reserves. The figures in the table, above are net, so they do not reflect the numbers shown in this analysis, which are gross grant income and expenditure and transfers to and from reserves.

Place Directorate

10.44 The final Place Directorate net budget for 2022/23, after in-year adjustments, was £75.763m, and the final net spend was £81.132m, an overspend of £5.369m.

10.45 Financial monitoring from early in the year indicated that Place Directorate was going to suffer adversely from a number of factors: the wider economic climate including rising inflation affecting contract costs, the fuel cost crisis of summer 2022, escalating costs within the Dorset Travel sector and SEND transport in particular, and in car parking income falling short of the budget set.

10.43 The Assets and Regeneration budget ended the year with an underspend of £237k. Assets and Regeneration budgets were affected by a wide range of issues including historic savings targets that were included in the budget and not achieved, loss of income in respect of staff car parking and café, underspends in the postage budget and County Hall utility costs. Staff vacancies contributed significantly to the underspend position. In addition, unbudgeted rental income, in particular for South Walks House and Coombe House, also made a significant contribution.

10.44 The Highways service ended the year at £2.4m overspent. This is not related to an overspend in expenditure but almost entirely relates to Parking Services income underachieving against the income budget. Highways operations and infrastructure saw increases in costs around electricity which was offset by additional income from road closures and also vacancy management.

10.45 The Planning Service ended the year at £638k overspent, broadly in line with the expectation due to the issues flagged during the year, mainly the inability to recruit staff and the subsequent need to spend on agency staff, and income levels underperforming against the budget.

The table reveals the highly volatile nature of the fees and charges income budget for Planning over the last four years:

	Outturn 2019/20	Outturn 2020/21	Outturn 2021/22	Outturn 2022/23
	£	£	£	£
Fees and Charges	-4,521,157	-4,003,881	-5,164,922	-4,038,113

10.46 Dorset Travel ended the year at £3.721m overspent, despite an investment of £0.800m during the year from the Commercial Board. All aspects of the Travel budget – public transport, mainstream school transport, and SEND transport – saw significant cost increases due to the nature of the market, being significantly affected by driver shortages, rising wages, general inflation, and in many cases, contracts being handed back and then having to be re-let at significantly higher cost. This service area remains a significant concern heading into 2023/24.

10.47 Environment and Wellbeing budgets ended the year at £173k underspent, largely due to favourable income performance in grounds, landscaping, greenspace and country parks.

10.48 Community and Public Protection (CPP) budgets ended the year at £61k overspent. Notable adverse variances were incurred in the cost of contributing to the Coroners service and the running of Dorchester Market, and partially offset by favourable variances in vacancy management and income, with particularly good income in Registration Services.

10.49 Waste – Commercial Waste and Strategy ended the year at almost £1.3m favourable. Income earned for waste recyclate was very favourable during the early part of 2022/23 although has since worsened considerably. Trade waste and garden waste services also performed well.

10.50 Waste Operations including Dorset Council fleet services ended the year at £458k adverse. This is largely caused by the fleet budget, and primarily by the sustained rises in vehicle fuel costs during summer 2022.

10.51 Customer Services, Archives, and Libraries collectively ended the year at £618k underspent, largely in the areas of Customer Services and Libraries around pay related costs.

10.52 The Directors Office ended the year at £456k overspent, picking up unfunded costs for historical Weymouth Harbour capital spend, the cost of the Tour of Britain event, and unfunded interim costs.

Corporate Development

10.53 The Corporate Development outturn was £27.967m compared with a net budget of £29.581m, an underspend of £1.6m (5.46%).

10.54 The quarter 3 forecast indicated a £0.29m overspend, so there was an improvement of £1.90m between the last predictions reported to Cabinet and the draft outturn. The narrative below considers major variances from budgets during the year as well as any risks or other factors that need to be considered in the next iteration of the MTFP.

