

Agenda

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Dorset County Council



Meeting: Audit and Governance Committee
Time: 10.00 am
Date: 20 January 2017
Venue: Committee Room 2, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ

Trevor Jones (Chairman)
Andrew Cattaway
Matt Hall
Peter Wharf

Kate Wheller (Vice-Chairman)
Hilary Cox
David Harris

Pauline Batstone
Lesley Dedman
Peter Richardson

Notes:

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- **Public Participation**

Guidance on public participation at County Council meetings is available on request or at <http://www.dorsetforyou.com/374629>.

Public Speaking

Members of the public can ask questions and make statements at the meeting. The closing date for us to receive questions is 10.00am on 17 January 2017, and statements by midday the day before the meeting.

Debbie Ward
Chief Executive

Contact: Denise Hunt, Senior Democratic Services Officer
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Date of Publication:
Thursday, 12 January 2017

1. **Apologies for Absence**

To receive any apologies for absence.

2. **Code of Conduct**

Councillors are required to comply with the requirements of the Localism Act 2011 regarding disclosable pecuniary interests.

- Check if there is an item of business on this agenda in which the member or other relevant person has a disclosable pecuniary interest.
- Check that the interest has been notified to the Monitoring Officer (in writing) and entered in the Register (if not this must be done on the form available from the clerk within 28 days).
- Disclose the interest at the meeting (in accordance with the County Council's Code of Conduct) and in the absence of a dispensation to speak and/or vote, withdraw from any consideration of the item.

The Register of Interests is available on Dorsetforyou.com and the list of disclosable pecuniary interests is set out on the reverse of the form.

3. **Minutes**

5 - 12

To confirm and sign the minutes of the meeting held on 7 December 2016.

4. **Public Participation**

(a) Public Speaking

(b) Petitions

5. **Report of Internal Audit Activity Plan Progress 2016/17 - Quarters 2 and 3**

13 - 34

To consider a report by the South West Audit Partnership (attached).

6. **Progress on Matters Raised at Previous Meetings**

35 - 38

To consider outstanding actions identified at meetings held on 20 September and 7 December 2016.

7. **Budget Monitoring Report - December 2017**

39 - 56

To consider a report by the Chief Financial Officer (attached).

8. **Appointing the External Auditor**

57 - 62

To consider a report by the Chief Financial Officer (attached).

9. **Primary School Meals Contract - Contract Extension Consultation**

63 - 68

To consider a report by the Chief Financial Officer (attached).

10. **Corporate Plan: Outcomes Focused Monitoring Report**

69 - 84

To consider a report by the Chief Executive (attached).

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|---|-----------|
| 11. Treasury Management Mid Year Update 2016/17 | 85 - 98 |
| To consider a report by the Chief Financial Officer (attached). | |
| 12. Information Governance - Data Protection Update | 99 - 102 |
| To consider a report by the Head of Organisational Development (attached). | |
| 13. Statutory Officer Panel Terms of Reference (Disciplinary Investigation Process for the Chief Executive and Statutory Officers) | 103 - 136 |
| To consider a report by the Head of Human Resources and Organisational Development (attached). | |
| 14. Constitutional Changes | 137 - 140 |
| To consider a report by the Monitoring Officer (attached). | |
| 15. Work Programme | 141 - 146 |
| To consider the Committee's current work programme. | |
| 16. Questions from County Councillors | |
| To answer any questions received in writing by the Chief Executive by not later than 10.00am on 17 January 2017. | |

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Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,
Dorset, DT1 1XJ on Wednesday, 7 December 2016

Present:

Trevor Jones (Chairman)

Kate Wheller, Pauline Batstone, Andrew Cattaway, Hilary Cox, Lesley Dedman, Matthew Hall,
David Harris, Peter Richardson and Peter Wharf.

Other Members Attending:

Peter Finney, as Cabinet Member for Environment, Infrastructure and Highways

David Mannings, County Councillor for Lodmoor

Daryl Turner, County Councillor for Marshwood Vale

David Walsh, County Councillor for Gillingham

Officers Attending:

Andrew Martin (Service Director – Highways & Emergency Planning, Dorset County Council)

Kevin Cheleda (Traffic Team Leader, Dorset County Council)

Simon Gledhill (Network Management Service Manager, Dorset County Council)

Mark Taylor (Group Manager - Governance and Assurance, Dorset County Council)

Denise Hunt (Senior Democratic Services Officer, Dorset County Council)

Simon King (Senior Economic Regeneration Officer, Dorset Councils Partnership)

Kevin Stewart (Managing Director, Ironman UK)

Alan Rose (Race Director, Ironman UK)

Chief Inspector Chris Weeks (Dorset Police)

PC Heidi Moxam (Dorset Police)

(Notes: These minutes have been prepared by officers as a record of the meeting and of any decisions reached. They are to be considered and confirmed at the next meeting of the Committee to be held on **Friday, 20 January 2017.**)

Apologies for Absence

31 No apologies for absence were received.

Code of Conduct

32 There were no declarations by members of any disclosable pecuniary interests under the Code of Conduct.

Minutes

33 The minutes of the meeting held on 20 September 2016 were confirmed and signed.

Public Participation

34 Submissions by members of the public were considered during the following item.

Call to Account - Ironman Weymouth 2016

35 The Service Director – Highways and Emergency Planning outlined the report concerning the Ironman Weymouth event on 11 September 2016 and made some suggestions for future improvements.

The Committee heard that the event management plan included the requirement for a Temporary Traffic Regulation Order (TTRO) to cover a schedule of road closures in order to facilitate the event. Both Dorset County Council (DCC) officers and the Safety Advisory Group (SAG) had the opportunity to comment and amend the plan based on

the knowledge and expertise of its members. DCC had also opened its traffic control centre and provided 2 officers at the centre on race day.

DCC officers had not been aware that a marshalling company had withdrawn its services until the day of the event and no mention had been made of the revised marshalling arrangements at a pre-race meeting between DCC officers and Ironman staff that took place 4 days prior to the race.

During the event a significant number of incidents occurred across the route and evidence emerged that marshals were not fully briefed on the traffic management proposals, had no local knowledge and were closing roads unnecessarily. Traffic did not flow freely on the highways network and the lack of knowledge contributed towards cars stopping unnecessarily. Eighty complaints were received from road users following the event.

A “wash up” meeting with Ironman organisers and SAG took place on 27 September 2016 when it was accepted by Ironman representatives that the marshals had played a key factor in the problems experienced on the day.

