

# Cabinet

25 July 2023

## Quarter 1 financial management report 2023/24

### 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 2023/24 financial year, being made at the end of Quarter 1.

#### Recommendation:

Cabinet is asked to:

1. note SLT's forecast of the full year's outturn for the Council, made at the end of Quarter 1 including progress of the transformational and tactical savings incorporated into the budget;
2. note the capital programme for 2023/24;

#### Reason for Recommendation:

The Council has responsibilities to deliver within its corporate plan and it must do this within the resources made available through the revenue and capital budgets for 2023/24. This report summarises the Council's forecast financial performance for the year at the end of the first quarter.

The Council was established on 1 April 2019 as a result of local government reorganisation (LGR) in Dorset and delivered significant savings as a result. However, the ensuing pandemic and now, spiralling global inflation are bringing pressure to bear on what are essentially capped, cash-limited budgets for the

Council. Effective control and monitoring of activities and budgets has never been more important.

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

### **1. Financial Implications**

Financial implications are covered within the body of this report.

### **2. Climate Implications**

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

### **3. Well-being and Health Implications**

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

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

### **4. Other Implications**

None specific.

### **5. Risk Assessment**

Having considered the risks associated with this decision; the level of risk has been identified as:

Current Risk: Medium

Residual Risk: Medium

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.

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

Given the local and national pressures the Council is facing in the current financial year and expected continued impact over the medium term result in the S151 Officer, the Council's Chief Finance Officer establishing the current risk assessment as *medium*.

## **6. Equalities Impact Assessment**

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

## **7. Appendices**

Appendix A - Savings Plans

## **8. Background Papers**

[2022/23 draft outturn report](#)

[2023/24 budget strategy report](#)

## **9. Budget Setting 2023/24 and context**

- 9.1 2023/24 is Dorset Council's fifth year and, once again, involved setting a strategic budget and MTFP against a one-year settlement from Government. The early years of the Council have proved challenging yet positive as the organisation continues to deliver savings from reorganisation into a single unitary authority at the same time as dealing with a global pandemic and now experiencing and supporting residents and businesses through a period of sustained inflation, affecting almost all prices for businesses and individuals.
- 9.2 The Council's *budget requirement* is £347.6m and was funded from rural services delivery grant (£2.8m), new homes bonus (£1.8m), business rates (£50.2m), revenue support grant (£0.7m) and council tax (£292.1m). More detail is set out in the budget strategy report at the link above.
- 9.3 2022/23 ended with a small overspend and this brought the Council into the current year in a relatively confident planning position. As mentioned earlier and elsewhere in this report, risk remains and needs careful monitoring and reporting during the year. At the time of writing, CPI inflation in the UK has reached 8.7%. Whilst the Council made some provision for inflation in its 2023/24 budgets, and has a contingency budget to support price fluctuations, it is also important to remember that pressure on costs cannot and should not be managed by the Council alone.

- 9.4 The Council's budget is essentially fixed in cash terms and its ability to raise income is limited. There are national controls in place around council tax and business rates and ability to generate income from trading is relatively limited in the short-term as well as potentially at odds with wider economic development ambitions.
- 9.5 There are also major policy changes within our planning horizon – such as the social care funding reforms and work on education funding formulae. There is also significant political turbulence and the volatility around ministerial offices will make setting and implementing policy extremely challenging.

Overall projection

- 9.6 At the end of Quarter 1, the Council is forecasting net budget pressures of £10.247m which represents 2.9% of the Council's budget requirement (£347.6m). The variances are summarised in the table below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
			£k	%
	£k	£k	£k	%
People - Adults	147,212	150,909	(3,696)	(2.5%)
People - Children's	77,901	79,659	(1,758)	(2.3%)
Place	88,314	97,478	(9,163)	(10.4%)
Corporate Development	28,789	28,789	0	0.0%
Legal & Democratic Services	6,989	7,013	(24)	(0.3%)
Public Health	2,136	2,136	0	0.0%
<b>Total Service Budgets</b>	<b>351,341</b>	<b>365,983</b>	<b>(14,642)</b>	<b>(4.2%)</b>
Central Finance	(358,644)	(363,038)	4,395	(1.2%)
<b>Whole Authority</b>	<b>(7,302)</b>	<b>2,945</b>	<b>(10,247)</b>	
Dedicated Schools Grant budgets	7,302	14,180	(6,877)	

More detail on the specific Directorates is set out in the following paragraphs.