10.55 Finance & Commercial was £0.34m underspent, this resulted from a few key factors. Within the Revenues and Benefits service the bad debt provision was reduced, thereby releasing £1.9m. This helped offset a shortfall in court fee income of £698k

10.56 During the year the revenues and benefits service for the North Dorset and East Dorset residents was transferred from the Stour Valley & Poole Partnership (SVPP) to Dorset Council, with the SVPP service arrangements formerly ending on the 31st March 2023. The one off costs associated with the dissolution have been funded in year and the final accounts were signed off on 7th June 2023.

10.57 Across the rest of the service there were other budget variances, however, overall they largely offset each other:

External audit fee - £88k over spend
Treasury Management bank charges - £225k overspend
Pensions ICT cost saving and income shortfall – net £291k underspend
Pay related costs – £192k underspend
Insurance costs - £78k underspend

10.58 Human Resources & Organisational Development was £0.46m underspent, mainly relating to vacancies, lower corporate training spend and increased income.

10.59 Digital and Change was £0.32m underspent through vacancies across the service and additional income.

10.60 ICT Operations was £0.78m underspent through vacancies within the service and a change to the accounting for service contracts.

10.61 Business Intelligence was £0.12m underspent through vacancies within the service.

10.62 Superfast Broadband was £0.24m overspent, due to the inability to capitalise all the costs of the project.

10.63 Dorset Care Record was £0.11m was overspent, this was an identified saving, which could not be achieved due to contractual obligations.

10.64 There was a further £0.06m overspend across the other services within Corporate Development, mainly due to recruitment advertising and spend on agency staff.

Legal & Democratic Services

10.65 The Legal & Democratic outturn was £5.788m compared with a net budget of £6.274m, an underspend of £0.49m (7.75%).

10.66 The quarter 3 forecast indicated a £0.57m underspend, so there was a worsening of £0.08m between the last predictions reported to Cabinet and the draft outturn. The narrative below considers major variances from budgets during the year as well as any risks or other factors that need to be considered in the next iteration of the MTFP.

10.67 Assurance was £0.07m underspent through vacancies within the service.

10.68 Democratic Services were £0.23m underspent which was related to reduced travel spend, associated costs for Member meetings and additional income.

10.69 Legal Services were £0.24m underspent through vacancies and lower software costs/general supplies and services.

10.70 Land Charges were £0.05m overspent due to a shortfall in fee income.

Central budgets

10.71 The outturn on central budgets was £364.138m compared with a net income budget of £358.770m, a net surplus of £5.368m (1.50%).

10.72 The contingency budget was £1.4m which is released as an underspend after being held centrally to support inflation across the Council.

10.73 Capital Financing were underspent by £2.5m due to increased income from interest held on investments of £2.2m and £0.3m underspend on MRP.

10.74 Central Finance income has a net surplus of £2.1m, which is made up from the Council Tax surplus of £2.3m, offset by the Business Rates deficit of £0.2m. More information is outlined in the Collection Funds section below.

Collection funds

10.75 The in-year council tax collection rate was 96.62%, which is a slight improvement on 2021/22 (95.96%). This position has been helped by the debt recovery processes being restarted during 2022/23. The bad debt provision methodology has been revised to better reflect actual collection trends. There was a surplus of £2.3m against a budget of £296m.

10.76 The in-year business rates collection rate was 92.07%, which is slightly less than 2021/22 (93.24%). The debt recovery processes for business rates did not restart until May 2023. The bad debt provision methodology has been revised to better reflect actual collection trends. Overall, there was a shortfall of £0.206m against a budget of £55m.

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

11.1 The overspend of £1.7m for the year falls to the general fund to finance. The quarter 3 finance report indicated a £8.4m overspend, so there was an improvement of £6.7m between the last forecast reported to Cabinet and the draft outturn.

11.2 As well as covering the overspend, Council agreed that the general fund should be increased to £34.8m when approving the budget strategy in February 2023. The fund started the year with a balance of £33.2m so taken together, the £1.6m required to do this must be funded from the reorganisation of other reserves.

