

Cabinet

28 January 2025

December 2024 (Period 9) Financial Management Report 2024/25

For Decision

Cabinet Member and Portfolio:

Cllr S Clifford, Finance & Capital Strategy

Local Councillor(s):

All

Executive Director:

A Dunn, Executive Director, Corporate Development

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Report Status: Public (the exemption paragraph is N/A)

Brief Summary:

This report comes to Cabinet with information about the Council's forecast financial performance for the full 2024/25 financial year. The forecasts are based on data as at 31st December 2024 (Quarter 3).

Recommendation:

Cabinet is asked to:

1. note the Senior Leadership Team's forecast of the full year's outturn for the Council, made at the end of December 2024 including progress of the transformational and efficiency savings incorporated into the budget;
2. note the capital programme for 2024/25;
3. approve the allocation of £7m from reserves to support the repairs and maintenance compliance work of the council's property portfolio.

Reason for Recommendation:

The Council provides a mix of statutory and discretionary services to communities across Dorset and is legally required to set a balanced budget every year, and so must deliver services within the resources made available through the revenue and capital budgets for 2024/25. This report summarises the Council's forecast financial performance for the 2024/25 year as at the end of December 2024.

The operating environment for Local Authorities across the UK remains challenging given the pressures put on public sector finances through sustained international conflict and other geopolitical matters driving inflation. These external factors are bringing pressure to bear through increased demand, rising costs and complexity, in addition to 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, that the organisation remains in good financial health and that service delivery remains sustainable. The Council makes a significant contribution in supporting employment, training and economic prosperity, as well as being a 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.

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: High
Residual Risk: High

Council finances are under extreme pressure. This report outlines pressure within the revenue budgets which, in the absence of mitigation, will be required to be funded from reserves. Reserves have reduced from 2023/24 to 2024/25 and will reduce further if required to meet the revenue overspend.

Looking ahead, further pressure on the Council's reserves comes from the cumulative deficit on the Dedicated Schools Grant (DSG), which in the future could exceed available reserves if a solution is not identified before the statutory override ends in March 2026.

The council has received a further national one-year funding settlement for 2025/26, which discontinued a number of funding streams for Dorset Council such as the Rural Services Delivery Grant and the Minimum Funding Grant. As a result the one year settlement does not provide confidence that the underlying, systemic underfunding for Local Government service delivery will be addressed. As a result, it is expected that the local and national pressures the Council is facing in the current financial year can be expected to continue over the medium term.

Taking both the local and national operating environment into consideration, the S151 Officer, the Council's Chief Finance Officer, establishes the current risk assessment as *high* and that readers of the report should continue to expect delivering a balanced budget to require a reprioritisation of service delivery to ensure ongoing financial sustainability.

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
Appendix B – Climate Wheel

8. **Background Papers**

[2023/24 draft outturn report](#)
[2024/25 budget strategy report](#)

9. **Budget Setting 2024/25 and context**

- 9.1 2023/24 ended with an overspend of £15.9m in service budgets, offset by Central Finance adjustments of £14.9m, resulting in a net £1m overspend. Setting the budget for 2024/25 saw rebasing of the ongoing pressures within service budgets increasing by £39m, £23m of which was in the Place directorate.
- 9.2 Setting the budget for 2024/25 involved setting a strategic budget and MTFP against another one-year settlement from Government.
- 9.3 The Council's *budget requirement* is £376.7m and was funded from rural services delivery grant (£3.2m), new homes bonus (£0.9m), business rates (£64m), revenue support grant (£0.7m) and council tax (£307.9m). More detail is set out in the 2024/25 [budget strategy report](#).
- 9.4 When setting the 2024/25 budget the Council approved a savings requirement from the Our Future Council programme of £8.6m, this figure is made up of an undelivered £0.5m from 2023/24 and a new £8.1m for 2024/25. The risk of non-delivery is underwritten by reserves.
- 9.5 The Council's budget is essentially fixed in cash terms at the start of each year and its ability to generate additional 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 The 2024/25 pay award, which is negotiated nationally, was agreed in late October 2024 which was back dated to take effect from 1st April 2024. This has meant an increase of £1,290 (pro-rata for part-time employees) up to SCP 43, and an increase of 2.5% on all pay points from SCP 44. For the 2024/25 budget an increase of 5% was built in. This has released £2.17m which has been moved into contingency and released to offset the overall council overspend.

10. Overall projection

- 10.1 At the end of quarter 3 (December), the Council is forecasting an overspend of £10.823m, which represents 2.87% of the Council's budget requirement (£376.7m). £8.6m of this overspend had previously been anticipated as it relates to the Our Future Council transformation programme, for which a risk reserve has been established.
- 10.2 This level of overspend remains of significant concern as it identifies unbudgeted service pressures of £13m, which can only be partially mitigated by Central Finance funding improvements of £10.8m.
- 10.3 The current forecast will require use of reserves to meet the overspend. In previous years there has been improvement at the later stages in the year, this has typically been due to 'central finance' mitigation, such as releasing the contingency or improvements to collection fund. As mentioned in the period 4 report, most of areas in Central Finance have already been deployed and are therefore unlikely to be available to mitigate any future pressures, or reduce the forecast during the final quarter of the year.
- 10.4 Section 15 of the report also outlines a number of forecasted uses of reserves. In the event that the £10.8m forecast improves, there remains an underlying reliance on reserves during 2024/25. To maintain appropriate level of reserves these will need to be replenished during the life of the current MTFP.
- 10.5 The directorate variances are summarised in the table below.

Directorate	Net Budget	Forecast	Forecast (Overspend)/		Change from
	£'000	Outturn	Underspend		
	£'000	£'000	£'000		£'000
People - Adults & Housing	152,953	161,314	(8,361)	(5.5%)	(547)
People - Children's	84,932	91,371	(6,440)	(7.6%)	(1,647)
Place	106,164	105,656	508	0.5%	1,258
Corporate Development	38,573	37,529	1,044	2.7%	553
Legal & Democratic Services	7,408	7,114	294	4.0%	78
Public Health	648	648	0	0.0%	0
Total Service Budgets	390,678	403,632	(12,954)	(3.3%)	(305)
Our Future Council savings	(8,622)	0	(8,622)	(100.0%)	0
General Funding	(30,066)	(30,441)	375	1.2%	77
Capital Financing	16,485	15,792	694	4.2%	700
Contingency	(365)	(7,089)	6,723	1840.2%	1,954
Precepts/Levy	19,438	19,441	(2)	(0.0%)	0
Central Finance	(394,540)	(397,504)	2,964	0.8%	(8)
Whole Authority	(6,992)	3,831	(10,823)		2,419
Dedicated Schools Grant budgets	6,992	42,198	(35,207)		(3,216)

- 10.6 More detail on the specific directorates is set out in the following paragraphs.

Children's Services

10.7 The Children's Services forecast is £91.371m compared with a net budget of £84.932m an overspend of £6.44m (7.6%). This is a worsening position compared to September of £1.647m.

People Services - Children	Net Budget	Forecast	Forecast (Overspend)/		Change from September (Q2)
	£'000	Outturn £'000	Underspend £'000		
Quality Assurance	3,039	3,026	14	0.5%	2
Care & Protection	61,853	67,117	(5,265)	(8.5%)	(1,697)
Commissioning and Partnerships	4,354	5,543	(1,189)	(27.3%)	48
Director's Services	955	955	0	0.0%	0
Education and Learning	15,184	15,184	0	0.0%	0
DSG Recharges	(454)	(454)	0	0.0%	0
Total Directorate Budget	84,932	91,371	(6,440)	(7.6%)	(1,647)

Care & Protection

10.8 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 Local Government Settlement.

10.9 The support required to meet the needs of children who are disabled is forecast to overspend by £1.3m. This predominantly is for externally commissioned support packages, direct payments and short breaks. The cause is a mixture of inflation, increased complexity and the difficulty finding providers through the direct payment mechanism.

10.10 There is an overspend of £0.4m for supporting unaccompanied, asylum-seeking children (UASC). Dorset is part of the National Transfer Scheme, accepting transfers of children into our care to provide crucial placements.

10.11 The National Transfer Scheme set a quota for all local authorities was adjusted in August 2023 to accommodate the equivalent of 0.1% of the local child population. This threshold could change again.

10.12 For Dorset, this represents 67 young people. We are currently looking after 48 young people, 10 who will turn 18 between January and March, and are responsible for 96 care leavers (70 actively supported, 26 not requiring support) who were formerly asylum-seeking children which will increase to 99 by March 2025.

- 10.13 The National Transfer Scheme provides a degree of funding to support unaccompanied children, however this mainly covers the direct placement costs, so excludes costs such as interpreter fees, and social worker resource. The funding varies depending upon the number of unaccompanied children, the age of the child or young person and whether the child is part of the National Transfer Scheme.
- 10.14 Additional budget was allocated to support our accompanied children and young people during previous budget setting processes. The budget was allocated to fund a team to support our unaccompanied children and young people, and to fund interpretation costs.
- 10.15 The overspend position is driven by the number of unaccompanied young people over 18. Central government funding for this cohort reduces and is often not enough to fund placement costs.