The Service Director advised that the correct process had not been followed by DCC officers for the TTRO and the Secretary of State had been informed of the error and had decided that no retrospective action would be taken. Although this had not affected the delivery of the event, he acknowledged that this had resulted in reputational damage to the Council and that a review of the checklist process had since been undertaken to avoid a future occurrence of this nature. In addition, refresher training would be arranged in order to update staff on processes and practices.

He was disappointed that the highways network had not operated correctly on 11 September 2016 and that proportionate responsibility should be placed on the event organisers. One of the suggestions in the report included a Memorandum of Understanding (MoU) to outline the respective responsibilities of each party that would be developed in conjunction with SAG and signed off in February of each year.

With regard to marshalling, DCC had a large staff resource to assist in future events which he hoped would be accepted by the organisers as well as a review of the integration of the DDC traffic control centre and race centre.

The participants viewed the event as a great success and despite the frustrations it was important to acknowledge the financial benefit to the area.

Submission by Simon King, Senior Economic Regeneration Officer – Dorset Councils Partnership

The Committee heard that both the event management and traffic management plans had been considered by SAG and that sign off was the responsibility of the local authorities.

Weymouth & Portland Borough Council (WPBC) had approved the event and entered into an agreement with Ironman for use of a transition area at Lodmoor Country Park, the Pavilion forecourt and designated car parking.

Following the event, a “wash-up” meeting took place on 1 November 2016 between WPBC and Ironman organisers to overcome issues experienced in Weymouth. He described a very proactive working relationship with Ironman, DCC colleagues and partner agencies.

He reported that provision of documentation by Ironman to SAG had been delayed

leading to increased pressure to review and provide constructive feedback. He therefore supported an MoU that included a clear timetable of meetings and outcomes so that all deadlines were met and the appropriate advice and feedback could be provided.

With regard to the improving operational logistics in Weymouth he made the following suggestions:-

- A clear understanding by marshals of legitimate access to Weymouth beach, including the beach cleaning machine, beach chalets and lifeguard operation and for Dorset Waste Partnership vehicles to empty litter bins.
- To resolve access issues experienced around the harbour due to a section of cargo stage being used as a drinks station that had not been included in the event management plan.
- A command structure involving local authorities and emergency services that looked at both inward and outward impacts of the event.
- An action log open to the command structure to ensure issues are logged and dealt with appropriately
- A contingency plan to mitigate risks such as the failure of marshalling. Local authorities and interested local parties with local knowledge could assist in this role.
- To actively monitor audio outputs and compliance with noise abatement regulations.

In summary, he stated that the 2016 Ironman event was successful for participants and the local economy and that the issues experienced could be overcome if the necessary steps were taken at this stage.

Submission by Chief Inspector Chris Weeks and PC Heidi Moxam - Dorset Police

Chief Inspector Weeks stated that he was the lead officer for operational events and traffic management plans and explained the police priority to ensure that an event was run safely.

He had been reassured that SAG had been utilised and that it would be beneficial for this group to have a greater focus on the traffic management plan, including looking at what staff were needed where and at what time. He explained that it was the ambition of Dorset Police to limit resources at events as these should be run through private enterprise.

PC Heidi Moxam stated that she had attended SAG meetings and discussed road closures for the Challenge Weymouth and Ironman Weymouth events and explained that this was the first year that the route had been used. She advised that there had been good communication in the control room on race day and that the downfall of the event had been due to the marshalling. Police officers had been requested and paid for by Ironman at certain hotspots throughout the day, however, these officers had played a greater role than anticipated due to the problems with marshalling. Traffic motorcycles had also been used to roam and assist as necessary. She considered that this could be a successful event with appropriate advice and contingency support from Dorset Police.

Submission by Kevin Stewart, Managing Director and Alan Rose, Race Director – Ironman UK

The Managing Director of Ironman UK explained that he had responsibility for 6 races in the UK. Ironman brought a strong brand identity to the triathlon event which could be evidenced by the number of entries.

He advised that athletes had stayed 2-3 nights and brought additional people with them. There had been an economic benefit of approximately £1m in Dorset with 91% of athletes likely to return to the area and 96% likely to recommend the area to friends and family. This positive economic impact would grow in future years. The event also inspired people to take part and become fitter and healthier. The aim was to minimise the negative impacts of this event in future years.

The Race Director explained that a robust communications plan was in development for 2017 that included attendance at 3 SAG meetings, parish council meetings as well as meetings with County councillors, community groups and businesses along the route.

A Public Relations Plan was also being developed in conjunction with Love Weymouth and Visit Dorset that included communication via the local press, council newsletters, posters, social media and redesign of information sent to residents.

Meetings had already taken place with Highways England with a view to improving access along the routes, including a fully accessible A352 and improving signage placement.

He advised that Ironman UK had changed its traffic management supplier and had engaged with DCC's resources and suppliers to assist with signage and traffic management. Referring to the issues experienced with marshalling, he explained that 3 companies had been employed to undertake marshalling and that 2 of these companies had withdrawn their services 10 days prior to race day. The one remaining company had sourced the remaining marshals, but had been clearly overstretched. Ironman was already engaging with local companies and DCC officers in order to build in this element early for next year.

An MoU had been developed for 2017 and was currently with DCC officers for their comments and it was hoped to have a workable document with reasonable timelines.

Following an internal review of the 2016 event it had been agreed to run the 70.3 event only which would mean that the roads would reopen from between 10.15am and 1.30pm, thereby reducing the period of road closures by 5 hours.

Public Participation

Tricia Dovell addressed the Committee and spoke about the problems with marshalling and incorrect signage which she felt could have resulted in public safety issues due to diversion of heavy vehicles and angry people.

Mr Terry Pavey addressed the Committee on behalf of his group of 4 self-employed boat men whose businesses had been cut off during the event. He asked for the cargo stage on the harbour to be kept clear and for the winning entrants to be at the seaward side of the Pavilion. The announcements had been over the decibel limit for that area. He was disappointed that there was a lack of assistance to resolve issues on the day and that there had been no redress due to loss of business. He suggested that the event would be better run in the tourist shoulder period.

David King, addressed the Committee concerning the Rotary bike ride for Cancer Research which was to be held on the same day as Ironman Weymouth in 2017 and asked for the Rotary event to be taken into consideration due to clashes along the route.

Richard Frampton- Hobbs, a business owner, said that although he was not against sporting events, he felt that Ironman UK did not understand how tourism operated in Dorset and that if he chose to close his businesses for the day on behalf of someone

else's business then this should be compensated. He considered that only a few roads needed to be closed with the least impact and greater consultation during the lead in time.

