

Audit & Governance Committee

13 November 2023

Quarter 2 financial management report 2023/24

For Review and Consultation

Portfolio Holder: Cllr G Suttle, Finance, Commercial & Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Sean Cremer
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Report Status: Public

Brief Summary:

All financial management reports come to the Committee for review following the Cabinet meeting at which they are presented. The report contained in the appendices, Quarter 2 financial management report 2023/24, was presented to Cabinet on 7th November 2023.

Recommendation:

Members are asked to note the continuing pressures on the Council's budget.

Members are asked to comment on further work or review they would like to see carried out to improve any aspect of the Council's financial management, performance or position.

Reason for Recommendation:

Review of the organisation's performance against budget is a key aspect of this Committee's role.

1. Financial Implications

Financial implications are covered within the appended report.

2. Climate Implications

The climate implications are covered within the appended report.

3. Well-being and Health Implications

The well-being and health implications are covered within the appended report.

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

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 *high*. More detail is available in the appended report.

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 1 – Cabinet Report: Quarter 2 financial management report 2023/24

8. Background Papers

[2022/23 draft outturn report](#)

[2023/24 budget strategy report](#)

Cabinet

7 November 2023

Quarter 2 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

Report Author: Sean Cremer
Title: Corporate Director – Finance and Commercial
Tel: 01305 228685
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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 2.

Recommendation:

Cabinet is asked to:

1. note SLT's forecast of the full year's forecast outturn for the Council, made at the end of Quarter 2 including progress of the transformational and tactical savings incorporated into the budget;
2. Identify the priority areas for changes to be made to close the in-year budget gap;
3. Agree that Portfolio Holders will work with officers to continue to identify and develop further in-year efficiencies and savings to minimise use of reserves;
4. note the capital programme for 2023/24 and updated capital plan for 2023/24 – 2027/28;

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 second quarter.

The operating environment for Local Authorities across the UK remains challenging given the ongoing impact through the recovery phase of the pandemic as well as international conflict driving inflation. These external factors are bringing pressure to bear through increased demand, rising costs and reducing funding. As a result 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 Council plan's priorities, and to that the organisation remains in good financial health and is sustainable. The Council makes a significant contribution 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 a responsibility which should not be taken lightly.

9. Financial Implications

Financial implications are covered within the body of this report.

10. 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.

11. Well-being and Health Implications

The Council's has total service budgets of £353.7m, of which £225.5m (64%) is spent within the Adults & Housing and Children's directorates which aims to improve aspects of well-being and health across Dorset. Further resources are available through the Public Health Ring Fenced Grant allocation of £15m.

12. Other Implications

None specific.

13. Risk Assessment

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

Current Risk: High

Residual Risk: High

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 *high*.

14. Equalities Impact Assessment

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

15. Appendices

Appendix A - Savings Plans

16. Background Papers

[2022/23 draft outturn report](#)

[2023/24 budget strategy report](#)

17. Budget Setting 2023/24 and context

17.1 For 2023/24 Dorset Council once again set a strategic budget and MTFP against a one-year settlement from Government.

17.2 The Council's *budget requirement* is £347.6m and was funded from:

- Council tax (£292.1m)
- Business rates (£50.2m)
- Rural services delivery grant (£2.8m)
- New homes bonus (£1.8m)
- Revenue support grant (£0.7m)

More detail is set out in the budget strategy report at the link above.

17.3 2022/23 ended with an overspend. As mentioned earlier and elsewhere in this report, risk remains and needs careful monitoring and reporting during the year. The latest Office for National Statistics data published on 18th October 2023 reported that CPI inflation in the UK has reached 6.7%. 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.

17.4 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.

17.5 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

- 17.6 At the end of Quarter 2, the Council is forecasting net budget pressures of £11.985m which represents 3.4% of the Council's budget requirement (£347.6m). The variances are summarised in the table below.
- 17.7 Overall the quarter 2 position has worsened by £1.6m since quarter 1 of 2023/24, despite improvements within a number of directorates and service, and receipt of new grant funding such as the Market Sustainability funding.
- 17.8 Any overspend at the end of the year will need to be met from the Council's reserves. Section 11 of this report provides more information about the current reserve position.