Commissioning and Partnerships

- 10.16 There are no material variances within Commissioning and Partnerships. The Children's Services Transformation Team monitor and review the progress of transformation projects including Birth to Settled Adulthood (B2SA) monthly. Section 12 contained further information on progress.

Families First for Children Pathfinder

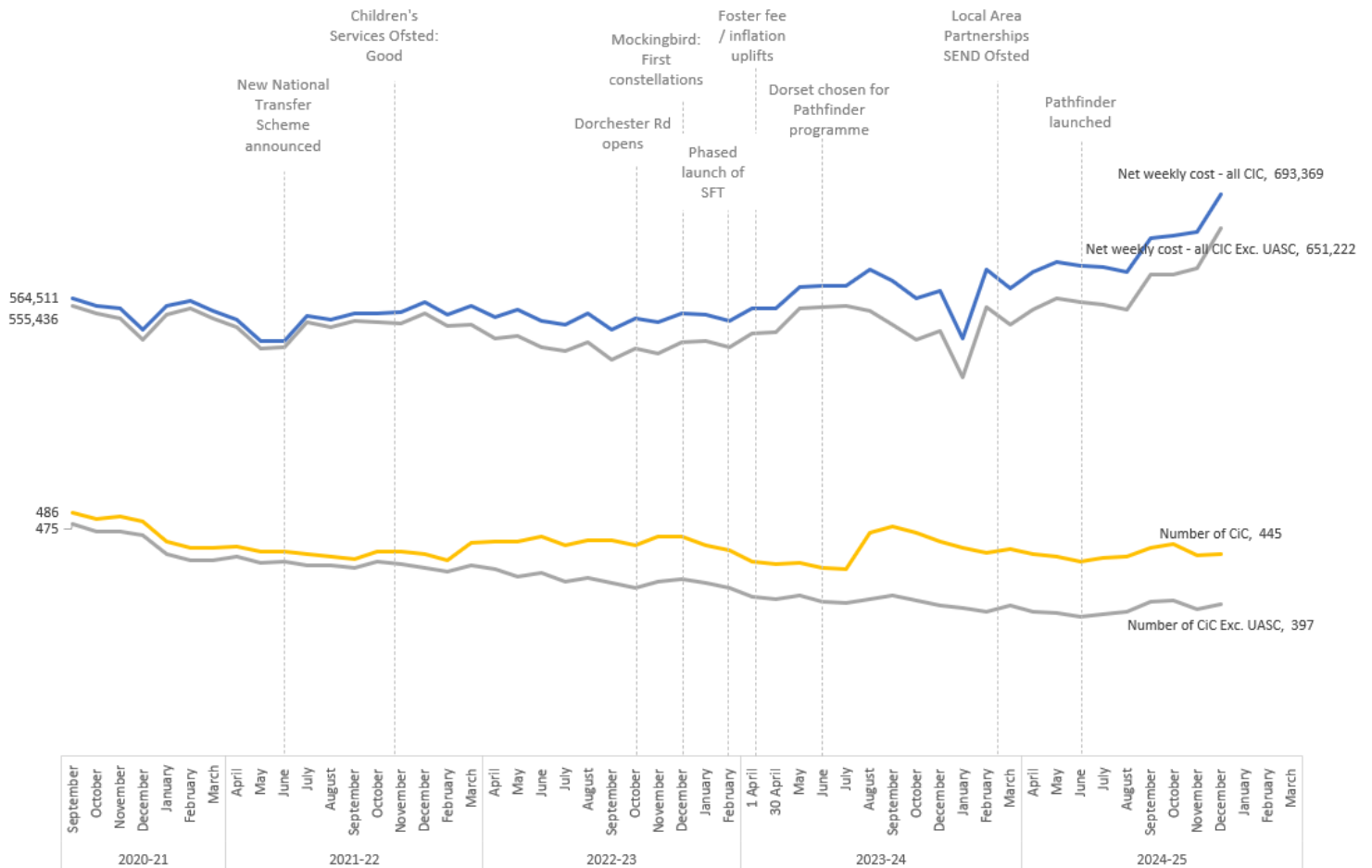
- 10.17 In June 2023, Dorset was announced as one of three authorities for the Families First for Children (FFC) Pathfinder, containing four workstreams. Dorset were awarded £4.9m from the DfE until March 2025 to help implement and test the four workstreams. At present, the full allocation is forecast to be received and utilised.
- 10.18 The [FFC pathfinder was announced in February 2023](#) as part of the government's children's social care implementation strategy, stable homes, built on love.
- 10.19 It responds to recommendations from the Independent review of children's social care, the Child Safeguarding Practice Review Panel report on child protection in England and the Competitions and Market Authority's market study of children's social care provision. The pathfinder will test delivery of key strategy commitments.

Children in care

10.20 Dorset's efforts to rebalance the system with a focus on early support and prevention has seen a reduction in the number of Children in Care. However, Dorset are not immune to national pressures including inflation, marketplace and increasing complexity of need, resulting in a forecast overspend of £3.8m

10.21 Dorset's Children in Care population has reduced since September 2020 (by 16%). Graph 1.

Dorset Council: Children in Care - net weekly cost and number of children



Graph 1: Dorset's CiC population and next weekly cost since September 2020

10.22 The overall reduced number of children in care since September 2020 is a result of a combination of planned and strategic activity, including the transformation programme, locality working, putting the child at the heart of decision making, investing in the No Wrong Door approach and strong commissioning, all delivered by a dedicated workforce.

10.23 This trend is not mirrored nationally, Table 1 and 3 highlights Dorset is not immune to national pressures, including inflation – a 17% increase in net weekly cost despite the reduction in the number of external placements (Table 2).

Table 1: Change in numbers and cost September 2020 to December 2024				
Component	Sept 2020	Sept 2024	Dec 2024	% Change
Net weekly cost - all CiC	564,511	639,703	693,369	23%
USAC £	9,075	46,153	42,148	364%
Net weekly cost - all CiC Exc. UASC	555,436	593,550	651,222	17%
Number of CiC	486	452	445	-8%
USAC No.	11	53	48	336%
Number of CiC Exc. UASC	475	399	397	-16%

Table 2: Split of Children in Care placements (exc. UASC and Place12a – BS2A/CWaD) September 2020 to December 2024				
Placement	Sept 2020	Sept 2024	Dec 2024	% Change
Fostering Dorset Council	211	182	197	-7%
Fostering External	114	91	84	-26%
Residential External	60	46	44	-27%
Residential Dorset Council	5	6	5	0%
High Cost Supported External	16	14	15	-6%
Low Cost Supported External	13	9	7	-46%
Supported Lodgings	-	2	-	-
Other	4	2	4	-0%

Adoption	18	12	6	-67%
Parent/Child/Family	34	35	35	3%
Total	475	399	397	-16%

Table 3: Average cost of Children in Care placements (exc. UASC and Place12a – BS2A/CWaD) September 2020 to December 2024				
Placement	Sept 2020	Sept 2024	Dec 2024	% Change
Fostering Dorset Council	373	471	462	24%
Fostering External	974	1,174	1,261	29%
Residential External	3,983	5,846	6,167	55%
Residential Dorset Council	5,308	6,050	6,272	18%
High Cost Supported External	2,592	3,436	3,311	28%
Low Cost Supported External	548	639	587	7%
Supported Lodgings	-	333	-	-
Other	26,017	9,939	20,971	-19%
Adoption	-	-	-	-
Parent/Child/Family	1,117	5,221	4,609	313%

10.24 Nationally, recent research by the County Councils Network CCN showed there was a surge in over 20,000 extra referrals in county areas following the pandemic and over 1,000 more children in local authority care; a trend that has not abated since. (Social Work Today, 8 November 2023).

10.25 The continuous improvement in service delivery for children and young people in Dorset has essentially provided insulation from the rises seen nationally. Despite reducing numbers of children and young people in care, the average cost of placement continues to increase which is driving the overspend seen in 2024/25. Without the improvements, it is likely that Dorset would be seeing both number of placements and average cost increase.

10.26 If the number of CiC (exc. our unaccompanied children) had remained at 475, at December 2024 averages, an additional £6.7m of annual cost would be incurred. This assumes a static CiC cohort, not an increase that

has been seen nationally.

10.27 An overspend is reported for supporting our children in care, and this is mainly driven by three factors: our children’s needs increasing in complexity, inflation and an external residential placement market that isn’t functioning effectively, as referenced in the Competition and Markets Authority (CMA) published in 2022, which was a market study into children’s social care provision. [Children's social care market study final report - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/105447/childrens-social-care-market-study-final-report.pdf)

10.28 This is the forecast outturn position at the end of December, 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 impact upon the children and families we support as this may put increased stress on our communities), delivering capital projects on time and on budget (there are revenue implications for late projects), new placements and placement changes, delivery of transformation savings, tribunals and increasing new burdens that may not be fully funded. This includes Chickerell Camp, unaccompanied young people and new responsibilities for the Virtual School.

Adults Services & Housing

10.29 The Adults Services & Housing forecast is £161.314m compared with a net budget of £152.953m, an overspend of £8.361m (5.5%). This is a worsening position compared to September of £0.547m.