## Children's Services

- 9.7 The Children's Services forecast is £79.659m compared with a net budget of £77.901m an overspend of £1.758m (2.3%).
- 9.8 Most of the overspend sits within Care and Protection, the social services side of the directorate, partially compensated through the Social Care grant, announced in the Autumn 2022 statement.
- 9.9 Dorset is part of the temporary mandate National Transfer Scheme, accepting transfers of children into our care to provide crucial placements for up to 67 children (Dorset's threshold and subject to change).
- 9.10 The National Transfer Scheme provides a degree of funding to support unaccompanied children, however this mainly covers the direct placement costs. The funding varies depending upon the number of unaccompanied children, the age of the child or young person and whether the child is part of the National Transfer Scheme. Supporting unaccompanied asylum-seeking children (UASC), or unaccompanied children, is forecast to cost Dorset a total of £0.8m which results in an overspend of £0.5m. This excludes officer time.
- 9.11 Costs other than for the placement include additional social worker and Quality Reviewing Officer costs to maintain caseloads, interpreter fees, travel costs and support function costs.
- 9.12 At the end of June, Dorset were claiming for 71 current unaccompanied children and young people. 39 of the unaccompanied young people were over 18.
- 9.13 The support required to meet the needs of children who are disabled is forecast to overspend by £0.8m. This predominantly is for other services that are not direct payments or for short breaks. The cause is a mixture of inflation, increased complexity and a possibly the difficulty finding providers through the direct payment mechanism.
- 9.14 At the end of Quarter 1, only one transformation saving is rated as red. This is £0.8m for the Birth to Settled Adulthood project. £1m of transformational savings are defined as amber and £2.4m are rated green. The Children's Services Transformation team monitor and review the progress of these projects monthly.
- 9.15 Pressure on external placements for our children in care population remains, however this has largely been offset by the Social Care grant. Dorset is not forecasting budgetary pressures using agency social workers.
- 9.16 This is forecast outturn position at the end of the first quarter in what could be a changeable year. The main risks for Children's Services, that may further impact the outturn position, are: inflation (including cost of living upon the children and families we support as this may increase demand), delivering capital projects on time and budget (there are revenue

implications for late projects), new placements and placement changes, delivery of transformation and tactical savings and legislative changes (i.e. Care Review, SEND reforms although the impact is likely to be felt in future years.

#### Adults Services & Housing

- 9.17 The Adults Services & Housing forecast is £150.909m compared with a net budget of £147.212m, an overspend of £3.696m (2.5%).
- 9.18 The forecast overspend within Adult Care Packages is £2.185m and is based on the current cohort of adults being supported. As with any demand-led service, it is challenging to completely predict the future demand at this early stage of the budget cycle. Packages are reviewed via Corporate Directors as per the scheme of delegation for oversight and rigour.
- 9.19 The current forecast overspend relates to the Learning Disabilities cohort. Since the budget was set there has been an increase in the demand for residential placements which is reflected in the forecast. There were a few providers who exited from the supported living market at short notice which led to interim residential placements with onward plans in place to transfer back to community-based provision. Work is well developed to support the pathway into community-based placements through the following programmes of work.
1. **Dorset Care Framework** – A Joint commissioning framework for care and support providers. The aim is to encourage more Providers to be a part of the Dorset Care Framework and sign up to our fee rates therefore reducing the amount of spot purchases within the market.
  2. **Accommodation with support** – working with registered housing providers to develop greater extra care and supported living housing to residents.
- 9.20 The Directorate has a savings programme in place to deliver £8.773m which will also support demand management and manage spend. At this stage £5.601m (64%) have been achieved and it is assumed that the remaining savings will be achieved.
- 9.21 Housing is currently forecasting an overspend of £1.502m. 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.