Directorate	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend		Change since Q1
			£'000	%	
People – Adults & Housing	147,714	150,568	(2,855)	(1.9%)	842
People - Children's	77,791	81,108	(3,316)	(4.3%)	(1,558)
Place	89,819	103,438	(13,619)	(15.2%)	(4,341)
Corporate Development	29,021	28,093	928	3.2%	928
Legal & Democratic Services	6,989	6,700	289	4.1%	313
Public Health	2,377	2,377	0	0.0%	0
Total Service Budgets	353,711	372,284	(18,573)	(5.3%)	(3,817)
Central Finance	(361,018)	(367,606)	6,588	(1.8%)	2,193
Whole Authority	(7,307)	4,679	(11,985)		(1,623)
Dedicated Schools Grant budgets	7,307	31,934	(24,627)		

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

Children's Services

People Services - Children	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Change since Q1
	£'000	£'000	£'000	%	
Quality Assurance	2,625	2,774	(148)	(5.7%)	(133)
Care & Protection	57,441	59,912	(2,472)	(4.3%)	(1,562)
Commissioning and Partnerships	4,034	4,827	(794)	(19.7%)	3
Director's Services	2,732	2,607	125	4.6%	125
Education and Learning	11,663	11,691	(28)	(0.2%)	8
DSG Recharges	(704)	(704)	0	0.0%	0
Total Directorate Budget	77,791	81,108	(3,316)	(4.26%)	(1,558)

Dedicated Schools Grant budgets	7,307	31,934	(24,627)		
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- 17.9 The Children's Services forecast is £81.1m compared with a net budget of £77.79m an overspend of £3.3m (4.3%).
- 17.10 Within Care and Protection there is a £2.472m overspend after applying the Social Care grant, announced in the Autumn 2022 statement.
- 17.11 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).
- 17.12 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. Unaccompanied Asylum Seeking Children (Pre and Post 18) are forecast to cost £0.45m more than the Government Grant that will be received. Supporting young people post 18 and interpreters are the main cost pressures. This excludes officer time.
- 17.13 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.
- 17.14 The support required to meet the needs of children who are disabled is forecast to overspend by £0.77m. 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.

- 17.15 At the end of Quarter 2, only one transformation saving is rated as red. This is £0.8m for the Birth to Settled Adulthood project. £0.6m of transformational savings are defined as amber and £2.8m are rated green. The Children's Services Transformation team monitor and review the progress of these projects monthly.
- 17.16 When comparing historic trends, excluding Unaccompanied Asylum Seeking Children, since September 2020 the number of Children in Care (CiC) has reduced from 475 to 402. The net weekly costs have reduced from £555k to £549k, which demonstrates the extent to which continued increasing placement costs is impacting the financial position of the service.
- 17.17 Pressure on external placements for our children in care population remains, however this has largely been offset by the Social Care grant. The impact of inflation, over the budget allocated in the budget, is estimated to be around £1.1m. Dorset is not forecasting budgetary pressures using agency social workers.
- 17.18 This is not an issue Dorset are experiencing alone. A joint letter from The Association of Directors of Children's Services, Local Government Association and Solace, addressed to the Permanent Secretary at the Department for Education, states:
- "DfE data (2022) revealed that £3,672 million was spent on in-house and independent fostering and children's homes placements in 2020/21, which has increased by 37.5% since 2015-16 (not real terms). The corresponding increase in the number of children in care was only 14.8%. Rising costs of private residential placements accounted for a significant proportion of this, with costs increasing by 90.56% during this period, while LA placements only increased by 18.8%."*
- 17.19 This is the forecast outturn position at the end of the second quarter in what is to 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, including the delivery of the Families first for children pathfinder programme, announced in July 2023.

Adults Services & Housing

People Services – Adults & Housing	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend		Change since Q1
			£'000	%	
Adult Care Packages	117,417	118,355	(938)	(0.8%)	1,248
Adult Care	15,313	15,348	(36)	(0.2%)	36
Commissioning & Improvements	7,562	7,561	1	0.0%	(30)
Directorate Wide	2,351	2,351	0	0.0%	(1)
Housing & Community Safety	5,071	6,954	(1,882)	(37.1%)	(412)
Total Directorate Budget	147,714	150,568	(2,855)	(1.93%)	842

17.20 The Adults Services & Housing forecast is £150.568m compared with a net budget of £147.714m, an overspend of £2.855m (1.93%).