People Services - Adults	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change from September (Q2) £'000
Adult Care Packages	119,488	127,535	(8,048)	(6.7%)	(268)
Adult Care	16,878	16,606	272	1.6%	(34)
Commissioning & Improvements	8,394	8,657	(264)	(3.1%)	(103)
Directorate Wide	1,264	1,517	(252)	(20.0%)	(252)
Housing & Community Safety	6,930	6,999	(69)	(1.0%)	111
Total Directorate Budget	152,953	161,314	(8,361)	(5.5%)	(547)

Adult care packages

10.30 The forecast overspend within adult care packages is £8.048m and is based on the current cohort of adults being supported. As with any needs-led service, it is challenging to completely predict the future need over the medium term. Reviewing performance against the last quarter unit costs and total number of people being supported have remained stable.

10.31 As at the end of December 4,255 people were in receipt of adult care services. Despite the total number of people being supported remaining the same there has been a shift in the numbers being supported within the different age groups. 16 more people are being supported within the working age cohort (18-64) and 17 less people in the 65+ age group. The cost of supporting individuals of working age is greater due to the level of complexity and care needs. This has resulted in an increase in the forecast on care packages.

Changes in cost and volume of care packages since September 2022						
	Sept '22	Apr '23	Sept '23	April '24	Sept '24	Dec '24
Number of people	3,943	3,903	4,014	4,157	4,256	4,255
Avg Weekly cost	787	827	852	855	865	867
Total weekly cost	£3.102m	£3.225m	£3.418m	£3.554m	£3.679m	£3.688m

Commissioning & Improvement

10.32 Commissioning and Improvement has been impacted by the loss of NHS funding towards the Care Allocation Team. They previously supported 100% of the costs which has reduced to 50%.

Housing

10.33 Housing is currently forecasting an overspend of £0.69m (1.0%). The overspend is due to a partial under achievement of a £0.300k savings target from 2022/23. The forecast has improved by £0.111k since Q2. This is due to increased recovery of income.

10.34 Homelessness approaches (homeless applications submitted on our portal) have reduced by 23% on last year. Effective early prevention work by the triage and tenancy sustainability team means less clients are facing homelessness. The move to upstream prevention work has been very effective.

10.35 The number of households in bed and breakfasts has increased since the last quarter. Families in bed and breakfasts have decreased in the last quarter however the number of single households in bed and breakfasts has increased due to the severe weather protocol.

Public Health

10.36 The public health grant for 2024/25 for BCP Council is £21.772m and for Dorset Council is £15.433m. Agreed local authority contributions for the year gave a shared service budget of £25.962m after retained amounts.

- 10.37 Additional funding in 2024/25 and 2025/26 has been provided by the Department of Health and Social Care to mitigate the potential pressure from NHS pay awards which are passed through in contracts.
- 10.38 The forecast for the shared service stands at £176k overspend. This is largely due to the following:
1. A new community health Improvement services contract, live from April 2024. Costs are now higher, and activity is forecast to increase. It is still too early to assess impact.
 2. Anticipated non-recurrent costs agreed through Joint Public Health Board. The current forecast includes £435k. £246k of reserves have been allocated to cover these costs.
- 10.39 Each council has received S31 grants for smoking, and the shared service will receive income from NHS Dorset in support of treating Tobacco Dependency. This income and plans for its use may not be fully reflected in the forecast to date.
- 10.40 As Public Health is funded by a ringfenced grant, the existing public health reserve will cover any overspend within public health.

Place directorate

- 10.41 When setting the 2024/25 budget for Place, the Council approved a net increase in the budget of £23m. This year, the overall forecast for Place directorate as at the end of December is a projected underspend of £0.5m, with a projection of £105.656m net spend against a net budget of £106.164m. This is an improvement of £1.258m on the forecast as at the end of September, which was a projected overspend of £0.750m.

Place	Net Budget	Forecast	Forecast (Overspend)/		Change from September (Q2)
	£'000	Outturn £'000	Underspend £'000		
Assets and Regeneration	4,256	6,358	(2,102)	(49.4%)	(259)
Highways	5,385	6,222	(836)	(15.5%)	(192)
Planning	5,543	5,841	(298)	(5.4%)	183
Travel	40,028	37,890	2,138	5.3%	945
Business Support	2,108	1,987	120	5.7%	101
Environment and Wellbeing	9,198	9,096	102	1.1%	271
Community and Public Protection	3,711	3,885	(174)	(4.7%)	(160)
Waste - Commercial & Strategy	17,842	16,177	1,664	9.3%	324
Waste - Operations	16,646	16,787	(141)	(0.8%)	(0)
Directors Office	1,447	1,413	34	2.4%	47
Total Directorate Budget	106,164	105,656	508	0.5%	1,258

10.42 The main change in this Quarter 3 report is an improvement of £0.945m in Dorset Travel. This is due to some favourable results in the retendering of school transport and SEND contracts for the academic year beginning September 2024. Whilst this is positive, the outlook for school transport and SEND contracts for the foreseeable future remains a concern, particularly around issues such as the increase in employers costs and the extent to which the market place will seek to pass these costs on to the customer.

10.43 The general theme for Place Directorate in this year remains largely as previously reported : significant budget pressures through under-achievement of income and savings targets in Assets and Regeneration, Planning and Building Control (where income targets were automatically uplifted by 5% as part of the budget-setting process, despite current adverse market conditions) are being contained by a favourable budget positions elsewhere in the Directorate, such as waste management and Dorset Travel, and strict expenditure control across the whole of the Place Directorate.

10.44 Service by service commentary follows:

Assets and Regeneration

10.45 The Assets and Regeneration forecast is an adverse position of £2.102m against a £4.256m net budget, a worsening of £0.259m since Q2. These issues will be familiar from the Q2 report, and many issues are also addressed in the 2025/26 budget setting proposals.

10.46 The major items within the forecast are as follows:

- A. A £0.303m unbudgeted costs in relation to backdated NNDR liability around the Dorset Council element of Coombe House. Also, rental income budget being only partially recovered at Coombe House, at an adverse £0.185m.
- B. There is a target saving in relation to reduced property estate running costs by disposing of surplus property. It is now assumed that this target (£0.486m) will not be met in full this year due to delays in disposals, assumed here at an adverse £0.330m.
- C. Dorset Innovation Park including Battlelab is budgeted to recover all costs, but currently costs are exceeding income. An estimate of the adverse position is £300k for 2024/25.
- D. A change in operating model for the Design and Delivery teams will see less funding claimed from capital for staffing costs. The estimate for this is an adverse £0.280m against the budget of £0.715m.

- E. Farms are suffering voids and increased costs, estimated for 2024/25 is £0.118m adverse. Farms are subject to a strategic review which may determine further actions in due course.
 - F. Industrial Sites rental income will not be able to achieve the mandated 5% uplift in income. This is estimated at an adverse £131k.
 - G. The repairs and maintenance budget is projecting a small overspend of circa £0.080m.
- 10.47 Within Assets and Property, a programme of spend is continuing to ensure properties are compliant with current building safety legislation, as Dorset Council inherited a stock of buildings that were in variable conditions and states of compliance from its predecessor councils in 2019 and work continues to bring them up to a compliant standard. At the time of writing, spend is circa £9.5m in 2024/25, of which circa £7.9m is revenue work (as opposed to capital spend). This is not part of the Assets and Property normal revenue spend, being exceptional by nature, and the funding for this work is to be met from revenue reserves with a contribution from existing Property repairs and maintenance budgets. Where appropriate work is being capitalised.

Highways

- 10.48 The net highways revenue expenditure budget is £5.385m. Underneath this headline figure, the expenditure budget lines amount to circa £30m and income and other contributions of circa £24m. This is separate from the value of highways schemes which form part of the capital programme.
- 10.49 Highways revenue budgets are made up of three services, which are Parking Services (net income budget £7.8m), Highways Infrastructure (net expenditure budget £8.7m) and Network Operations (net expenditure budget £4.6m). On that basis, it can be seen how the income generated from car parks reduces the overall cost of Highways activity. Highways are currently projected to be £0.836m adverse overall (a worsening of £0.192m since Qtr 2).
- 10.50 Within the £0.836m overall adverse forecast, the Highways services are projecting a £0.535m overspend. There are a number of reasons, including increasing pay costs, the modelling team conducting less work which can be capitalised, and unbudgeted spend on urgent highway drainage works.
- 10.51 Parking services are current forecasting an adverse forecast of £0.301m, which has remained broadly similar all year. Reasons include the trial change to reduce car parking rates in three car parks across the County.

Planning

10.52 The Planning service has an overall £0.298m forecast adverse variance, largely due to a projection of £0.189m adverse in relation to Development Management (planning applications received), and a £0.101m projected adverse variance in Building Control due to a downturn in the housing market. The figures also include £0.1m of additional funding that has been provided from the corporate centre towards the cost of planning inquiries (Alderholt and Knoll House).

Dorset Travel

10.53 Overall, Dorset Travel is forecasting an underspend of circa £2.138m on a net budget of £40m. The budget for 2024/25 was uplifted by £12m, based on actual spend in recent years and the expected continued growth trajectory. Nationally this sector has seen both growth in demand and also significant cost uplift in excess of inflation, and that was the context for the 2024/25 budget setting. The expectation was that an uplift of £12m should compensate for insufficient budget uplifts in recent years and put the 2024/25 budget into an appropriate position to cope with the continuation of uplifting costs that were expected.