9.22 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, this is a nationally set rate (meaning that the cost of the shortfall is picked up by the Council). Current rates are as follows and the current forecast cost for the Housing subsidy shortfall is £2m against a £1m budget: -

Shared Accommodation Rate	<b>£80 per week</b>
One Bedroom Rate	<b>£119.67 per week</b>
Two Bedroom Rate	<b>£149.59 per week</b>
Three Bedroom Rate	<b>£182.96 per week</b>
Four Bedroom Rate	<b>£241.64 per week</b>

9.23 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 1000 a year) but are not sufficient to meet demand.

9.24 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.

#### Public Health

9.25 The public health grant for 2023/24 for BCP Council is £21.288m and for Dorset Council is £15.090m. Agreed local authority contributions for the year gave a shared service budget of £26.298m after retained amounts.

9.26 Forecast at Quarter 1 for the shared service is currently £200-250k overspent. This is largely due to pick up of fixed term posts previously funded through COMF; as these costs become clearer there is agreement that these will be covered through the existing public health reserves. It is anticipated that after taking account of these reserves, by year end the shared service will break-even.

## Place Directorate

- 9.27 The overall forecast for Place Directorate for Qtr 1 is a projected adverse position of £9.16m (10.4%), with the projection of £97.47m net spend against a net budget of £88.31m. The issues are discussed in more detail below but generally fall into these categories:
1. Demand led spend (e.g. Dorset Travel)
  2. Market costs in excess of the 6% inflationary uplift (e.g. Dorset Travel, Waste contracts)
  3. Inability to reach 5% uplift on fees and charges income
  4. Slippage of savings targets
- 9.28 The Assets and Regeneration forecast of overspend is now an adverse forecast of £1.317m. A number of tactical savings are in progress but proving challenging, with a total adverse variance of £631k against total tactical savings target of £1.181m (reduction in interims spend, backdated rent reviews, reduction in property running costs through disposals). There are some tactical savings issues from prior years that are unachievable (£149k). There is also difficulty with income budgets in respect of rental income (£355k).
- 9.29 The Highways forecast remains stable at an adverse £784k, which mostly relates to car parking. This is an estimate and, as always, the forecast for car parking is affected by visitor numbers, customer behaviour, resident permits etc and will need ongoing monitoring. It is hoped that this adverse variance will improve as the fleet of new parking machines continues to be rolled out during summer. There is a minor cost saving expected in relation to vacant position in the Highways Infrastructure teams.
- 9.30 Overall in Planning, there is a £788k forecast adverse variance. The variance primarily relates to the current experience of poor income levels. The forecast assumes no overspend on agency staff, which was an issue in 2022/23. Planning budgets, like all budgets, were subject to a corporate 5% uplift on income targets but are largely reliant upon central government for uplifting the fee levels – further detail is awaited.
- 9.31 The Dorset Travel position is a forecast of an adverse £3.428m. Despite the injection of funds from unbudgeted BSIP (Bus Service Improvement Plan) grant of £880k and £400k of COMF funding, the forecast adverse variance is a reflection of ongoing cost pressures in the market and volumes, in relation to all aspects of Dorset Travel services. There remains concern that there may be demand uplifts and price uplifts to come that are not yet reflected in the forecast.