11.3 The impact of the outturn position on the Council's general fund and its earmarked reserves is set out below. The same analysis is used as in last year's outturn report, albeit the numbers vary marginally between the draft outturn reported to Cabinet and the audited figures.

	31/03/2022 £'000	**31/03/2023 £'000**	**31/03/2024 £'000**	**31/03/2025 £'000**	**31/03/2026 £'000**	**31/03/2027 £'000**
General Fund	(33,207)	(34,755)	(36,255)	(37,655)	(38,955)	(40,155)
Reserve purpose/ use						
Risk mitigation/alignment	(53,053)	(26,711)	(18,647)	(15,399)	(13,199)	(6,162)
Deferred grants	(24,293)	(27,448)	(8,857)	(8,078)	(7,250)	(8,570)
For investing/service provision	(14,055)	(16,357)	(6,777)	(6,680)	(6,598)	(4,845)
Accounting requirements	(30,521)	(30,682)	(20,136)	(10,730)	(5,827)	(772)
Funding (restricted eg S278)	(25,401)	(30,457)	(15,249)	(14,046)	(13,980)	(13,989)
PFI reserves	(7,727)	(6,977)	(6,343)	(5,718)	(5,095)	(4,472)
Partnerships/joint reserves	(2,261)	(1,836)	(1,921)	(1,581)	(1,421)	(1,044)
Traded services	(483)	(437)	(119)	(119)	(119)	(119)
Total earmarked reserves	**(157,794)**	**(140,905)**	**(78,049)**	**(62,350)**	**(53,489)**	**(39,974)**

12 Capital outturn and financing

12.1 The approved capital programme for the year, based on the reprofiled capital budgets report presented to cabinet on 28th March 2023, was £73.17m.

12.2 The Capital outturn as at 31 March 2023 is shown in the table below. Following final year-end adjustments spend was slightly more than profiled at £75.89m

Directorate	No of Projects	Reprofiled Project Budget (£000's)	Actual Spend (£000's)	Variance	
				Reprofiled projects (£000's)	Overspends (£000's)
Adults & Housing	14	2,294	2,954	(606)	54
Childrens	16	7,787	9,024	(1,237)	0
Place	140	57,902	55,471	4,317	965
Corporate	13	5,187	8,442	(2,019)	0
Total	**183**	**73,170**	**75,891**	**455**	**1,019**

12.3 Slippage figures represent a difference in the anticipated spend profile of a project when compared with the final spend profile for the year. Positive slippage figures will be carried forwards for spend in future years. Negative slippage figures, shown in brackets, are as a result of spend ahead of schedule.

12.4 Of the total spend; £44.1m was externally financed (mainly grants from Government). The remaining £31.8m was funded from Dorset Council's own resources.

12.5 The CIPFA Prudential Code for Capital Finance in Local Authorities sets out the conditions under which a Local Authority can incur prudential borrowing. Most borrowing is incurred through the Public Works Loan Board (PWLB) via the UK Debt Management Office (DMO) which has further restrictions on the nature of projects which allow Local Authorities to access this type of borrowing.

13 Sundry debt management

13.1 The net sundry debt position as at 31 March 2023 grew by £6.4m from the previous quarter to £39.46m.

Balance at 31/03/2023	Less than 30 days	30-90 days	90-365 days	Over 365 days
£'000	**£'000**	**£'000**	**£'000**	**£'000**
24,553	9,277	1,819	5,241	8,216
998	689	151	47	111
10,465	7,246	390	1,106	1,724
3,445	2,388	491	209	356
39,462	**19,601**	**2,851**	**6,603**	**10,406**

13.2 The Council had been expecting increases in the level of overall debt given the economic circumstances faced by residents and businesses. The Council has commissioned SWAP internal audit services to review how different services approach debt recovery to ensure that the most efficient processes are being followed.