10.54 The main change in this Quarter 3 report is an improvement of £0.945m in Dorset Travel. This is due to some favourable results in the reletting of school transport and SEND contracts for the academic year beginning September 2024. Whilst this is positive, the outlook for school transport and SEND contracts for the foreseeable future remains a concern, particularly around issues such as the increase in employers costs and the extent to which the market place will seek to pass these costs on to the customer.

10.55 Some points to note around the latest position in SEND transport:

- 40% of our SEND Transport routes were retendered. 65% of these new contracts cost the same or less than previous for the same service.
- Only 17% of our suppliers maintained the same number of routes as last year, showing how volatile the marketplace is.
- The Council is providing home to school transport for SEND children to 132 different locations, some outside of Dorset
- 7 Operators ended all SEND Contracts with us from Dec-23 to Dec-24. They were replaced by 7 new operators. 71 operators in total.

- Number of routes operating with less than 2 passengers dropped 8%, a significant improvement, although this category still applies for half of all our SEND routes.
- There was a 3% increase in a passenger count of at least 4. This shows an increase in the use of larger vehicles with an emphasis on sharing transport meaning pupils are travelling to and from school together with pupils from their community.

Business Support

10.56 Business Support is forecasting a £0.120m underspend from staff vacancies.

Community and Public Protection (CPP)

10.57 CPP are forecasting an adverse variance of £0.174m on a net budget of £3.8m, a worsening of £0.160m since quarter 2. Reasons include licencing income renewals being poor, lost income on CCTV and Community Safety Accredited Scheme (CSAS) services and Bereavement services are looking at a forecast of £0.119m adverse in the area of income generation and staffing costs, an adverse forecast on the Dorchester Market (£0.067m) and a carried forward savings target not yet concluded (£0.070m).

Environment & Wellbeing

10.58 The overall Environment & Wellbeing forecast is £0.102m underspend. There are a number of minor variances in both directions, but nothing of significance to note.

Waste Strategy

10.59 Waste Strategy are forecasting an underspend of £1.664m at the end of Qtr 3 (December), an improvement of £0.324m since Qtr 2 (September). There a number of opposing factors at play here:

- The mixed recyclate price and the glass price, which are market driven, are worsening (which is reflected in the 2025/26 budget proposals).
- The costs for implementation of new DIY waste rules has been less than originally estimated.
- There is a small saving on tonnages of waste arising.

- Positive variances against the garden waste and trade waste services. It remains the case that a lot of the disposal budgets within Commercial Waste & Strategy are extremely volatile, and the outlook can change within a short period of time.

Waste Operations

10.60 Waste Operations is currently forecasting an adverse variance of £141k on a net budget of £16.7m, unchanged from Qtr 2. Budget pressures are predicted in areas where reductions have been applied to budgets, in street cleansing and in agency staff.

Directors Office

10.61 With a forecast variance of £34k underspend, the Directors Office is predicted to be broadly on budget.

Fees & Charges

10.62 The table below highlights the level of fees and charges that are brought into Place directorate. It can be seen the directorate brings in circa £50m of fees and charges, albeit that the forecasting for the current year has adverse areas, as mentioned above, in Planning and Assets and Property in particular.

2024/25	Budget	Forecast	Forecast Variance
	£ 000s	£ 000s	£ 000s
Highways	-16,489	-16,513	24
Planning	-4,531	-4,155	-376
Dorset Travel	-630	-825	195
Environment and Wellbeing	-10,193	-10,505	313
Community & Public Protection	-3,392	-3,394	2
Commercial Waste & Strategy	-7,676	-8,196	520
Waste Operations	-120	-201	81
LUF & Economic Development	-92	-171	79
Assets & Property	-8,021	-6,428	-1,592
Place	-51,144	-50,389	-755

Corporate Development

10.63 The Corporate Development is forecasting an underspend of £1.044m (2.7%). This is an improvement in underspend of £0.553m since September.

Corporate Development	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend £'000		Change from September (Q2) £'000
Financial & Commercial	9,898	9,624	274	2.8%	101
Human Resources	1,760	1,481	279	15.8%	187
ICT Operations	8,721	8,508	213	2.4%	142
Chief Executive's Office	1,122	1,092	30	2.7%	(34)
Directors Office	225	222	4	1.6%	4
Strategy, Performance and Sustainability	6,596	6,508	88	1.3%	32
Transformation, Customer and Cultural Services	10,250	10,094	157	1.5%	121
Total Directorate Budget	38,573	37,529	1,044	2.7%	553

10.64 **Finance & Commercial** is forecasting an underspend of £274k, this includes of pay savings £547k, which in the main relate to vacant posts. This is offset by spend on agency staff of £173k and a shortfall in grants and contributions of £71k.

10.65 **Human Resources** is forecasting an underspend of £279k, this comprises of savings in pay of £387k and supplies and services of £75k. These are offset by an income shortfall of £180k, caused by the loss of contracts and the conversion of schools to academies.

The movement is the release of pay savings totalling £153k and an improvement in the income position of £35k.

10.66 **ICT Operations** are reporting a forecast underspend of £213k. This comprises of pay savings of £453k from vacant posts, which are being utilised within the service area to offset increased Microsoft licensing costs resulting from a package upgrade that provides enhanced cyber security and other benefits, and other inflationary increases.

The income generated from fees and charges is performing well and is showing a surplus of £180k.

10.67 **Chief Executive's Office** is forecasting a minor underspend.

10.68 **Strategy, Performance and Sustainability** comprises Organisational Development, Business Intelligence and Performance, Communication and Engagement and Climate & Ecological Change.

10.69 The movement of £32k mainly relates to changes within Organisational Development. There have been savings released against pay of £37k and the core training budget of £18k. This has been offset by a worsening of £24k against the Apprenticeship Levy.

Transformation, Customer and Cultural Services

10.70 Within Transformation, Customer and Cultural Services the improvement in the forecast of £121k is due to a combination of factors. There are pay savings from Customer Services £210k and Archives £33k, offset by an increase in security costs of £100k at Weymouth & Dorchester libraries.

Legal & Democratic Services

10.71 The Legal & Democratic forecast is £7.114m compared with a net budget of £7.408m, an underspend of £0.294m (4.0%). This is an improvement in underspend of £0.078m since September.

Legal & Democratic	Net Budget	Forecast	Forecast (Overspend)/		Change from
	£'000	Outturn	Underspend		September (Q2)
		£'000	£'000		£'000
Assurance	1,657	1,584	73	4.4%	79
Democratic & Elections Services	3,069	3,069	0	0.0%	0
Land Charges	(272)	(351)	78	28.8%	45
Legal Services	2,954	2,811	143	4.8%	(45)
Total Directorate Budget	7,408	7,114	294	4.0%	78

10.72 **Assurance** are forecasting an underspend of £73k, which in the main relates to pay savings from vacant posts.

10.73 **Land Charges** are forecasting an underspend of £78k, which is a combination of fee income together with an underspend in pay, achieved by holding vacancies and not recruiting maternity cover at this time.

The improvement from the previous period relates to the fee income, which is now expected to exceed budget.

10.74 **Legal Services** are forecasting an underspend of £143k, which is predominantly made up of pay savings from vacancies. There has been active recruitment, however, in the meantime agency cover has been employed for some roles.

The budget position has worsened following the loss of some income streams and an increase in agency costs.

Central budgets

10.75 The forecast for central budgets is £399.801m compared with a net income budget of £397.669m, is a forecast underspend of £2.1m (0.5%). This is an improvement of £2.724m since September.

Central Finance	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend/ Underspend £'000		Change from September (Q2) £'000
Our Future Council	(8,622)	0	(8,622)	(100.0%)	0
General Funding	(30,066)	(30,441)	375	1.2%	77
Capital Financing	16,485	15,792	694	4.2%	700
Contingency	(365)	(7,089)	6,723	1840.2%	1,954
Precepts/Levy	19,438	19,441	(2)	(0.0%)	0
Central Finance	(394,540)	(397,504)	2,964	0.8%	(8)
Total Central Budgets	(397,669)	(399,801)	2,132	0.5%	2,724

Our Future Council

10.76 When setting the 2024/25 budget the Council approved a savings requirement from the Our Future Council programme of £8.6m, this figure is made up of an undelivered £0.5m from 2023/24 and a new £8.1m for 2024/25.

10.77 Following the latest progress the full £8.6m will be required to be met from reserves. Further detail of work is contained in section 12 of this report and the OFC business case is being presented at the same January Cabinet meeting as this report.

General Funding

10.78 The budget position has seen a modest improvement after it was confirmed that the Education Services grant will be higher than initially expected.

Capital Financing

10.79 The improvement of £700k is the net effect of an increase in spend on interest payable of £200k, offset by an increase in interest receivable of £900k.

Contingency

10.80 The Council's original base budget included a contingency of £5m which to meet unexpected costs that arise in the year. Given the overspends within service budgets already reported this budget had been released to offset these pressures across the Council.

The improvement of £1.9m is largely due the outcome of the pay award negotiations. The budgeted pay award of 5%, however, the actual increase agreed had an was 2.5%. This means £2.17m can be released to offset service pressures.