He felt that the credibility and trust with Ironman UK had been lost and that further evidence of the economic benefit should be provided. He also felt that it was better to hold the event after the summer.

Malcolm Shakesby, a local resident, relayed his personal experience on race day in trying to access Broadmayne. He asked how much officer time had been used in arranging the event. He highlighted that most of the route went through the Purbeck area and that conflicts with other road races and memorial events should be taken into account.

Justin Oakley addressed the Committee as a Co-ordinator for British Cycling with experience in running road races. He advised that cycling, triathlon and sports were managed very differently and asked about the level of accreditation for marshals.

Mona Porte, a local resident, addressed the Committee and requested some clarification of the laws governing the use of PA and loud music at 6:30am on a Sunday. She requested an undertaking that residents, who did not wish to be disturbed or listen to the type of music being played to be allowed to slumber undisturbed as the noise was far reaching.

Councillor David Mannings, County Councillor for Lodmoor, spoke about problems with traffic along Preston Road / Littlemoor Road and the danger the cyclists posed due to the course layout at the end of Coombe Valley Road.

Councillor Ian Bruce, WPBC Councillor for Preston, reported that information had been available which conflicted with a letter sent to residents and that access to homes and business had been difficult on race day. He suggested that Littlemoor Road should remain open at times when the Preston Beach Road was closed and that circumventing the route once rather than twice would alleviate some of the problems. A full Ironman event was possible if the issues relating to the road closures for the bike race were resolved.

Questions and Comments by the Committee

a) Involvement of Dorset Police

Members were informed that there was a national initiative to reduce police involvement in events, however, organisers were able to pay for police resources as a contingency and these officers came under the responsibility of the Silver Commander. He confirmed that responsibility for the race was with Ironman UK and the host authority.

It was suggested that Neighbourhood Watch groups would be a useful volunteer resource due to the expertise of its members and the Chief Inspector indicated that he would relay details of the Chief Inspectors who dealt with Neighbourhood Watch groups in the relevant areas.

PC Moxam informed the Committee that only the police could enforce a TTRO. Eight officers had been deployed during the event, paid for by Ironman, who were located on hotspots along the route to support marshals and prevent a breach of the peace. Their role was not to direct traffic unless in an emergency. She felt that it would have been beneficial to have accredited marshals who had undertaken relevant training and were able to enforce certain closures.

Members asked whether the MoU for cycling events had been considered for this

event and were informed that no further progress had been made due to the ill health of the lead police officer. It was suggested that this could be taken into account for the Ironman Weymouth event.

PC Moxam confirmed that she was also in consultation with West Yorkshire Police who were in the process of revisiting the 1960s legislation relating to sporting events.

b) Temporary Traffic Regulation Order

Members asked about the criteria for issuing the TTRO and the powers in place to enforce or alter future events and were informed that the criteria was mostly based around safety and that a TTRO could be denied if there was a lack of confidence in the arrangements.

It was confirmed that the TTRO had been awarded later than anticipated, however, a clear timeline would be included in the proposed MoU. The Ironman representatives confirmed that the event would not take place if a TTRO was refused as the route would be unsafe.

The Managing Director confirmed that the event operated to a high standard elsewhere in the Country and that Ironman UK would comply with the MoU which was both reasonable and sensible. He accepted that there had been an issue with marshalling on this occasion.

In mitigation he confirmed that there had been significant expenditure for marshals to ensure the safety of the public and participants and that this commitment had continued despite being let down. He advised the Committee that marshals were paid in order to ensure that the event was fully staffed at relevant points.

The Committee noted that DCC could not approve the TTRO unless it was satisfied that key conditions had been met and members asked whether highways experts were consulted during the planning stage of the route. The Service Director confirmed that Ironman representatives had previously consulted with officers and were currently liaising with highways officers and Highways England on the route for next year.

c) Liaison with local communities

The Committee noted that another aspect that did not go well related to engagement with local communities and that there had been minimal attendance at meetings arranged with parish councils.

Members commented that some parish councils had not received a meeting invitation and that greater efforts were required to engage with parish councils as they wanted to become involved.

The Managing Director confirmed that he had attended some meetings with parish councillors, but the lists of attendees were not available. He advised that a different route had been used from the previous Challenge Weymouth event and that staging the event led to increased awareness in the local community, as had been evidenced in Pembrokeshire. He assured the Committee that organisers would identify new ways of communicating with people, including the Neighbourhood Watch groups.

d) Signage

The Managing Director confirmed that signage would be in place 2 weeks prior to the event, including 2 weekends. There was a risk of conflicting with signage for other events and a reduction in impact if signage was in place in advance of this timescale.

Members advised that some signage had been installed the day before the race and had not been subsequently removed.

e) Contact Telephone

Members advised that complaints had been received regarding the quality of the telephone response and it was suggested that local people employed by Dorset Direct could fulfil this role.

The Managing Director advised that there would be improvements to the contact e-mail and phone number for the event in 2017.

f) Engagement with SAG

Members heard that there had been a delay in completion of the event management plan considered by SAG and that increased engagement with SAG would be beneficial prior to sign off by DCC and the local authorities.

The Managing Director confirmed that the opinion of SAG was very important to the organisers who took on board any feedback.

g) Economic Benefit

Members considered the economic benefit of the event and acknowledged that, whilst there had been business opportunities arising from the event, there were many small businesses that were badly affected on the day. The Committee wanted to be reassured that this impact would be minimised in future and that consultation would take place with businesses prior to the event.

The Race Organiser advised that he had met with 25 businesses following this year's event to explore what went well or not so well and advise of changes that would be made in 2017.

Members asked whether DCC had received payment in respect of officer time and were informed that a charge of £275 could be made for the TTRO and that it was part of its statutory obligation to provide staff time as the highways authority. Discussions were taking place with the organisers with on how costs in respect of officer time, aside from this obligation, could be recovered in future.

Members suggested that the financial impact could be further increased by avoiding clashes with other events held in the area on the same day. They also considered that the economic analysis had not recognised the impact in Purbeck and asked whether there was scope to reconsider the route in order to reduce the impact on this area or change the time of year that the event was held.

The Managing Director confirmed that the economic impact assessment had been undertaken by DCC and paid for by Ironman UK and that the course routes were currently being reviewed for 2017. The time of year the event was held was restricted by water temperature and weather conditions in order to limit safety concerns.