- 9.32 The Environment and Wellbeing service have a forecast adverse variance of £288k. The main pressures remain similar to those reported during the last financial year: income at leisure centres, costs pressures on utility costs (especially leisure centres), and costs due to dealing with ash tree die-back.
- 9.33 Community and Public Protection have a forecast adverse variance of £290k. Predicted high expenditure in relation to high profile cases being undertaken by the Coroner service accounts for the biggest element of this at £150k, in addition to an ongoing saving target of £70k not yet achieved in relation to Regulatory Services (but due for achievement in 2024/25).
- 9.34 Waste – Commercial and Strategy is forecasting an adverse variance of £1.783m. The main issues driving the forecasted overspends are a significant increase in the DMR (Dry Mixed Recyclate) gate fee, although this has partially been offset by a current favourable market for recycled glass. In addition, there is an inflation pressure across all of the Waste Disposal contracts, where there has been a contractual indexed linked uplift applied in excess of the centrally funded inflation built into the base budget. There are also a number of newer cost pressures in this service, notably the imminent scrapping of household DIY waste charges at Household Recycling Centres (HRCs) – an estimated 6 month part year pressure of £250k, as well as significant excess costs relating to the disposal, haulage and management of POPs (Persistent Organic Pollutants).
- 9.35 Waste Operations is showing an adverse variance of £334k. £150k of this is an income shortfall for external MOTs that is at risk. This forecast overspend also includes the unbudgeted costs of leased sweepers at £142k which cannot be released as yet due to operational requirements. There is a favourable forecast on vehicle fuel prices at £250k following the lower diesel unit price compared to the same period a year ago. The balance is unfunded expenditure relating to resources.
- 9.36 Customer Services, Libraries and Archives is forecasting to underspend by £237k. This underspend mainly relates to activity supporting the Homes for Ukraine scheme - being funded by the central government grant. Additional underspends are forecasted due to salary savings on vacant posts.
- 9.37 The Directors Office forecast is an adverse variance of £495k, mainly as an estimate of slippage on the Customer Transformation Project saving target.

- 9.38 The Superfast Broadband budgets have now been moved into the Place hierarchy. There is a forecast £115k favourable variance due to savings on salaries, alongside additional income and funding streams. Going forward, Superfast Broadband should be reported for as part of the Growth & Economic Regeneration service within Assets & Regeneration.

#### Corporate Development

- 9.39 There are no material variances within Corporate Development and the forecast is in line with the budget of £28.789m at the end of quarter one.

#### Legal & Democratic Services

- 9.40 The Legal & Democratic forecast is £7.013m compared with a net budget of £6.989m, an overspend of £24k (0.34%).
- 9.41 The Land Charges service is forecasting an income shortfall of £25k, which is largely due to reduced demand for searches as the housing market slows. The number of searches processed, and income trend is being closely monitored each month.

#### Central budgets

- 9.42 The forecast for central budgets is £363.038m compared with a net income budget of £358.644m, is a net forecast surplus of £4.395m (1.2%).
- 9.43 Central Finance is showing a £3.26m underspend as there is a council tax surplus forecast of £1.8m and NNDR forecast of £1.4m.
- 9.44 There is currently £8.6m held in contingency, and this has been earmarked as follows:
- £4.0m earmarked for potential additional cost of national pay award
  - £2.6m earmarked for inflation pressures
  - £2.0m remains unallocated

#### Dedicated Schools Grant (DSG)

- 9.45 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.
- 9.46 There are four blocks within the DSG: Schools Block (SB), Early Years Block (EYB), High Needs Block (HNB) and Central Services Schools Block (CSSB).

- 9.47 Dorset's DSG allocation is £316m before recoupment including additional grants and the use of the Growth Fund reserve. The quarter one permitted overspend position is £6.87m. This is the position stated in the original Safety Valve agreement signed in February 2022.
- 9.48 For context, the 2022-23 outturn was £19.96m against a required DSG Safety Valve agreed overspend of £10.4m.
- 9.49 As a result of the financial position the Department for Education (DfE) have requested production of a revised recovery plan by 31 August 2023. This recovery plan is part of the Council's Enhanced Monitoring and Support programme and is supported by DfE advisors. This work seeks to identify a future year HNB break-even point and therefore cumulative deficit position. Until this has been completed, the position from the original agreement will be reported.
- 9.50 This is a national issue. The chair of the Association of Directors of Children's Services' resources and sustainability policy committee said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn.". This was a 2022 position, and the national cumulative deficit is likely to have increased.

## **10 Progress against budgeted savings**

- 10.1 In setting the budget strategy for 2023/24, the Council closed a budget gap of £29m. The subsequent reports to Cabinet and Full Council set out how the gap was calculated and subsequently closed. Part of that process involved identification of transformational and tactical savings.
- 10.2 Appendix 1 sets the summary of the progress being made against the transformational and tactical savings and risk rates the achievement of savings. The shortfalls classified as red total (£3.3m) are included in the forecast – ie they are assumed not to be delivered in 2023/24.
- 10.3 At this stage, the forecast assumes all other savings will be achieved, though clearly this may change as the Council progresses through the year. There is a further £5.3m of savings currently RAG-rated as amber which will need to be delivered.