11 Dedicated Schools Grant (DSG)

11.1 2023/24 ended with a £23.6m overspend. The position at June 2024 was £28.9m, September 2024 was £31.99m and for December 2024 the forecast is £35.2m. This means the overspend has increased by £1.29m per month this financial year. Adding the historic cumulative deficit position, a revised cumulative deficit would be £93.5m as at the end of the 2024/25 financial year. This figure reflects the withholding of DfE contributions whilst the safety valve agreement is being reviewed. In the event that the agreement is reinstated and previously committed contributions are received this would reduce to a cumulative deficit of £68.1m after DfE and Council contributions.

11.2 Any deficit associated with the DSG is kept off councils' balance sheets as a result of the statutory override set out in The Local Authorities Capital Finance and Accounting (England) Regulations. It was announced in December 2022 that this would apply for a one-off period of three years up to 31 March 2026.

11.3 Until March 2026 the deficit is therefore held separately from the general fund, however there remains an underlying cashflow pressure from carrying a £88.2m deficit meaning that the Council has access to £88.2m less cash than it would otherwise. As a result, interest foregone during 2024/25 on the deficit equates to £4.6m of pressure met by the General Fund. This is £4.6m which could otherwise be spent on local service delivery.

11.4 Furthermore, as the deficit grows, at the point at which it exceeds Council reserves, the Council would be technically insolvent. With no certainty as to the Governments plans as to how this financial to address this, the Council must therefore plan for the known situation, which is the ending of the override in March 2026.

Safety Valve

- 11.5 To address the deficits nationally the DfE introduced the Safety Valve Programme.
- 11.6 To date, the DfE funding received totals £23.75m and Dorset Council contributions equal £15m. As at the 31 December 2024, the DfE contributions for 2023-24 and 2024-25 which total £13m have not yet been received as the review has not yet concluded.
- 11.7 The agreement with the Department for Education in March 2022 to help eradicate the cumulative DSG deficit and support a return to a balanced in-year DSG position by 2026-27. Dorset Council will contribute £33m of revenue as part of the agreement. Additionally, Dorset are investing £47m into capital schemes across the county.
- 11.8 The revised plan is part of the DfE Enhanced Monitoring and Support (EMS) programme and includes allocated DfE advisors. Dorset, along with other LAs, are waiting for information whether the EMS scheme will continue.

Quality of SEND provision

- 11.9 In March 2024 Dorset had an inspection for local area arrangements for children and young people with special educational needs and/or disabilities (SEND). The report from that inspection was published in May 2024. The inspection report stated that: *'the local area partnership's special educational needs and/or disability (SEND) arrangements typically lead to positive experiences and outcomes for children and young people with SEND...Children and young people with SEND and their families are placed at the heart of all that leaders do.'*
- 11.10 This is the best possible outcome from an inspection and Dorset Council is the first unitary authority to receive this outcome under the new SEND inspection framework. Testament to the hard work and dedication of the teams supporting children and young people with SEND and their families and the whole Council and partners approach to supporting their work.

Local Context

- 11.11 A significant driver for the historic deficit is the continued rise in the number of children and young people who require an Education, Health, and Care Plan (EHCP). From the January 2024 SEN2 return, Dorset's percentage of pupils with an EHCP is 5.3%, compared with a national average of 4.8%. The difference is approximately 370 EHCPs. At the end of March 2024, there were 3,975 children and young people with an EHCP.

By the end of December, this had increased by 290 to 4,265 children and young people with an EHCP.

11.12 From analysis at the end of December 2024, 50% of our children and young people are within mainstream provision. Of the net movements since 31 March 2024, there has been a net increase of 83 (47 at September) within the 'Specialist Provision' section, 42 (35 at September) within the Independent Special School placement category

Placement	EHCP	%
Specialist Provision	1,692	40%
Mainstream Provision	2,134	50%
Other Provision	439	10%
December 2024 - TOTAL EHCP:	4,265	

11.13 Spend on high-cost placements is £7.87m over budget, this includes places at independent special schools and specialist post 16 provision.

11.14 Dorset have 465 children and young people now educated within an Independent Special School or Specialist Post 16 Placement, 11% of Dorset's children and young people EHCP population.

12 Progress against budgeted savings

12.1 In setting the budget strategy for 2024/25, the Council identified a budget gap of £23m. The subsequent reports to Cabinet and Full Council set out how the gap was calculated. Part of the process of setting the budget involved identification of new service savings.

12.2 Savings carried forwards from prior years increased the total savings required for 2024/25 to £34m.

12.3 More detail on the delivery of the savings is set out below:

Savings - Adults & Housing

12.4 The Adults and Housing directorate has a savings programme requirement of £8.581m. At this stage, £5.325m (62%) has been achieved. Below details the progress on each of the programmes.

12.5 **Market Management £5.00m** – To date, £4.089m is confirmed as having been delivered through negotiations with providers at the start of the year, mostly around spot purchase arrangements. Framework providers were further supported, as planned, through market sustainability and other grant funding. Work continues to confirm further delivery against this saving. £0.252m has not been achieved due to the requirement to use

- some of the Directorate inflation contingency fund to support annual contractual increases. This is reflected in the Directorate Wide change in the forecast.
- 12.6 **Commissioned care £1.5m** – To date, £0.831m has been delivered, with further active casework underway on continuing healthcare and joint funding.
 - 12.7 **Home First Accelerator £0.926m** – Reablement has, as intended, avoided some long-term care costs. Work is currently underway to capture the implications and forecast year-end impact.
 - 12.8 **Working age accelerator £0.500m** –To date, £0.405m delivered, it is anticipated that this target will be met.
 - 12.9 **Accommodation with care £0.74m** – Extra care scheme opened in October 2024. Monitoring of savings will be reported in the Q3 report.
 - 12.10 **Birth to settled adulthood £0.581m** – Whilst cost avoidance savings have been identified there is an underlying overspend within this cohort.

Savings – Children’s

- 12.11 The Children’s Services directorate has a savings programme to deliver £5.65m in 2024/25. To date, £3.342m has been achieved.
- 12.12 Children’s Services compare and benchmark nationally and against statistical neighbours who are Ofsted Good or Outstanding to help demonstrate value for Money. From the LG Futures ‘Finance Intelligence Toolkit 2023/24 Subscription – Children’s Social Care Report’, Dorset’s expenditure per resident (aged 0 to 17) is 6.9% lower than the England average. The Ofsted inspection of Dorset local authority children’s services in September 2021 was deemed ‘Good’ with an ‘Outstanding’ grade for leadership, and the Ofsted Area SEND inspection of Dorset Local Area Partnership in March 2024 achieved the highest result possible.
- 12.13 **Family Hubs** – a network of Family Hubs, embedded in communities in Dorset where families can get the support they need. External contributions (£1m), earned through successful bids, has enabled six family hubs to be opened across the county (Ferndown, Wimborne, Wareham, Swanage, Bridport and Dorchester), with four more to be opened over the coming months. In line with Department for Education service expectations, all Hubs are providing activities for young children (aged 0-5), while also enabling multi-agency professionals to deliver additional support during stay and play sessions where possible.

- 12.14 **Mockingbird** – the first Mockingbird Constellation was launched in November 2022. There are currently 5 constellations, and the sixth constellation launched in August 2024, making Dorset Council the largest in the South-West region and on par with Leeds in the country. The aim is to have a total of 10 Constellations over the 5-year programme. Evidence of real impact has been recorded for the foster carers and the children they are caring for: prevention of 3 foster carer household resignations, stability support preventing 4 children moving from 2 households, nurturing relationships between the children and young people within the constellation, supportive relationships formed between foster carers, and recognition of hidden talents within our young people. An additional £96k of external funding has been awarded to this project.
- 12.15 **Safeguarding Families Together** - is a whole family, strengths-based approach to safeguarding children. The design encompasses a co-located multi-disciplinary team that includes children's social workers and specialist adult practitioners from domestic abuse, substance use/recovery and mental health services, which has been implemented in three pilot localities. Since the commencement of the pilot, which was live by January 2023, 338 children and their families have received help from SFT. Out of the 133 children who have closed to SFT, we are now seeing evidence of families successfully stepping down from Child Protection plans or Child in Need plans and sustaining change.
- 12.16 **Early Support and Digital Family Offer** – is about creating a Children's Services that is digital by design: in how we think, work and shape our services around the needs of children and families. The project is focused on improving access to both universal and specialist services, creating online services that become the preferred choice. Work is underway to identify how the savings target of £1.343m (£593k 2023/24 and £750k 2024/25) can be realised, and where there is synergy, the elements of the project which can be transferred to Our Future Council. There is significant interdependence with this work and the Our Future Council programme to identify and deliver against our ambitions, such as machine learning and AI capability, to enable savings to be achieved. This is also contingent on its digital capacity to support development work so that project delivery remains on track and benefits are realised.
- 12.17 **Birth to Settled Adulthood** – in April 2024 the new 0-25 Birth to Settled Adulthood Service for children with disability and complex needs was launched. This is a partnership between Children's Services, Adult Services, the Health Service, and Dorset Parent Carer Council, and managed within Children's Services. It is designed and committed to the provision of a consistently good service for disabled children and young people and their families, which continues seamlessly from childhood to young adulthood. The phase 2 timeline working on the integration with

Health is underway. To date the savings of £1.550m have not been realised – the savings and overall budget (Children’s and Adults) is being reviewed as part of the B2SA Finance project. Dorset Council have repurposed and updated a property at minimal capital cost, Hayeswood, to help deliver respite care for children with a disability and may reduce the need to use high-cost external providers. For example, a child at one provider received respite care (including one-to-one / two-to-one during the week and once at weekends) cost £6.4k for the month or estimated £76.8k annually.