It was one of the objectives of organisers to minimise disruption to business and communicate other events on the same day. Although not all impacts could be avoided, the organisers would provide better access to routes. In terms of accommodation, there was an opportunity to fill bed spaces at a premium rate a year in advance.

h) Chairman's concluding comments

The Chairman concluded that there would be increased awareness of the event within local communities each year and there was an opportunity for traffic arrangements to become better rehearsed and understood. The situation that had arisen with the marshalling of the event had been unprofessional and the relevant information should have been shared with DCC officers prior to the event. Members therefore needed to have confidence that problems would be shared openly in future events. The

problems experienced needed to be dealt with by both Ironman and DCC and the Committee would be framing some recommendations to Cabinet in January 2017 to ensure that this happened. He thanked the Ironman representatives and the other parties for their attendance and contribution at the meeting.

Questions from County Councillors

36 No questions were asked by members under Standing Order 20.

Meeting Duration: 10.30 am - 1.00 pm

Dorset County Council

Report of Internal Audit Activity

Plan Progress 2016/17 - Quarters 2 and 3

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Agenda Item 5

Contents

The contacts at SWAP in connection with this report are:

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Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Audit Opinion

Audit reviews completed to date, highlight that in certain areas, risks are generally well managed with the systems of internal control working effectively. However, in other areas, we have identified some key risks that require the introduction or improvement of internal controls to ensure the achievement of objectives.

DCC management respond positively to internal audit suggestions for improvements and corrective action is often taken quickly, wherever this is possible or practical.

Follow up work completed to date this year highlights that recommendations have generally been implemented to mitigate the risks identified.

Internal Audit Plan Progress 2016/2017

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for Dorset County Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 8th June 2016.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit Plan Progress 2016/2017

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action



Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2016/17. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on pages 9 and 10 of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have previously been identified in service/function reviews that are considered to represent significant risks, a summary of the key audit findings that have resulted in them receiving a ‘Partial Assurance Opinion’ have been summarised in Appendix D, along with the current position.

Findings that have been identified in our 2016/17 work which are considered to represent significant corporate risks to the Council, are separately summarised in Appendix C. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

“Added Value”

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”. As we complete our operational audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control.

- Following the findings from our Cyber Security audit, we provided an additional report on Cyber Security Training & Awareness Best Practice, as this was identified as the key finding from our review. This document provided a number of suggestions and practical tips for rolling out a Cyber Security training programme. A further Cyber Security communications document was shared alongside a recommended free Cyber Security training resource for the Authority.
- In addition to our review of the Equality Impact Assessment (EQIA) process at DCC, we provided a comparison of the completion and review process of EQIA’s across 12 SWAP partner Authorities. The findings have been fed back to the Service in order to compare and utilise the information.
- As part of our recent Creditor/ Payments audit, we carried out a benchmarking exercise on behalf of the Service in relation to the percentage of invoices paid within 30 days across eight Authorities, and the number of invoices processed per month across three Authorities. Best practice suggestions for creditor/ payments KPI’s were also shared with the Service following a Webinar that we attended.

Internal Audit Plan Progress 2016/2017

SWAP Performance - Summary of Audit Opinions

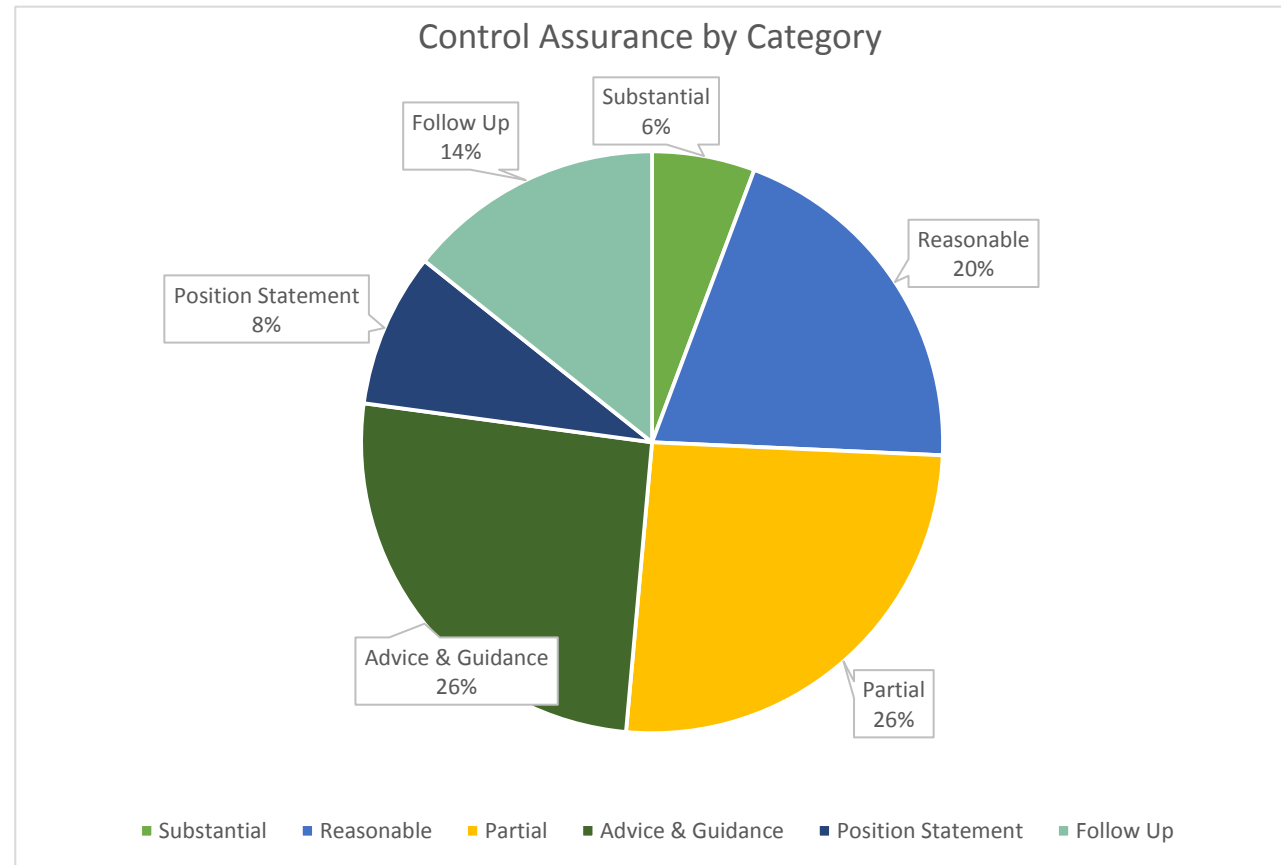
At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Partial
- None



Summary of Control Assurance

As well as our standard audit opinions, we have also included our Follow Up work along with any Advice & Guidance. It should be noted that there were no 'None' Audit Opinions in our work to date.