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

- 11.1 The 2022/23 draft outturn report set out Cabinet's agreed, strategic approach to reserves management. Dorset Council therefore started the current financial year with a general fund balance of £34.8m and a further set of aligned, earmarked reserves was summarised in that document.

- 11.2 Any overspend for the year falls to the general fund to finance, although the Council has a contingency budget of £8.6m in place, established during the budget process for the current year and this will help mitigate some volume of price increases and unforeseen events with financial impact.
- 11.3 However, whilst the Council's position is sound and gives a good starting point for the development of the MTFP, the issue of the accumulated overspend on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) remains.

## 12 Capital programme and financing

- 12.1 The capital strategy and capital programme for the MTFP period, which totalled almost £350m, was agreed by Cabinet in March 2023.
- 12.2 The 2022/23 capital outturn was reported to Cabinet in June 2023 and the result of that was that there was programme slippage into 2023/24 of £455k. This, along with the approved budget and updates since that date, mean a programme of £349.9m for the next five years, as summarised in the table below.

Capital Programme	Budget					Total Budget 23/24-27/28
	2023/24	2024/25	2025/26	2026/27	2027/28	
Full external funding	11,702	400	665	377	0	13,144
Partial external funding	65,791	11,185	0	0	0	76,976
Partial external funding	0	22,764	18,097	17,603	0	58,464
Council funded	52,610	27,717	29,194	40	(10,400)	99,161
Funded from other Reserves	0	0	0	0	0	0
Capital Receipts Applied	1,000	9,100	1,000	1,000	1,000	13,100
Minimum Revenue Provision	10,053	12,553	13,953	15,103	17,000	68,662
Self Funded	12,132	2,565	2,565	2,565	600	20,427
<b>Total funding</b>	<b>153,288</b>	<b>86,284</b>	<b>65,474</b>	<b>36,688</b>	<b>8,200</b>	<b>349,934</b>

- 12.3 The spend against the programme of £153.3m at 30 June 2023 was £10.3m (7%). The programme is under continuous review to monitor the progress of all approved projects and to identify any issues that may impact on the overall programme. Where slippage is identified the project budgets will be reprofiled within the overall programme.

12.4 The project budgets for the current year are outlined below;

<b>Project spend</b>	<b>No. of projects</b>	<b>Project Budget £,000</b>	<b>Actual spend £,000</b>	<b>Variance £,000</b>	<b>% Spent</b>
Adults & Housing	14	13,580	148	13,432	1%
Childrens	18	16,580	1,835	14,745	11%
Place	137	118,398	7,926	110,472	7%
Corporate	8	4,730	386	4,344	8%
<b>Total</b>	<b>177</b>	<b>153,288</b>	<b>10,296</b>	<b>142,992</b>	<b>7%</b>

12.5 Changes to the Capital scheme since the quarter 4 outturn report include the following items.

12.5.1 There has been re-profiling of £5.7m into future years to more accurately reflect the timing of spend. This includes Adults Care Homes £3.7m; SOCA Board programme £1.0m, A354 Corridor Transport Improvements £0.5m and Weymouth Harbour & Esplanade FCRM Scheme of £0.5m.

12.5.2 There has also been new external funding of £23.2m confirmed, most significantly £21.2m relating to the Local Transport Plan programme of works.

12.5.3 On 20<sup>th</sup> June 2023 Cabinet approved a paper titled 'Use of Compulsory Purchase Powers for land adjacent to Blandford Heights Industrial Estate'. Based on the latest cost estimates for this project funding from the East Dorset Household Recycling centre will be repurposed in order to fund the delivery of the site at Blandford. Given the timing of the Cabinet decision, this virement of funds between projects will form part of the quarter 2 financial management paper presented to Cabinet.