12.18 **Service by Service Review** – the directorate has undertaken this to ensure, where appropriate there is a redirection of services or change of provider where others can deliver as effectively as we can. For example, the music service runs independently and has improved the quality of music education across the county and at the same time reduced the headcount of Dorset Council staff. A recent review of in-house nurseries and after school provision has enabled this to be managed by partners who have extensive experience in early education. The Outdoor Education service is also being redesigned to ensure it is sustainable and meeting children and young people’s needs, with an eradication of overspend.

Savings - Place

12.19 Place directorate put forward £5m of savings for 2025/26. At that time, Customer Services, Archives and Libraries were part of Place directorate but have subsequently moved to Corporate Resources, meaning that £4.081m of savings targets remain in Place directorate. In addition, there are £1.363m of saving targets rolled forward from 2023/24, meaning that £5.444m of savings targets are monitored.

12.20 The savings are within the following services:

- i. Assets and Regeneration £2.022m
- ii. Place Services £2.229m
- iii. Economic Growth and Infrastructure £1.193m

12.21 The savings can be broadly categorised as follows:

- i. Additional income target built into base budgets £1.459m
- ii. Changes to service delivery £0.681m
- iii. Realignment of budget £0.250m
- iv. Operational savings £3.054m

12.22 The headline position for Place directorate savings is that, of the total saving target of £5.444m, £0.375m (7%) is declared as not achievable at this stage, with all other savings considered as achievable.

- 12.23 An overview of material savings is contained in the following paragraphs.
- 12.24 Within Waste Operations, savings targets put forward by Place for reduction of agency (£159k) and reduction in street sweeping (£350k) are expecting a shortfall of £175k as the proposed changes to street sweeping have not been implemented.
- 12.25 Within Assets and Property, there is a savings target to reduce the running costs of the property portfolio through property disposals (£486k). This relates to the disposal of Furzehill which is expected to complete in 2025/26.
- 12.26 Some of the more significant savings that have been achieved, or are on course to be achieved, are as follows:
- 12.27 The withdrawal from Queen Elizabeth Leisure Centre in Wimborne has a budget saving £331k.
- 12.28 Increased income for trade waste and Garden Waste services are on track to achieve the £500k uplift as is glass recycling £325k.
- 12.29 The reduction of the vehicle fuel budget by £250k, based on fuel market prices, looks on track to be achieved.
- 12.30 Savings through additional vacancy management is on track in the year to date.

Savings – Corporate

- 12.31 The Corporate savings target for 2024/25 is £1.6m, the majority of which, £1.2m, has a green RAG rating and has been achieved.
- 12.32 There are savings within Customer Services £168k, Sundry debt £150k and Libraries £47k that require further work and so have a RAG rating of amber until there is more information that will clarify their status.

Savings - Our Future Council

- 12.33 Earlier this year PwC were commissioned to undertake a review of the transformation programme and identify the required £8.6m of savings in-year. The full £8.6m will be required to be met from reserves.
- 12.34 PwC have been contracted to support the council to find ways that processes can be streamlined and use technology in smarter ways so the council can deliver sustainable services for Dorset residents.

13 Local Authority Trading Companies (LATC)

13.1 The council has involvement with three LATC's that support the work of the council. This report focuses on the financial performance of the LATC's and highlights any material financial matters which could impact the Council's finances. More information about strategy and wider performance is available through the shareholder boards.

Care Dorset

13.2 Care Dorset was established in October 2022. The accounting year end for Care Dorset is the 30th September.

13.3 Turnover for the company's first year of trading ending 30th September 2023 was £29.583m. The company made an operating loss of £0.394m. The 2024/25 accounts are currently being worked on and there should be a further update in the Q4 report.

Dorset Centre of Excellence Ltd

13.4 The Dorset Centre of Excellence Ltd was established in June 2021. The Company became leaseholder of the site previously owned and occupied by St Mary's Independent School in May 2022 and opened Coombe House School in the same month.

13.5 Coombe House provides education for children with special educational needs and/or disability (SEND). The Dorset Centre of Excellence Ltd is a limited company, 100% owned by Dorset Council.

13.6 The accounting year end for the Dorset Centre of Excellence Ltd is 31 March.

13.7 Turnover for the Company was £3.2m in 2023/24 (£1.9m for 2022/23). The Company received fees from Dorset Council of £2,989k for 2023/24 (£1,554k for 2022/23).

13.8 The Company reported a pre-tax loss of £494k for 2023/24 (£1.3m loss 2022/23). This was significantly ahead of the performance forecast in the 5-year Business Plan (approved June 2023) which anticipated a loss of £1m.

13.9 In this current financial year 2024/25 the Company continues to align with the pupil growth targets of the Business Plan (revised March 2024) but will reach its interim capacity by the end the summer term 2025 with a roll of

approximately 152 pupils. Pupil growth is expected to recommence from September 2027 subject to the handover of further buildings on site which currently require extensive repair and renovation by the Shareholder to be fit for purpose.

- 13.10 The Company expects to report a surplus of £480k for 2024/25 which is year 3 of trading compared to a budgeted surplus of £233k . This improved result includes a saving of £89k on rent charges after agreement with the Council to pro-rata rent based on percentage site occupation, £42k saving on pay costs resulting from vacant posts and £75k VAT recovery expected from 1 January 2025 following the Government's reclassification of private school fees from exempt to standard rated.

Connect2Dorset

- 13.11 Connect2Dorset is a new joint venture with Commercial Services Group (a company wholly owned by Kent County Council). The new service went live at the beginning of April 2024 and will provide the Council with contingent agency, contract and interim employees.
- 13.12 Commentary on Connect2Dorset's financial performance commentary will be included in future reports.

14 Flexible Use of Capital Receipts

- 14.1 As part of the 2024/25 budget the Flexible Use of Capital Receipts policy was approved which included projects within two service areas; Assets and Regeneration and Housing.
- 14.2 As part of the policy it stated the following savings were expected to be delivered which would fund future transformation in those areas.
- 14.3 Where savings are expected recurrently, these will support closing the 25/26 budget gap.

Assets & Regeneration

- 14.5 As of July 2024, no further spend has been coded to three flexible capital receipts cost centres (Strategic Asset Management Plan & Effective Property Services; Rapid Asset Reviews; Acceleration of Disposal).
- 14.6 With the approval of the new Strategic Asset Management Plan by Cabinet in October 2024, the work previously coded to flexible capital receipts budgets has been subsumed into business as usual. This includes outsourced asset reviews (which are now being funded from Asset Strategy), consultancy costs related to the implementation of

corporate landlord model (now being undertaken in house as effective property services model) and a new target operating model for Assets & Property, agency fees for interim colleagues (all of whom have had contracts terminated, with the exception of one now being covered from the Estates salary budget).

Housing

- 14.7 The council has identified £1.5 million of unallocated Capital receipts to be used by Housing services to fund the service reconfiguration, structural changes, and operating model refinements. This will ensure the Council provides an improved housing offer, which benefits both the Council and those who approach us for help.
- 14.8 The additional investment has resulted in greater efficiency and effectiveness across the housing service, enable a more 'customer focussed' approach and enabling earlier efficiencies and effectiveness.
- 14.9 The forecast spend for costs relating to the Capital Receipts funding is £1.055m resulting in a forecast underspend of £0.445m due to delays in recruitment.
- 14.10 Despite not all staff being in post good progress has been made on improving performance and outcomes for individuals as noted as part of the main narrative on Housing.

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

- 15.1 Any overspend at the end of the year will mean a drawn down from reserves will be required. At the end of financial year 2023/24 the council held £37.686m in the general fund and £121.872m in earmarked reserves which was a reduction of £16.1m from the previous year.
- 15.2 Based on the revenue forecast as at the end of 2024/25 there will be an estimated requirement for the following use of reserves:

	Balance 31 March	2024/25 Adjustments	Estimated balance 31 March
	2024		2025
	£'000	£'000	£'000
General Fund			
(a) Financial strategy	18,622	(10,622)	8,000
(b) PFI Reserves	5,976	(625)	5,351
(c) Insurance Reserve	2,325		2,325
(d) Trading Account Reserves	332		332
(e) Transformation Fund	3,314	(3,314)	-
(f) Other Reserves	11,744	(883)	10,861
(g) Repairs & maintenance	754		754
(h) Unused Grant Funds	36,622	(11,053)	25,569
(i) Infrastructure related	9,747	(1,000)	8,747
(j) Innovation	236	(236)	-
Sub-total	89,672		89,672
(k) Section 31 Grant Reserve	16,637	(4,201)	12,436
(l) Public Health inc Covid funding	2,663	(1,759)	904
(m) DSG recovery plan funding	12,900	(12,900)	-
(n) Covid	-		-
Total Revenue Reserves	121,872	(46,593)	75,279
General Fund	37,686	(12,417)	25,269
Total General Fund and Earmarked Reserves	159,558	(59,010)	100,548

- 15.3 Unless some currently earmarked reserves can be repurposed, this could mean the Council is required to use its General Fund reserve, reducing the balance from 10% of General Fund to 6.71%.
- 15.4 Depleting reserves at this rate in a single year is a cause for real concern as the minimum operating level for the council to hold in its general fund would be 5%.
- 15.5 £7m of reserves is required to support the additional cost of the Asset and Property compliance work which requires urgent attention during the year across the whole of the council's property portfolio. The health and safety compliance work is a pan council building survey programme covering 750 assets which is aimed at ensuring all assets can be classified as safe, legal and compliant. It includes a series of annual specialist surveys including asbestos, gas, fire safety, water safety (legionella), electrical, RAAC (Reinforced Autoclaved Aerated Concrete) and RADON gas. The survey usually identifies a series of building improvements which are implemented to ensure continued use of the asset.