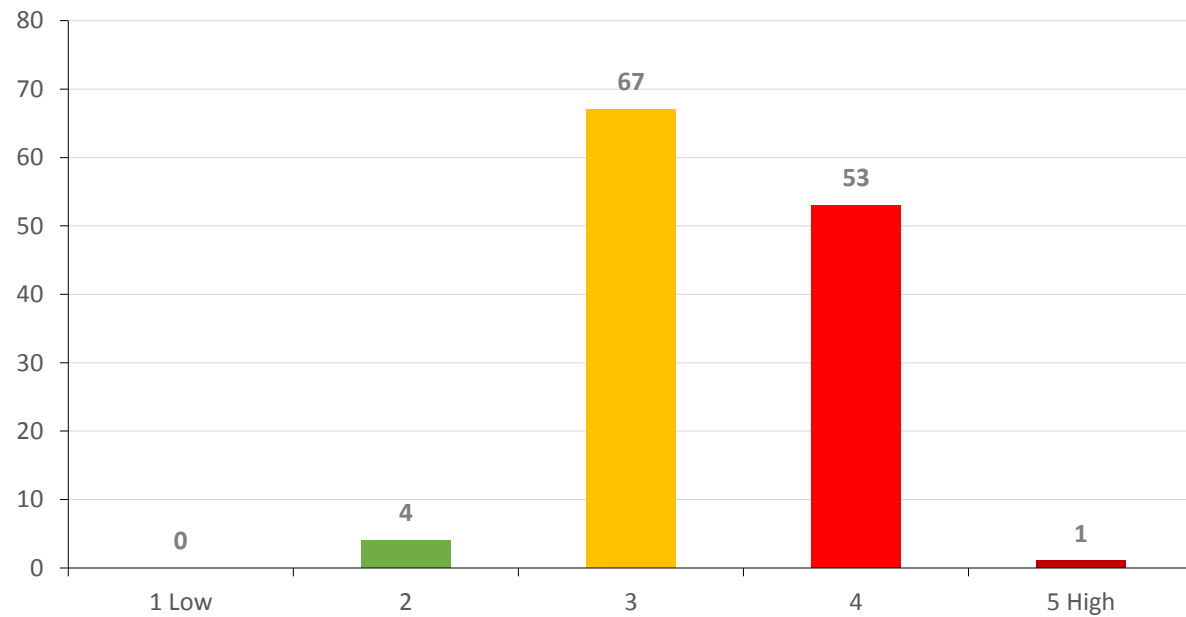
Internal Audit Plan Progress 2016/2017

Summary of Audit Recommendations by Priority



Summary of Recommendations

Audit Recommendations by Priority



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Internal Audit Plan Progress 2016/2017

The Assistant Director of for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 14 Councils and also many subsidiary bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Dorset County Council for the 2016/17 year (as at 23 December 2016) are as follows;

Performance Target	Average Performance
<p><u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion Document Fieldwork completed awaiting report In progress Yet to complete</p>	<p>51% 1% 30% 18%</p>
<p><u>Draft Reports</u> Issued within 5 working days Issued within 10 working days</p>	<p>75% 92% (Average Days of 3)</p>
<p><u>Final Reports</u> Issued within 10 working days of discussion of draft report</p>	<p>77% (Average Days of 10)</p>
<p><u>Quality of Audit Work</u> Customer Satisfaction Questionnaire</p>	<p>86%</p>

Internal Audit Plan Progress 2016/2017

We keep our audit plans under regular review so as to ensure that we auditing the right things at the right time.



Approved Changes to the Audit Plan

Since the last Internal Audit Progress Report, there have been a number of changes to the Audit Plan. This has been due to emerging risks that have been deemed higher priority, or where the Service has stated that an audit would not add sufficient value at this time, due to arrangements being in their infancy. The changes have been summarised below:

Audits removed or combined from original 2016/17 Audit Plan:

- Social Value Policy (higher priority review identified – see below)
- Commissioning of Smarter Computing (now combined with Forward Together Smarter Computing review)
- Supplier Relationship Management (now combined with Contract Management review)
- Dorset Waste Partnership Vehicle Maintenance (swapped for an alternative review – see below)

Audit substituted to replace the reviews above:

- Mobile Phone Arrangements
- Risk of Care Provider Failure
- Dorset Waste Partnership – Sickness Benchmarking

Additional audits undertaken at the request of Management (resourced from SWAP contingency):

- IR35 Arrangements
- Establishment Control
- Review of Forward Together
- Dorchester Learning Centre – Provision of audit advice in relation to a review of the Centre

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.



Audit Framework Definitions

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Work at Report Stage										
Operational	Dorchester Learning Centre	1	Final	Partial	26	1	12	13	-	-
Follow Up	Dorchester Learning Centre Follow Up	3	Final	Significant Findings Addressed						
Governance	Oversight of Schools	1	Final	Partial	7	-	3	4	-	-
Operational	Purchase to Pay Review	1	Final	Advice & Guidance	N/A	-	-	-	-	-
Follow Up	Country Parks Follow Up	1	Final	Significant Findings Addressed						
Follow Up	Archives Follow Up	1	Final	Significant Findings Addressed						
Follow Up	Dorset Waste Partnership Follow Up	1	Final	Significant Findings Addressed						
Follow Up	Budmouth Technology College	1	Final	Significant Findings Addressed						
Operational	Health & Safety	1	Final	Reasonable	9	-	2	7	-	-
Operational	Debt Management	1	Final	Partial	18	-	6	12	-	-
Operational	Income Generation	1	Final	Partial	6	-	6	-	-	-
Operational	Use of External Advisors	1	Final	Partial	6	-	4	2	-	-
Operational	Safer Recruitment	1	Final	Partial	8	-	5	3	-	-
Grant Certification	Troubled Families Grant Certification	2	Final	Advice & Guidance	N/A	-	-	-	-	-
Grant Certification	Growth Hub Grant Certification	2	Final	Advice & Guidance	N/A	-	-	-	-	-