Adult Social Care

- 17.21 The total Adult Social Care forecast is £144.0m compared with a net budget of £143.028m, an overspend of £0.974m (0.68%).
- 17.22 The forecast overspend within Adult Care Packages is £0.938m and is based on the current cohort of adults being supported.
- 17.23 Across the Country demand pressure across Adult Care Packages spend is being experienced and since April 2023 in Dorset, an additional 145 people are receiving care above the financial baseline set at the start of the year. Meaning the average weekly gross cost of care being provided has risen from £3.2m in April to £3.4m in September 2023. This gross cost is before client contributions, joint funding or Continuing Health Care, so the net cost to the Council is somewhat reduced when factoring this in and we can see that we have also seen an increase in income over the last 6 months.
- 17.24 Social care reform has placed new responsibilities on Adult social care for market sustainability with new money provided to make progress in building sufficiency of supply. Further, analysis of the data supplied to us by the Department of Health & Social Care provides a positive view on how Dorset Council has taken a balanced approach to using its Market Sustainability & Improvement Funding. Our average increase in fee rates for providers shows us as exactly at the average point for both CIPFA comparators and the southwest region.

	Apr'23	Sept '23	Change
Clients	3,908	4,053	+145
Average weekly cost	£825	£838	+£13
Total weekly cost	£3,224,178	£3,396,536	+£172,357

- 17.25 This means that at the start of the year the estimated gross cost of providing 1-year of care for all the clients would have been £168m. At the end of September, the estimated gross cost for providing care for a full year would be £177m. This would equate to approximately £9m increase in the gross cost of care less the forecast income of 25% £2.25m, meaning there could be a £6.75m pressure in year. It is important to note that not all individuals will stay within the care system for the full year and individuals needs change. Comprehensive planned work as set out in the Directorates transformation plan is set to manage the potential pressure for the remainder of 2023/24 and into 2024/25.
- 17.26 During Q2 the Directorate received the expected £2.595m Market Sustainability Improvement Grant which has supported the Councils plans around Market Sustainability.
- 17.27 Overall there is an improvement on the Q1 forecast of £1.248m.
- 17.28 The main risk for the ASC budget is growing demand and in particular the support as part of the ICS for rapid hospital discharge to relieve pressure across the acute system. Strike action across the health system has also put additional pressure on service with planning and mitigation arrangement adding additional strain to operational management arrangements over the last 6 months, as well as disrupting the hospital discharge process.
- 17.29 In year the savings programme in place is set to deliver £8.773m. At this stage £6.944m (79%) have been achieved and it is assumed that the remaining savings will be achieved.

Housing

- 17.30 The Housing forecast is £6.954m compared with a net budget of £5.071m, an overspend of £1.882m (37.1%). The forecast has increase in Q2 to reflect the current data with a forecast shortfall of £2.5m. This is adverse because of the increased demand and increased charges and rents for such accommodation.
- 17.31 There has been a sharp increase in people presenting to the Council as homeless, or at risk of homelessness during the past year. This is in line with trends across the country, with rising budget pressures and variances being higher in many authorities. Demand is running at between 300 and 400 households presenting as homeless every month, which is 17%

higher than last year. Around 100 households join the Housing Register every month. There is also a rise in demand for supported or specialist accommodation, including mental health referrals, care leaver needs, and hospital discharge requirements.

- 17.32 There is a shortage of private rented housing being available and rents are rising well above inflation. This is also leading to temporary accommodation costs rising above inflation and leading to the variance. Performance in reducing reliance on bed and breakfast usage is strong, with that reducing to 80, currently, but unit costs are higher across all of the 350 temporary accommodation placements, so is maintaining higher budget impact. Work to prevent homelessness is also strong, but is not able to fully mitigate the larger cost position – as experienced across the country.
- 17.33 The gap between B&B charges and what can be recovered from Housing Benefit is widening (the Local Housing Allowance cap is still frozen at 2011 rates, so any rise in charges means that the ‘subsidy gap’ widens and the Council has to pay). The rise in family homelessness and use of B&B makes this worse due to the subsidy arrangements only applying to one room, and second and third rooms being charged entirely to the Council.
- 17.34 Continuing work is under way to prevent and alleviate rising housing pressures. This includes leveraging in Government grants, securing effective commercial arrangements with providers, working with partners and making best use of resources.