12.6 It is too soon to forecast what level of slippage we might anticipate into future years, but it is unlikely that all aspects of the programme will be deliverable this year based on the current rate of spend.

12.7 The position on the capital programme is reviewed by the Capital Strategy and Asset Management Group (CSAM) during the year.

### 13 Sundry debt management

13.1 The net sundry debt position at 30 June 2023 was £47.2m, this is an increase of £4.8m when compared to the quarter one position in 2022/23. A significant proportion of the debt owed £30.9m (66%) is more than 30 days old.

13.2 The breakdown of the current sundry debt is as follows:

Directorate	Balance	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	25,131,737.92	1,530,459.15	8,857,653.33	6,010,364.04	8,733,261.40
Children's Services	1,106,291.22	423,954.16	330,395.36	223,825.65	128,116.05
Place	12,509,127.25	7,258,269.93	520,598.56	3,398,574.89	1,331,683.87
Corporate	8,453,191.85	7,069,546.26	329,790.30	843,633.79	210,221.50
<b>Grand Total</b>	<b>47,200,348.24</b>	<b>16,282,229.50</b>	<b>10,038,437.55</b>	<b>10,476,398.37</b>	<b>10,403,282.82</b>

13.3 The increase in the level of debt is not entirely unexpected given the cost-of-living crisis that is impacting across the country. The SWAP internal audit service has identified opportunities for improvement within the debt collection process and management is currently reviewing its approach.

### 14 Council tax and business rates debt management

#### Council tax

14.1 The value of council tax debt raised in 2023/24 is £368.7m and £106.8m has been collected to date. The collection rate at 30 June 2023 is 28.96%, which is a slight improvement on the quarter one position in the previous year of 28.80%.

14.2 The collection and recovery processes have resumed after significant periods of closure/delay during the pandemic and the Council remains confident that arrears will reduce, and collection rates will continue to improve.

14.3 At the end of 2022/23 the arrears were £36.7m and in the first quarter of this year £2.7m (7%) has been collected.

#### Business rates (non-domestic rates – NDR)

14.4 The value of business rates debt raised in 2023/24 is £95.2m and £31.6m has been collected to date. The collection rate at 30 June 2023 is 33.16%, which is an improvement on the quarter one position in the previous year of 28.82%.

14.5 This position reflects the impact of resuming the collection and recovery processes and some changes to our internal processes to ensure all Dorset Council liabilities are paid.

14.6 At the end of 2022/23 the arrears were £14.2m and in the first quarter of this year £2.7m (19%) has been collected.

## **15 Financial planning, strategy and the MTFP**

15.1 The Council has already started the process of refreshing the MTFP and developing the budget strategy for 2024/25 which as well as meeting new pressures, will also need to deal with any ongoing pressures from 2023/24. Recent budget rounds have seen significant turbulence and volatility, and the backdrop to setting the budget for next year is likely to be very similar, with uncertainty around prices, markets and labour conditions.

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. Labour supply 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 2023/24 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 £10.2m budget pressure.

16.2 The Council has set aside contingency funding to manage some of this risk, but a prolonged period of inflation could jeopardise the prospect of improvements in the latter part of the financial year. It is vital that the Council remains focused on living within its means, and in particular ensuring that the savings and efficiencies identified in the 2023/24 budget are achieved.

16.3 The information contained within this report will form basis of the starting position for the 2024/25 budget setting process, which will once again prove to be extremely tough as the Council seeks to achieve its priorities whilst meeting the growing cost of demand, all from within limited funds.

Aidan Dunn

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

## Appendix A

2023/24 Savings Plans	Officer assessment on savings target				
		Green	Amber	Amber 2	Red
	£000's	£000's	£000's	£000's	£000's
Adults & Housing	8,773	5,446	3,327	0	0
Childrens	4,235	2,435	1,000	0	800
Place	5,119	1,731	0	855	2,533
Central	1,888	1,888	0	0	0
Corporate	118	33	0	85	0
<b>Total Savings</b>	<b>20,133</b>	<b>11,533</b>	<b>4,327</b>	<b>940</b>	<b>3,333</b>