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Grant Certification	Community Channel Grant Certification	2	Final	Advice & Guidance	N/A	-	-	-	-	-
Operational	Reporting of Spend over £500	2	Final	Reasonable	2	-	-	-	2	-
Governance	Concessionary Fares	2	Final	Reasonable	3	-	-	3	-	-
Operational	Budget Management	1	Final	Partial	10	-	6	4	-	-
Operational	SEN – Education, Health & Care Plans	2	Final	Partial	8	-	4	4	-	-
Operational	Better Care Fund	2	Discussion Document	-						
Operational	Direct Payments - Adults	2	Final	Reasonable	2	-	1	1	-	-
Operational	Direct Payments – Childrens	2	Final	Partial	6	-	3	3	-	-
Operational	Adult Demand Management	2	Final	Substantial	3	-	-	1	2	-
Operational	Best Practice Contract Reviews	2	Final	Position Statement	-					
Operational	Creditors/ Payments	2	Discussion Document	-						
IT Audit	Cyber Security	2	Final	Reasonable	4	-	1	3	-	-
IT Audit	Adult's and Children's Services – Case Management System	2	Final	Advice & Guidance	N/A	-	-	-	-	-
Operational	Section 17 Payments	2	Draft	-						
Operational	UK Equity Fund Internal Management	2	Final	Reasonable	4	-	-	4	-	-

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Governance	Equality Impact Assessments	2	Final	Advice & Guidance	1	-	-	1	-	-
Governance	Risk Tolerance – Reports to Committees	2	Draft	-	-					
Operational	Partnering & Voluntary Organisations	2	Final	Advice & Guidance	N/A	-	-	-	-	-
Governance	Dorset Waste Partnership - Strategic Waste Facility Decision	2	Final	Reasonable	-	-	-	-	-	-
Governance	Assurance Mapping Exercise	3	Final	Advice & Guidance	N/A	-	-	-	-	-
Key Control Audit	Financial Reconciliations	3	Final	Substantial	2	-	-	2	-	-
Governance	Time, Travel & Expenses – Implementation of New System	3	Draft	Advice & Guidance						
Operational	Cost of Council Services	3	Final	Position Statement	-	-	-	-	-	-
Operational	Use and Control of Credit Notes	3	Final	Position Statement	-	-	-	-	-	-
IT Audit	Feeder System Reconciliations – IT Controls	3	Draft	-						
Work in Progress										
Operational	Contract Management	3	In Progress	-	-					
Operational	Establishment Control	3	In Progress	-	-					
Governance	Review of Forward Together	3	In Progress	-	-					
Operational	Outcomes Based Accountability	3	In Progress	-	-					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Operational	Agency Staff	3	In Progress	-	-					
Operational	Mobile Phone Arrangements	3	In Progress	-	-					
Operational	Energy Procurement Audit	3	In Progress	-	-					
Operational	Dorset Waste Partnership Budget Management	3	In Progress	-	-					
Operational	IR35 Legislation	3	In Progress	-	-					
Operational	Accommodation Project	3	In Progress	-	-					
Grant Certification	Community Channel Grant Certification	3	In Progress	-	-					
Key Control Audit	Pensions	4	In Progress	-	-					
Operational	SEN/Children who are Disabled - Transition Arrangements	4	In Progress	-	-					
IT Audit	Asset Management Hardware	4	In Progress	-	-					
To be Completed										
Operational	Commercial Contract Management	4	To Complete	-	-					
IT Audit	Smarter Computing	4	To Complete	-	-					
Operational	Benefits Realisation Assessment	4	To Complete	-	-					
Operational	Children in Care	4	To Complete	-	-					
Operational	Project Risk Management	4	To Complete	-	-					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
Operational	Dorset Waste Partnership Benchmarking	4	To Complete	-	-					
IT Audit	Microsoft 365 for SharePoint	4	To Complete	-	-					
IT Audit	ICT Key Controls Follow Up	4	To Complete	-	-					
Governance	Local Authority Traded Company	4	To Complete	-	-					
Operational	Risk of Care Provider Failure	4	To Complete	-	-					
Key Control Audit	Treasury Management	4	To Complete	-	-					

Schedule of significant risks identified from Internal Audit work in 2016/2017

Name of Audit	Risk Identified	Weaknesses Found	Recommendation Action	Managers Agreed Action	Agreed Date of Action
Dorchester Learning Centre	The Governance structure does not provide sufficient strategic overview	Currently the governing body are lacking the structure to be able to provide a strategic overview of the operations within the Centre. In addition, there is a need for the Headteacher to provide more information to the governors to enable them to make appropriate decisions.	A range of recommendations have been made to address the governance. These include training for governors, ongoing review of statutory policies, and greater oversight of the school development plan.	Management at the Centre have agreed to all our recommendations. Progress has been made to address the areas highlighted. Due to changes at the Centre, a follow up has been deferred and will be carried out in the Autumn term.	Audit follow up recently completed at the Centre. All actions were found to have been implemented.
Dorchester Learning Centre	The Centre does not comply with appropriate financial and other procedures	<p>There is no assurance that the owner of a company that the centre uses has appropriate insurance cover and arrangements for DBS checking of staff and volunteers.</p> <p>In order to demonstrate transparency in the award of contracts, it is important that the governors and staff with spending decisions complete an annual declaration of interests. A number of potential conflicts exist at the Centre and therefore it is imperative that full disclosure and transparency exists.</p> <p>The Centre does not have all statutory policies in place.</p>	A range of recommendations have been made to address the Centre's compliance with the appropriate financial and other procedures. These include formal approval of the Centre's budget, seeking assurance re: the safety of external companies used, and greater transparency in relation to declarations of interest. Recommendations have also been raised in relation to Governors seeking assurance that value for money is being achieved with the activities commissioned by the Centre.	As above.	Audit follow up recently completed at the Centre. All actions were found to have been implemented.

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Summary of Significant Risks

APPENDIX C

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<p>Income Generation</p>	<p>A lack of support and proportionate processes across the organisation prevents staff innovation and the generation of new income</p>	<p><i>The following findings were identified as Significant Findings in the review. However, it should be noted that none of these were classed as a Priority 5 Outcome i.e. findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.</i></p> <p>Lack of financial tools to enable effective cost and management accounting.</p> <p>Lack of training and guidance to ensure managers develop commercial awareness.</p> <p>Project management processes are not employed to manage the implementation of the Commercial Board's objectives.</p>	<p>A range of recommendations have been made to support the progress of the Commercial Board objectives. These include the enhancement of management accounting and costing information, communication and training for managers, and adopting project management principles where necessary to ensure areas are taken forward.</p>	<p>Management have agreed to all of our recommendations, with an action plan in place.</p>	<p>All actions were due to be completed by end of October 2016. With the current review of Forward Together underway, the Chair of the Commercial Board has placed the implementation of these recommendations on hold.</p>
<p>Use of External Advisors</p>	<p>Correct processes for the use of external advisors are not followed leading to poor service quality, potential claims against the council and value for money not being achieved.</p>	<p><i>The following findings were identified as Significant Findings in the review. However, it should be noted that none of these were classed as a Priority 5 Outcome i.e. findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.</i></p> <p>There is no strategic oversight of the use of external advisors at a corporate level.</p> <p>Inaccurate coding of external advisor spend; resulting in the figures reported to Members containing potential inaccuracies and/ or overstatements.</p> <p>Officers are unaware of key guidance and best practice principles in relation to the use of external advisors.</p> <p>Consideration of using alternatives to external advisors at the outset of work is not being undertaken (or at least evidenced).</p>	<p>A number of recommendations have been made to enhance the monitoring, oversight and control of the use of external advisors. These include improving the reporting of external advisors and raising awareness amongst staff in terms of best-practice when commissioning in this area.</p>	<p>Management have agreed to all of our recommendations, with an action plan in place.</p>	<p>All actions to be completed by end of January 2017.</p>