Public Health

- 17.35 The current shared service budget is £26.539m with a forecast overspend of £0.056m.
- 17.36 Assumptions that underlie the position are:
- i. Clinical Treatment Services – the award of the drugs and alcohol contract from October 2023 is included, and the impact of separate drug and alcohol grants that cover some areas of spend. Sexual Health requirements around Pre-Exposure Prophylaxis (PrEP) are included within the forecast.
 - ii. Early intervention – the agreed increase in contract value is reflected.
 - iii. Health Improvement – delivery of NHS Health Checks and adult obesity has increased, but smoking cessation activity in the community decreased. In LiveWell Dorset staffing costs. Income from NHS Dorset supports the Treating Tobacco Dependency work.
 - iv. Health Protection and Healthy Places – forecast overspend is due to planned non-recurrent schemes.

- v. Public Health Intelligence – forecast overspend is due to a combination of one-off schemes and fixed term staffing costs, previously covered by COMF. These posts end March 2024.
- vi. Resilience and Inequalities – additional income from partners supports specific pieces of work. We also funded further non-recurrent schemes.
- vii. Public Health Team (and operational costs) – likely impact of the latest 23/24 pay award offer included in the forecast.

Place Directorate

Place Services	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Change since Q1
	£'000	£'000	£'000	%	
Assets and Regeneration	2,429	4,098	(1,668)	(68.7%)	(352)
Highways	3,300	5,955	(2,655)	(80.4%)	(1,870)
Planning	4,693	5,127	(434)	(9.2%)	354
Travel	27,754	34,687	(6,933)	(25.0%)	(3,505)
Business Support	1,849	1,807	42	2.3%	50
Environment and Wellbeing	7,373	7,577	(204)	(2.8%)	85
Community and Public Protection	3,445	3,759	(315)	(9.1%)	(24)
Waste - Commercial & Strategy	14,597	15,420	(822)	(5.6%)	961
Waste - Operations	15,791	16,054	(262)	(1.7%)	72
Customer Services, Library Services and Archives Services	8,441	8,214	226	2.7%	(11)
Directors Office	146	741	(595)	(407.7%)	(100)
Total Directorate Budget	89,819	103,438	(13,619)	(15.16%)	(4,341)

17.37 The forecast for Place Directorate for quarter 2 is a projected adverse position of £13.619m (15.2%), with the projection of £103m net spend against a net budget of £90m. This is a deterioration of £4.3m since quarter 1.

17.38 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 achieve budgeted income from current levels of fees and charges
4. Slippage of savings targets

Assets and Regeneration

17.39 The Assets and Regeneration forecast of overspend is now an adverse forecast of £1.668m.

17.40 A number of savings are in progress but proving challenging, with a total shortfall of £731k against total savings target of £1.306m. Savings were to be delivered through a reduction of spend on interim staff, rent reviews, reduction in property running costs through disposals as well as other minor savings.

17.41 Income shortfalls are forecast in respect of rental income (£405k), income at County Hall car park (£143k) and income recovery from the capital programme (£100k).

Highways

17.42 The Highways forecast has worsened by £1.87m and is now forecasting an overspend of £2.655m, which mostly relates to car parking income. Following the conclusion of the main visitor season, it is clear that current activity means there will be a significant gap between the budget set and the actual levels of income being received.

Planning

17.43 Overall in Planning, there is a £434k forecast adverse variance. The variance primarily relates to the current experience of poor income levels. The forecast assumes no overspend on agency staff. Central government have now confirmed a national uplift to planning fees from 1st April 2024.

Dorset Travel

- 17.44 The Dorset Travel position is a forecast of an overspend of £6.933m. After applying a £1.2m of new funding during quarter 2, the position has still worsened since quarter 1 by £3.5m.
- 17.45 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. This area is the subject of considerable focus by SLT and Transformation resources.

Environment and wellbeing

- 17.46 The Environment and Wellbeing service have a forecast overspend of £204k. 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.

Community and Public Protection

- 17.47 Community and Public Protection have a forecast adverse variance of £315k. 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).

17.48 Waste – Commercial and Strategy

- 17.49 Waste – Commercial and Strategy is forecasting an overspend of £822k. 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) as well as significant excess costs relating to the disposal, haulage and management of POPs (Persistent Organic Pollutants). These adverse forecasts are partially offset by good forecasts for Garden Waste and Trade Waste income.

Waste Operations

17.50 Waste Operations is forecasting an overspend of £262k. £150k of which 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 following the lower diesel unit price compared to the same period a year ago. The balance is unfunded expenditure relating to resources.