16 Capital programme and financing

- 16.1 The capital strategy and capital programme for the MTFP period, which totalled almost £373m, was agreed by Cabinet in February 2024.
- 16.2 The 2023/24 capital outturn was reported to Cabinet in June 2024 and the result of that was that there was programme slippage of £28.844m into 2024/25.
- 16.3 This, along with the approved budget, in-year updates and new bids submitted through the budget setting process of £202m, mean a programme of £516.2m for the next five years, as summarised in the table below.

Capital Programme	Total Budget					Total Budget 24/25-29/30
	2024/25	2025/26	2026/27	2027/28	2028/29	
Full external funding	30,809	5,576	2,902	2,768	0	42,055
Partial external funding	29,037	59,803	0	0	0	88,840
Partial external funding	0	1,916	52,972	28,737	16,259	99,884
Council funded	17,210	52,691	58,260	26,977	19,370	174,508
Capital Receipts Applied	5,800	9,900	1,000	1,000	1,000	18,700
Minimum Revenue Provision	11,241	12,972	14,602	16,499	16,749	72,063
Self Funded	6,068	4,020	4,432	2,850	2,750	20,120
Total funding	100,165	146,878	134,168	78,831	56,128	516,170

- 16.4 The spend and commitments against the current year programme of £100.1m at 31 December 2024 was £69.594m (69%). 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.

- 16.5 The project budgets for the current year are outlined below.

Directorate	No. of projects	Project Budget £,000	Spend / Commitments £,000	Variance £,000	% Spent
Adults & Housing	20	5,964	1,497	4,467	25%
Children's	17	13,117	8,910	4,207	68%
Place	131	77,056	56,815	20,241	74%
Corporate	16	4,028	2,372	1,656	59%
Total	184	100,165	69,594	30,571	69%

16.6 The movements in the project budgets since quarter 2 are shown in the table below.

Directorate	Q2 Budget £,000	Adjustments £,000	Re- profiling £,000	New funding £,000	Q3 Budget £,000
Adults & Housing	10,626	402	-5,704	640	5,964
Children's Place	36,011	33,250	-57,838	1,694	13,117
Corporate	106,774	84,833	-147,532	32,981	77,056
	11,186	32,064	-39,222	0	4,028
Total	164,597	150,549	-250,296	35,315	100,165

16.7 Changes to the Capital scheme since the 2024/25 quarter 2 report include the following items.

16.8 There have been adjustments to the capital programme of £150m. This includes additional borrowing £169.2m relating to the new capital bids, this increase has been offset by the reduction/removal of two projects.

16.8.1 This ERP project of £11m was originally included within the capital programme as Self-Funded, this status has now changed to Council funded. As such the original project has been removed from the programme and the replacement included within the new bids.

16.8.2 The overall cost of the Adults Care Home project has reduced from £34.0m to £27.7m so £6.3m has been removed from the capital programme.

16.9 There has been re-profiling of £250m into future years to more accurately reflect the timing of works, and therefore spend incurred. The majority of this movement relates to the £202m of new bids. In addition, there have been movements relating to SEND capital strategy £19.2m; Capital Contingency £5.6m; Dorset Waste Infrastructure - Blandford site £4.0m; LUF Weymouth Peninsula £3.4m; Highways Corporate Funding (EAP) £3.0m and a number of other smaller adjustments.

16.10 There has been new external funding of £35.3m confirmed, £32.7m of this funding relates to the new bids that have been built into the programme. There is also additional funding of £1.7m for the SEND capital strategy.

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

16.12 The delivery of the capital programme is reviewed monthly by the Capital Strategy and Asset Management Group (CSAMG).

17 Statement of Accounts

Accounts and Audit (Amendment) Regulations 2024

- 17.1 In England the backlog in the publication of audited accounts of local bodies has reached an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. At a national level the system partners have been working to develop a solution involving 'backstop dates'.
- 17.2 The first backstop helped clear the backlog and enable a focus on recent accounts. Five further backstops will enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging.
- 17.3 To meet the 'backstop dates' two slightly unusual things will happen; some local authorities will need to publish financial accounts with less confidence than usual. [This is not the case for Dorset] some auditors will need to issue audit opinions by the deadline, without obtaining the usual level of evidence. [This is the case for Dorset]
- 17.4 As a result of the backstop dates, it is likely hundreds of financial statements will be published with 'modified' opinions, which vary depending on the extent to which the auditor lacked evidence or found material misstatements, and whether these issues were limited to specific areas or affected the accounts more broadly.
- 17.5 Modified opinions in one year affect the accounts preparation and audit of subsequent years, which normally take assurance from the unmodified opinion. The more extensive the modified opinion in the previous year, the greater the impact on the following year, requiring more extensive work to address and recover the situation.
- 17.6 The Accounts and Audit (Amendment) Regulations 2024 were laid in parliament on 9 September 2024 and came into force on 30 September 2024. The statutory backstop dates are as follows:

Financial year	Statutory backstop date
2022/23 and before	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

- 17.7 For Dorset Council 2021/22 accounts the audit of the financial statements has been audited with an unmodified opinion given by the auditors Deloitte.
- 17.8 For the 2022/23 accounts the auditors signed a disclaimed opinion of the financial statements due to not having enough resources to complete the audit by the backstop date. The Auditors Annual Audit Report up to Financial Year 2022/23 (which includes Value For Money) is expected to come to the Audit and Governance committee on 24th February 2025. Due to a full audit not being undertaken for this year, the council expects the audit fee to be adjusted down to reflect the reduced work by the auditor. These fees are set by the Public Sector Audit Appointments (PSAA) but have not been published at the time of writing this report.
- 17.9 The 2023/24 accounts are currently open to audit and the auditors (Grant Thornton) opinion on these financial statements will be going to the Audit and Governance Committee on 24th February 2025.
- 17.10 As part of the Public Sector Audit Appointments Contract, which was approved by Full Council on 15th February 2022, the audit fee payable to Grant Thornton for the financial year 2024/25 is £594,874. The contract is for five financial years from 1st April 2023.

18 Sundry debt management

New invoices for 2024/25

- 18.1 The total value of debts (invoices) raised between 1 April 2024 and 31 December 2024 is £198.1m, a breakdown by directorate is shown below:

Total debt raised	2024/25
	£'000
Adults & Housing	55,826
Children's Services	7,684
Place	38,966
Corporate	95,625
Total	198,101

Overall amounts owed

- 18.2 Looking at debt across all years, the balance of sundry debt outstanding at 31 December 2024 was £37.5m.

- 18.3 The breakdown of the current sundry debt is as follows:

Total Debt					
Directorate	Total due	Less than	30-90 days	90-365	Over
	£'000	30 days	£'000	days	365 days
		£'000		£'000	£'000
Adults & Housing	31,185	2,142	1,640	13,331	14,073
Children's Services	492	129	65	79	219
Place	4,960	1,121	254	2,409	1,177
Corporate	864	458	308	43	54
Grand Total	37,502	3,850	2,267	15,862	15,523

- 18.4 £31.2m of the £37.5m of outstanding debt is within Adults & Housing. Of which, some relates to deferred payment arrangements, or care provided through gross without prejudice.

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

Collectable Debt					
Directorate	Total due £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	20,186	2,056	1,215	9,371	7,544
Children's Services	492	129	65	79	219
Place	4,960	1,121	254	2,409	1,177
Corporate	863	458	308	43	54
Total	26,501	3,763	1,841	11,902	8,995

Prior year performance

18.6 At the end of 2023/24 the Collectable Debt arrears were £46.0m and to date £32.5m (71%) has been collected.

18.7 The next table breaks down performance for prior year debts.

Prior year arrears	Amount owed 31/03/2024 £,000	Collected in year £,000	Amount outstanding 31/12/2024 £,000	% collected
Adults & Housing	17,028	8,613	8,416	51%
Children's Services	2,164	1,912	252	88%
Place	13,171	11,712	1,458	89%
Corporate	13,643	13,583	59	100%
Total	46,005	35,820	10,185	78%

Deferred payments

18.8 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	Total due £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	3,706	-18	101	1,154	2,468

Gross without prejudice

18.9 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	Total due £'000	Less than 30 days £'000	30-90 days £'000	90-365 days £'000	Over 365 days £'000
Adults & Housing	7,294	104	324	2,806	4,060

Write-offs

18.10 The write-offs processed so far this year are shown in the table below. There is adequate provision to cover these debts, which are a relatively small proportion of the total outstanding debt (2.12%).