<p>Debt Management</p>	<p>All sums due are not collected resulting in loss of income to the Authority</p>	<p><i>The following findings were identified as Significant Findings in the review. However, it should be noted that none of these were classed as a Priority 5 Outcome i.e. findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.</i></p> <p>There are inadequate debt recovery procedures for Children's Services Debts.</p> <p>Debt recovery actions within directorates are not recorded on DES/SAP Environment directorate using a "work around" to put a customer's service provision on stop.</p> <p>At the time of the audit the value of aged credit that had been outstanding for over 365 days stood at £404,037.00.</p>	<p>A number of recommendations have been made to enhance the monitoring, reporting and control of debt.</p>	<p>Management have agreed to all of our recommendations, with an action plan in place.</p>	<p>All actions to be completed by end of March 2017.</p>
<p>Safer Recruitment</p>	<p>The Authority fails to identify individuals unsuitable to work with vulnerable people, potentially leading to the cause of harm or detriment to the wellbeing of service users.</p>	<p><i>The following findings were identified as Significant Findings in the review. However, it should be noted that none of these were classed as a Priority 5 Outcome i.e. findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.</i></p> <p>There is no effective control to ensure that a DBS check is undertaken in every appropriate instance prior to employment commencing.</p> <p>Without a contract being in place prior to service delivery the Authority will not be able to enforce the DBS requirement contained within the contract.</p> <p>Without maintaining a central record of volunteers, the Authority is unable to ensure that a DBS check is undertaken in every appropriate instance prior to volunteer work commencing.</p>	<p>A number of recommendations have been made to enhance the monitoring and checking of DBS checks, as well as suggested updates to HR documentation.</p>	<p>Management have agreed to all of our recommendations, with the exception of one Priority 4 recommendation where the risk was accepted. An action plan to implement all other recommendations is in place.</p>	<p>All actions to be completed by end of April 2017.</p>

Budget Management	Budgets are not assigned to an appropriate nominated budget holder and are not effectively monitored.	<p><i>The following findings were identified as Significant Findings in the review. However, it should be noted that none of these were classed as a Priority 5 Outcome i.e. findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.</i></p> <p>Budgets are not assigned to an appropriate budget holder according to Schemes of Delegation, resulting in the possibility that there is no accountability for monitoring expenditure against the budget allocated.</p>	A number of recommendations have been made to enhance the accountability and monitoring of budgets within the Authority.	Management have agreed to all of our recommendations, with an action plan in place.	All actions to be completed by end of April 2017.
Budget Management	Budgetary reporting structure does not provide transparency and challenge.	<p>There is a lack of clarity around the roles and responsibilities of Committees for scrutinising budgets.</p> <p>Senior Management are not providing evidence that budgets are being effectively scrutinised, with actions taken and officers held to account.</p>	A number of recommendations have been made to enhance the accountability and monitoring of budgets within the Authority.	Management have agreed to all of our recommendations, with an action plan in place.	All actions to be completed by end of April 2017.

Summary of key points related to previously reported ‘Partial Assurance’ reviews

Audit Title	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
Ethical Governance	<p>The audit included a review of the embeddedness of ethical governance for both members and staff. Issues were identified regarding the following for staff</p> <ul style="list-style-type: none"> • Declaration of Interests • Gifts and Hospitality • Training 	<p>The follow up findings and an action plan were presented to the Standards and Governance Committee at their meeting on 30th March 2016.</p> <p>The majority of recommendations were expected to be implemented by 31 Dec 2015, with the rest to follow April 2016.</p> <p>A number of implementation dates were subsequently deferred to 1st April 2016 to coincide with the work already started in relation to the revision to the Council’s Code of Conduct.</p>	<p>A further audit follow up was undertaken in August 2016.</p> <p>It was found that the vast majority of agreed actions were still outstanding along with the associated risks.</p>	<p>A further follow up will be scheduled for early 2017 to allow the Authority time to implement the agreed actions.</p>
Children in Care	<p>The audit identified a range of suggested measures across the Service. The key risks identified at the time of the audit included:</p> <ul style="list-style-type: none"> • Insufficient budget is available to meet the cost of placements • The right intervention is not taking place early enough • Children remain in care placements longer than is necessary 	<p>At the time of our review, the vast majority of actions were agreed by the Service.</p> <p>The final audit report was presented to the Children’s Services Overview Committee on 14th October 2014. The Committee expressed a wish for councillors to see regular updates on the progress made against the action plan. This has not happened.</p> <p>We recently received a progress update from the Assistant Director for Care and Protection and will look to verify the progress of actions in early 2017.</p>	<p>Recommendations from the original audit were due to be implemented by March 2016</p>	<p>An audit of Children in Care is due to be undertaken in February 2017. This will assess the implementation of previous recommendations made, as well as reviewing recent changes within the Service.</p>

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Audit and Governance Committee

Dorset County Council



Date of Meeting	20 January 2017
Officers	<u>Lead Cabinet Member</u> Robert Gould – Leader <u>Local Members</u> All Members <u>Lead Director</u> Debbie Ward, Chief Executive
Subject of Report	Progress on Matters Raised at Previous Meetings
Executive Summary	This report records:- (a) Cabinet decisions arising from recommendations from Audit and Governance Committee meetings; and (b) Outstanding actions identified at the meetings held on 20 September and 7 December 2016.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: Information used to compile this report is drawn together from the Committee’s recommendations made to the Cabinet, and arising from matters raised at previous meetings. Evidence of other decisions made by the Cabinet which have differed from recommendations will also be included in the report.