Customer Services, Libraries and Archives

17.51 Customer Services, Libraries and Archives is forecasting to underspend by £226k. This underspend mainly relates to activity supporting schemes such as the Homes for Ukraine scheme - being funded by the central government grant. Additional underspends are forecasted due to salary savings on vacant posts.

Director's Office

17.52 The Director's Office forecast is an adverse variance of £595k, mainly as an estimate of non-delivery of the Our Future Council Project saving target but also including £100k of unbudgeted costs in relation to the (cancelled) Tour of Britain 2022.

Corporate Development

Corporate Development	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend		Change since Q1
			£'000	%	
Directors Office	215	211	3	1.6%	3
Financial & Commercial	8,938	8,731	207	2.3%	207
Human Resources & Organisational Development	3,469	3,218	251	7.2%	251
Transformation, Innovation, Digital & Ecological	3,862	3,756	106	2.7%	106
ICT Operations	8,552	8,242	309	3.6%	309
Communications and Engagement and Community Grants	2,842	2,806	36	1.3%	36
Chief Executive's Office	1,143	1,129	15	1.3%	15
Total Directorate Budget	29,021	28,093	928	3.20%	928

17.53 The **Corporate Development** forecast is £28.093m compared with a net budget of £29.021m, an underspend of £928k (3.20%). In an attempt to support the Council's budget position, Corporate Development have implemented a number of spend control measures.

17.54 **Finance & Commercial** is forecasting an underspend of £207k. This comprises savings in pay related costs of £282k, other savings and additional income of £152k, which is offset by a forecast overspend in external audit fees of £227k.

17.55 **HR & OD** is forecasting an underspend of £251k, which is in the main related to savings in pay related costs. The risk in this area is potential income shortfall as more LEA funded schools transfer to academy status and joining multi academy trusts outside of the Dorset area.

Transformation, Innovation, Digital & Ecological

17.56 **Digital & Change** is forecasting an underspend of £29k, which is related to savings in pay related costs.

17.57 **Business Intelligence** is forecasting an underspend of £76k, which is savings in pay related costs.

17.58 Elsewhere, **ICT Operations** is forecasting an underspend of £309k to budget. This is the result of pay savings through vacancies of £114k, an underspend on infrastructure costs of £113k and an increase in income of £82k. Opportunities and risks have been identified and are being monitored.

Communications and Engagement and Community Grants

- 17.59 **Communications** is forecasting an underspend of £36k, this is the result of staff vacancies. This service is also showing a favourable variance of £43k from additional income generated by work related to the Poole Harbour Oil Spill and other matters, this will be used to fund the unbudgeted edition of the Dorset Council News.
- 17.60 **Chief Executive's Office** is forecasting an underspend of £15k, which is savings in pay related costs.

Legal & Democratic Services

Legal & Democratic	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Change since Q1
	£'000	£'000	£'000	%	
Assurance	1,520	1,517	3	0.2%	1
Democratic & Elections Services	3,003	2,988	15	0.5%	7
Land Charges	(384)	(323)	(61)	15.8%	(35)
Legal Services	2,849	2,518	331	11.6%	341
Total Directorate Budget	6,989	6,700	289	4.14%	313

- 17.61 The Legal & Democratic forecast is £6.700m compared with a net budget of £6.989m, an underspend of £289k (4.14%).
- 17.62 The **Land Charges** service is forecasting an overspend of £61k. This comprises an income shortfall of £106k, 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. This is offset by savings from vacant posts of £46k.
- 17.63 Within **Legal Services** there are a number of vacant posts, which has resulted in a forecast pay saving of £338k, there has also been additional income of £67k. These have been offset by an overspend in agency staff of £77k.

Central Finance

Central Finance	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Change since Q1
	£'000	£'000	£'000	%	
General Funding	(30,444)	(30,444)	0	0.0%	0
Capital Financing	14,221	12,124	2,097	14.7%	2,084
Contingency	8,569	7,252	1,317	15.4%	190
Schools Balance	(7,396)	(7,396)	0	0.0%	0
Precepts/Levy	18,440	18,479	(40)	(0.2%)	(40)
Central Finance	(366,133)	(369,388)	3,255	(0.9%)	3,255
Redistribution of Public Health grant	0	0	0	0.0%	(3,255)
Retirement Costs	1,726	1,767	(41)	(2.4%)	(41)
Dorset Council Wide	0	0	0	0.0%	0
Total Central Budgets	(361,018)	(367,606)	6,588	(1.82%)	2,193

17.64 The forecast for central budgets is £367.606m compared with a net income budget of £361.018m, is a net forecast surplus of £6.588m (1.82%).