Debts written off	2024/25 £'000
Adults & Housing	736
Children's Services	0
Place	57
Corporate	0
Total	793

19 Council tax and business rates debt management

Council tax

19.1 The value of council tax debt raised in 2024/25 is £394.2m and £330.4m has been collected to date. The collection rate at 31 December 2024 is 83.80%, which is broadly in line with the corresponding position from the previous year, which was 84.00%.

Business rates (non-domestic rates – NDR)

- 19.2 The value of business rates debt raised in 2024/25 is £104.2m and £87.2m has been collected to date. The collection rate at 31 December 2024 is 83.66%, which is only fractionally different to the corresponding position from the previous year, which was 83.86%.

Write offs

- 19.3 The write-offs processed by the Revenues & Benefits Service during the year are shown in the table below.

Debts written off	2024/25 £'000	% of annual billing
Council tax	51	0.01
Business rates	110	0.11
Housing Benefit overpayments	55	
Total	216	

20 Financial planning, strategy and the Medium Term Financial Plan (MTFP)

- 20.1 Both the Quarter 3 and the latest MTFP papers including budget proposals for 2025/26 will be presented to the same Cabinet meeting in January 2025.
- 20.2 More information is contained within the MTFP paper.

21 Summary, conclusions and next steps

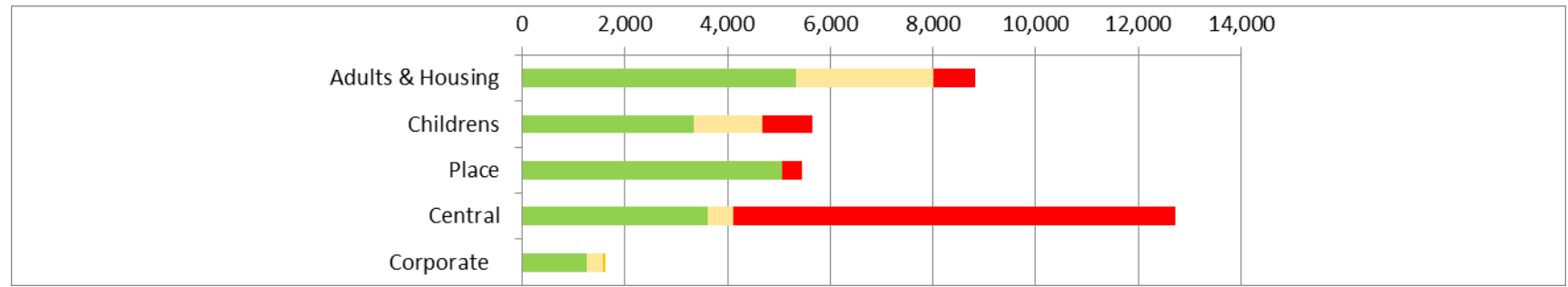
- 21.1 2024/25 continues to be an extremely challenging time for local government, with inflationary and demand pressures impacting on income and expenditure. There remains a large degree of financial uncertainty and, having reviewed expenditure for nine months of the year, Dorset Council's prudent financial forecast is a £10.8m budget pressure.

22 Report Sign Off

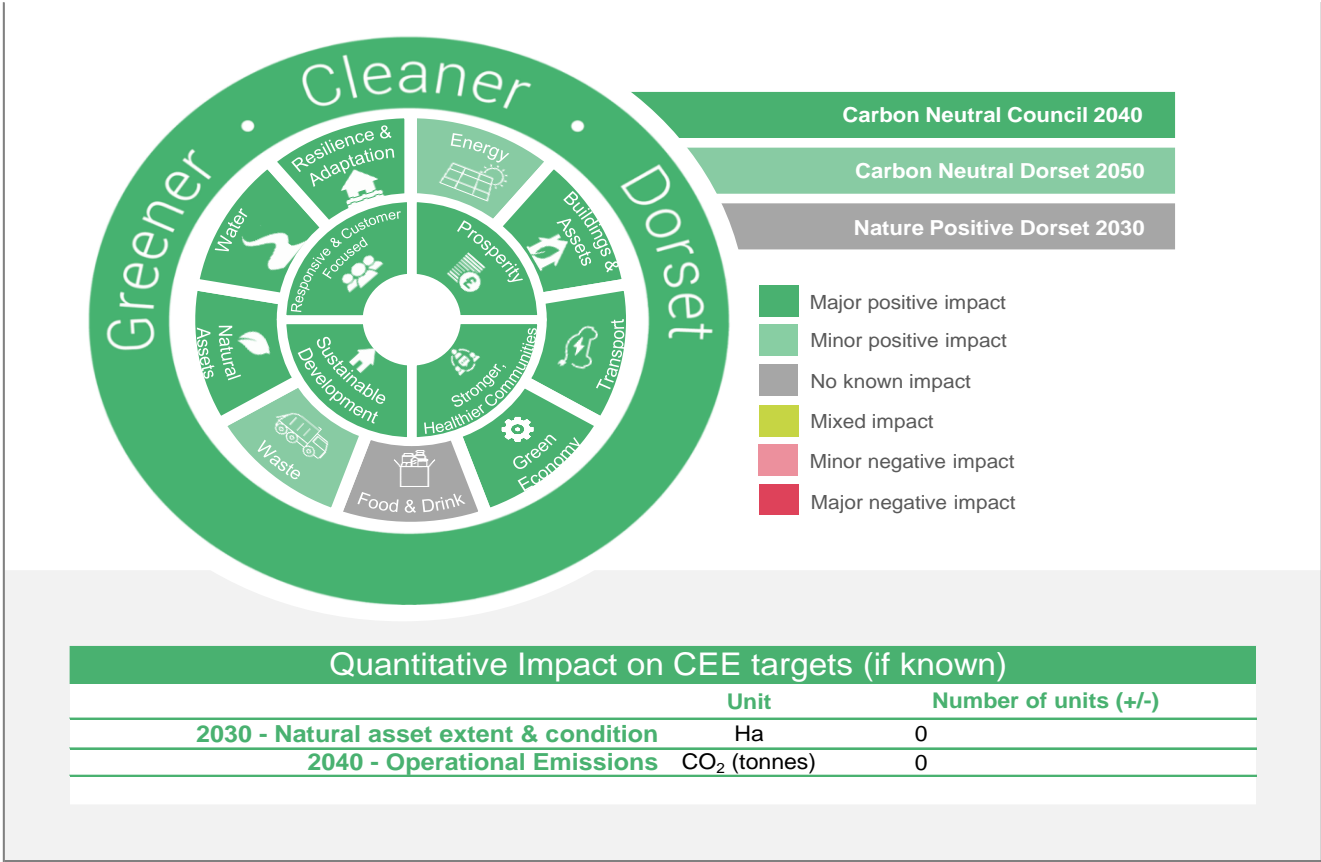
- 22.1 This report has been through the internal report clearance process and has been signed off by the Director for Legal and Democratic (Monitoring Officer), the Executive Director for Corporate Development (Section 151 Officer) and the appropriate Portfolio Holder(s).

Appendix A

		Officer assessment on savings target			
2024/25 Savings Plans		Green	Amber	Amber 2	Red
	£000's	£000's	£000's	£000's	£000's
Adults & Housing	8,581	5,325	2,675	0	833
Childrens	5,654	3,342	1,343	0	969
Place	5,444	5,069	0	0	375
Central	12,722	3,600	500	0	8,622
Corporate	1,608	1,243	318	47	0
Total Savings Plans	34,009	18,579	4,836	47	10,799



Appendix B



ACCESSIBLE TABLE SHOWING IMPACTS

Natural Environment, Climate & Ecology Strategy Commitments	Impact
Energy	minor positive impact
Buildings & Assets	major positive impact
Transport	major positive impact
Green Economy	major positive impact
Food & Drink	No known impact
Waste	minor positive impact
Natural Assets & Ecology	major positive impact
Water	major positive impact
Resilience and Adaptation	major positive impact

Corporate Plan Aims	Impact
Prosperity	strongly supports it
Stronger healthier communities	strongly supports it
Sustainable Development & Housing	strongly supports it
Responsive & Customer Focused	strongly supports it

TABLE OF RECOMMENDATIONS

Recommendations	Responses -will this be incorporated into your proposal? How? And if not, why not?
Energy	
Find out energy use of buildings that are being brought into the Dorset Council carbon footprint, as this will affect our ability to hit our carbon reduction targets	
Find out energy use of any new build buildings that are being added to the Dorset Council carbon footprint, as	

this will affect our ability to hit our carbon reduction targets	
Support the acceleration of heating and energy and water efficiency through cavity and solid wall insulation, draught proofing, improved glazing and shading, and high energy and water efficient smart appliances	
Buildings & Assets	
No recommendations found for this category	
Transport	
No recommendations found for this category	
Green Economy	
No recommendations found for this category	
Food & Drink	
No recommendations found for this category	
Waste	
Look at ways to reduce the amount of waste produced	
Natural Assets & Ecology	
No recommendations found for this category	
Water	
No recommendations found for this category	
Resilience & Adaptation	

No recommendations found for this category