14 Local taxation

Council tax

14.1 The value of council tax unpaid at 31 March 2022 was £35.004m. During 2022/23 £10.161m of this was collected and the balance of historic arrears was therefore reduced to £24.843m.

14.2 The value of all council tax levied in 2022/23 was £352.9m and the unpaid amount at the end of the year was £11.824m, giving an effective, in-year collection rate of 96.6%.

14.3 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 after significant periods of closure 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)

14.4 The value of business rates unpaid at 31 March 2022 was £11.718m. During 2022/23 £4.407m of this was collected and the balance of historic arrears was therefore reduced to £7.310m.

14.5 The value of all business rates levied in 2022/23 was £95.5m and the unpaid amount at the end of the year was £6.849m, giving an effective in-year collection rate of 92%.

14.6 The situation with business rates is similar to council tax and again has been a common theme for councils nationally in the circumstances we have experienced.

14.7 The Council recognises the impact that the cost-of-living increases have had and continue to have on many residents and businesses. Local taxation is at the heart of the Council's revenue stream, and we recognise the importance and legal requirements placed upon residents and businesses to pay their liabilities. On the whole Dorset residents and businesses conduct their local tax affairs effectively but the Council also recognises the need to support those in our communities who are facing financial difficulties.

14.8 The Revenues and Benefits teams work with residents and businesses to make sure they are accessing all available forms of financial support and are maximising the income they are entitled to, which in turn supports affordability. Officers also support residents and businesses to agree payment arrangements and plans to make sure liabilities are paid and outstanding amounts are recovered. For many customers, this is all that is required but some other debts need to move through the set stages of recovery and eventually, when appropriate, into more formal forms of enforcement.

14.9 The service maintains a recovery programme and reminders have been issued to both Council Tax and Business Ratepayers in 2023 as the full recovery programme escalates in a post covid environment. We manage full recovery cycles and the increase in customers showing signs of requiring support with the added pressures of the current cost of living increases.

14.10 All stages of recovery will be undertaken during the year where appropriate, but it is right to help customers reposition where they need to with reminders so that we can support and signpost at the earliest opportunity and help people set new plans when required to make payments, catch up or adjust existing payment plans.

15 Financial planning, strategy and the MTFP

15.1 The Council will shortly start the process of refreshing the MTFP and developing the budget strategy for 2024/25. Recent budget rounds have seen significant turbulence and volatility, and the backdrop to setting the budget for next year to be very similar, with uncertainty around prices, markets, and labour conditions.

15.2 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. The labour market 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.

15.3 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.

16 Summary, conclusions, and next steps

16.1 2022/23 was another challenging year financially with inflation continuing to impact on income, expenditure, and in particular the collection funds.

16.2 The medium term continues to be of concern. 2022/23 concluded in a much better financial position than had been anticipated, and despite the short-term risk being graded to high in the budget strategy paper, since then, inflationary pressures have been continuing to build in the economy and the Council will need to manage this as effectively as possible.

Aidan Dunn

Executive Director of Corporate Development

Appendix A

The table below shows the final position for the 2022/23 savings. The financial implications of this are reflected in the 2022/23 outturn figures contained in this report

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	1,492	1,492	0	0	0
Place	4,556	2,407	0	0	2,149
Central	2,500	2,500	0	0	0
Corporate	1,808	1,674	0	0	134
Total Tactical	10,556	8,073	0	0	2,483
Transformation					
Adults & Housing Services	3,805	3,705	0	0	100
Place	70	0	0	0	70
Childrens	2,828	2,528	0	0	300
Total Transformation	6,703	6,233	0	0	470
Total - Tactical and Transformation					
Adults & Housing Services	4,005	3,705	0	0	300
Childrens	4,320	4,020	0	0	300
Place	4,626	2,407	0	0	2,219
Central	2,500	2,500	0	0	0
Corporate	1,808	1,674	0	0	134
Summary Savings Plans	17,259	14,306	-	-	2,953