17.65 **Capital Financing** is showing a £2.097m underspend, which comprises of a £1.1m reduction in interest paid and £1.0m increase in investment interest. The reduced spend on interest is because actual borrowing is less than forecast due to slippage in the capital programme. Interest receivable is forecast to be greater than budget due to interest rates on money market funds being much higher than expected.

17.66 **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.

17.67 There is currently £8.6m held in contingency, and this has been earmarked as follows:

- i. £4.0m earmarked for potential additional cost of national pay award
- ii. £2.6m earmarked for inflation pressures, of which £1.3m has been released toward known inflationary pressures in 2023/24.
- iii. £2.0m remains unallocated

Dedicated Schools Grant (DSG)

- 17.68 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.
- 17.69 There are four blocks within the DSG: Schools Block (SB), Early Years Block (EYB), High Needs Block (HNB) and Central Services Schools Block (CSSB).
- 17.70 Dorset's DSG allocation is £316m before recoupment including additional grants and the use of the Growth Fund reserve. The quarter two permitted overspend position is £6.87m. This is the position stated in the original Safety Valve agreement signed in February 2022.
- 17.71 For context, the 2022-23 outturn was £19.96m against a required DSG Safety Valve agreed overspend of £10.4m. The Q2 forecast overspend is £24.6m, thus increasing the cumulative forecast deficit, after all Safety Valve partner contributions to £45.8m.
- 17.72 As a result of the financial position the Department for Education (DfE) have requested production of a revised recovery plan by the end of October 2023, after a summer revising a plan developed and scrutinised by external parties. 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.
- 17.73 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 as at 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 (£3.4m) are included in the forecast – i.e., 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 £3.4m 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 which represents 10% of the Councils budget requirement as well as 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 Best practice means that non-recurrent sources of funding e.g. reserves, should not be used to fund recurrent spend e.g. general service overspends. Therefore it is imperative that when considering the 2024/25 budget and MTFP that the Council finds a recurrent solution to all pressures which are deemed to be recurrent.
- 11.4 Whilst the Council has previously taken steps to ensure the financial position is sound there is recurrent and increasing pressure within the general fund services and the accumulated overspend on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) remains a threat to the sustainability of service delivery.

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. This, along with the approved budget and updates since that date, mean a programme of £357.2m for the next five years, as summarised in the table below.

Capital Programme	Total Budget					Total Budget 23/24-27/28
	2023/24	2024/25	2025/26	2026/27	2027/28	
Full external funding	8,195	3,347	485	95	0	12,122
Partial external funding	86,785	2,136	0	0	0	88,921
Partial external funding	0	39,740	23,652	29,563	0	92,955
Council funded	33,455	27,040	24,719	(7,448)	(10,400)	67,366
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	1,680	4,865	4,065	2,565	914	14,089
Total funding	141,168	98,781	67,874	40,878	8,514	357,215

- 12.3 The spend and commitments against the programme of £141.2m at 30 September 2023 was £42.3m (30%). 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;

Project spend	No. of projects	Project Budget £,000	Actual spend £,000	Variance £,000	% Spent
Adults & Housing	15	13,784	1,305	12,479	9%
Childrens	18	22,185	7,161	15,024	32%
Place	145	98,536	32,827	65,708	33%
Corporate	9	6,663	1,079	5,584	16%
Total	187	141,168	42,372	98,796	30%

12.5 The movements in the project budgets since the quarter 1 report are shown in the table below:

Directorate	Q1 Budget £,000	Adjustments £,000	Re- profiling £,000	New funding £,000	Q2 Budget £,000
Adults & Housing	13,580	0	(4,555)	4,759	13,784
Childrens	16,580	911	(1,786)	6,480	22,185
Place	118,398	(8,447)	(13,687)	2,271	98,536
Corporate	4,730	1,806	(373)	500	6,663
Total	153,288	(5,730)	(20,401)	14,010	141,168

- 12.6 Changes to the Capital scheme since the quarter 1 report include the following items.
- 12.7 There has been re-profiling of £20.4m into future years to more accurately reflect the timing of spend. This includes Housing Development Funding £3.0m; Weymouth Relief Road £2.7m; Parley West Link £2.3m and a number of smaller projects.
- 12.8 As reported previously the project funding of £7.0m from the East Dorset Household Recycling centre will be repurposed to fund the delivery of the site at Blandford. This adjustment is now reflected in the capital programme.
- 12.9 There has also been new external funding of £14.0m confirmed, most significantly £6.5m relating to the SEND capital strategy, together with £3.9m for LAHF - Ukraine & Afghan Refugee Housing and £1.5m for Rural Prosperity Fund.
- 12.10 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 September 2023 was £45.8m, this is a reduction of £1.4m when compared to the quarter one position. A significant proportion of the debt owed £27.7m (60%) is more than 30 days old.

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

Directorate	2023/24	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	21,915,515	2,580,953	2,120,123	7,907,273	9,307,167
Children's Services	915,842	202,128	327,983	249,364	136,367
Place	12,049,492	5,618,735	704,146	4,267,577	1,459,034
Corporate	10,914,196	9,715,596	614,108	355,174	229,318
Grand Total	45,795,045	18,117,413	3,766,360	12,779,386	11,131,886

13.3 £21.9m of the £45.8m of outstanding debt is within Adults & Housing. Of which, some relates to deferred payment arrangements, or care provided through gross without prejudice.

13.4 After adjusting for these the debt which is currently collectable is as follows:

Collectable Debt					
Directorate	2023/24	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	13,493,845	2,228,765	1,405,883	5,059,778	4,799,419
Children's Services	915,842	202,128	327,983	249,364	136,367
Place	12,049,492	5,618,735	704,146	4,267,577	1,459,034
Corporate	10,914,196	9,715,596	614,108	355,174	229,318
Total	37,373,375	17,765,225	3,052,120	9,931,892	6,624,138

13.5 The Council has recently increased the number of staff working within the teams responsible for collecting overdue invoices and early signs indicate this work is proving effective. This will be closely monitored over the coming months.

Deferred Payments

- 13.6 Deferred payments are debts that relate to adult care provided by Dorset Council, which have been secured against the property of the customer. The Council will eventually receive full payment of the debt when the property is sold.

Deferred Payments					
Directorate	2023/24	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	2,763,459	133,270	302,844	567,125	1,760,219

- 13.7 Gross without prejudice debts also relate to adult care, the debt is raised but not actively pursued whilst a care act assessment and subsequent financial assessment is undertaken to determine whether the recipient of the care is financially assessed as able to contribute towards the cost of their care.

Gross without Prejudice					
Directorate	2023/24	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	5,658,211	218,918	411,396	2,280,369	2,747,529

- 13.8 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 £369.3m and £208.5m has been collected to date. The collection rate at 30 September 2023 is 56.47%, which is a slight improvement on the quarter two position in the previous year of 55.96%.
- 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 by the second quarter of this year £4.8m (13%) has been collected.

Business rates (non-domestic rates – NDR)

- 14.4 The value of business rates debt raised in 2023/24 is £95.3m and £56.4m has been collected to date. The collection rate at 30 September 2023 is 59.22%, which is slightly less than the quarter two position in the previous year of 62.08%.
- 14.5 At the end of 2022/23 the arrears were £14.2m and by the second quarter of this year £5.8m (37%) 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 is a separate paper to be considered by Cabinet at the November meeting.

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 second quarter of the year, Dorset Council's prudent financial forecast is a £11.985m budget pressure.
- 16.2 The Council has set aside contingency funding to manage some of this risk, but continued and sustained service demand may mean the current contingencies are insufficient without significant improvements in the latter part of the financial year. Without this, unearmarked reserves will be required to fund the 2023/24 general fund.
- 16.3 It is vital that the Council remains focused on living within its means, and in particular ensuring that the further savings and efficiencies are identified during the remainder of 2023/24.

16.4 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	Total	Green	Amber	Amber 2	Red
	£000's	£000's	£000's	£000's	£000's
Adults & Housing	8,773	6,944	1,829	0	0
Childrens	4,235	2,842	593	0	800
Place	5,119	1,631	0	855	2,633
Central	1,888	1,888	0	0	0
Corporate	118	33	0	85	0
Total Savings Plans	20,133	13,338	2,422	940	3,433