Progress on Matters Raised at Previous Meetings

	<p>Budget: No VAT or other cost implications have been identified arising directly from this programme.</p> <p>Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk: LOW</p> <p>Other Implications: None</p>
Recommendation	That Members consider the matters set out in this report.
Reason for Recommendation	To support the Council's corporate aim to provide innovative and value for money services.
Appendices	None
Background Papers	None
Report Originator and Contact	<p>Name: Denise Hunt, Senior Democratic Services Officer</p> <p>Tel: (01305) 224878</p> <p>Email: d.hunt@dorsetcc.gov.uk</p>

Progress on Matters Raised at Previous Meetings

Date of Meeting	Note Number and subject reference	Action Required	Responsible Officer	Completed (incl comments)
20 September 16	19 – Statement of Accounts	Consideration to be given to inclusion of narrative explaining reasons why savings levels are necessary and a graph illustrating the impact of the reduction in revenue support grant on Council services.	Jim McManus	The narrative is new and developing, so the suggestions about new items to include will be implemented in the 2016/17 accounts. We will also use the suggestions in other briefing documents to be produced for member sessions.
	20 – External Audit Annual Report 2015/16	Follow-up of prior year recommendations – supporting evidence for starters and leavers to the pension fund. Information to be circulated to the Committee and made available at the Pensions Board meeting.	Richard Bates	Response awaited.
	21 – Internal Audit Quarterly Report	A summary of progress regarding the significant risks identified at Dorchester Learning Centre to be circulated to the Committee.	Rupert Bamberger	<p>An audit follow up has been undertaken at Dorchester Learning Centre. The follow up report highlights that all agreed actions have been implemented and therefore the significant risks identified as part of our original audit have been mitigated. The follow up report does however highlight that in many instances, there is a need for the action to be ongoing, in order to maintain this positive position.</p> <p>A copy of the follow up report has been circulated to Members of the Committee.</p>

Progress on Matters Raised at Previous Meetings

	23 – Budget Monitoring August 2016	Councillors Trevor Jones, Peter Wharf and Kate Wheller to be invited to the next meeting of the Budget Strategy Task and Finish Group to hear the update from Children’s Services.	Denise Hunt	Completed. An e-mail invitation has been sent to Councillors regarding the date of the next Budget Strategy Task and Finish Group meeting.
	26 – DES Business Continuity Update	To include councillors in any ICT security related training and awareness for staff.	Richard Pascoe	Update not available.
	28 – Corporate Compliments and Complaints Annual Report	To investigate Councillor training and awareness sessions.	Julie Taylor	A member drop in session was held following the County Council meeting on Thursday 10 November 2016. Future training sessions are to be agreed.
7 December 2016	35 – Call to Account – Ironman Weymouth 2016	Recommendations arising from the Call to Account.	Chairman – Audit and Governance Committee	A report containing recommendations and an implementation plan will be considered by Cabinet on 18 January 2017.

Audit & Governance Committee

Dorset County Council



Date of Meeting	20 January 2017
<u>Lead Officer</u> Richard Bates – Chief Financial Officer	
Subject of Report	Budget monitoring report – December 2017 (period 9)
Executive Summary	<p>This report provides information on the forecast of outturn against the budget for the 2016/17 financial year based on the latest available information from the Directorates. The report also updates Members on progress on measures being developed to achieve a balanced budget for 2017/18 and beyond.</p>
Impact Assessment:	<p>Equalities Impact Assessment: This report does not involve a change in strategy, it is an update on what has happened under current policy.</p>
	<p>Use of Evidence: This report draws on information from the Authority's accounting systems and other financial records and relies on reports and allocations from Government for future funding plans.</p>
	<p>Budget: The report provides information about the Authority's performance against its agreed budget for 2016/17 and a brief update on the budget challenges that lie ahead.</p>
	<p>Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:</p>

Budget monitoring report

	<p>Current Risk: High Residual Risk: High</p>
	<p>Other Implications:</p>
<p>Recommendation</p>	<p>Members are asked to consider and comment on the forecast position for 2016/17 and actions being taken through the Forward Together 2020 programme and the Budget Strategy Task & Finish Group.</p>
<p>Reason for Recommendation</p>	<p>To understand the anticipated pressures on the budget for 2016/17 and beyond and to assess whether the strategies in place will successfully address the projected performance during the year.</p>
<p>Appendices</p>	<ol style="list-style-type: none"> 1. CPMI summary December 2016 2. FT dashboard summary December 2016
<p>Background Papers</p>	<p>Previous quarterly forecast reports and MTFP updates to Cabinet (most recent being 18th January 2017).</p>
<p>Officer Contact</p>	<p>Name: Jim McManus, Chief Accountant Tel: 01305 221235 Email: j.mcmanus@dorsetcc.gov.uk</p>

1. Background

1.1 Current Governance arrangements and committee structures mean that the Audit and Governance Committee now receives a consolidated report of the County Council's predicted financial performance for the year.

2. Forecast of outturn – period 9

2.1 The table below sets out the forecast of outturn predicted by the County Council's Directors and Heads of Service at the end of December – an overspend of £9.6m. This forecast is £1.7m worse than was predicted to the committee in August, this is mainly due to a significant increase in the projected overspend expected in Adult and Community services as well as further deterioration in the predicted performance for Children's, other areas have improved their expected performance to offset these increases in part. More detail is provided in the summary CPMI table at Appendix 1 and there is accompanying narrative on each Directorate's forecast performance, below. Appendix 2 also sets out the position on FT2020 programme savings anticipated for the current year.

Directorate	Net Budget	Forecast Outturn	Forecast Variance
	£m	£m	£m
Adult & Community Services	124,317	128,959	(4,642)
Children's Services	57,331	64,500	(7,169)
Environment & Economy	36,054	36,664	(610)
Partnerships	20,715	18,517	2,198
Chief Executive's Dept	9,554	9,645	(91)
Total Service Budgets	247,972	258,285	(10,313)
Central/Corporate Budgets	(255,407)	(256,118)	711
Whole Authority	(7,435)	2,167	(9,602)

Adult & Community Services

2.2 The Adult & Community Services Directorate budget is forecast to be overspent by £4.6m.

2.3 The Adult Social Care (ASC) budget is forecast to overspend by £5.4m. The ASC Service User Related budget (£59.1m) forecast this year has been suppressed in the expectation that control measures to reduce the historic overspend would be in place. However, that has not happened. The spend has continued to rise and the forecast overspend now stands at somewhere in the region of £7.6m. This overspend is offset in part by underspends in pay budgets of around £500k and the application of one-off reserves totalling £1.7m.

2.4 Key factors in the overspend are:

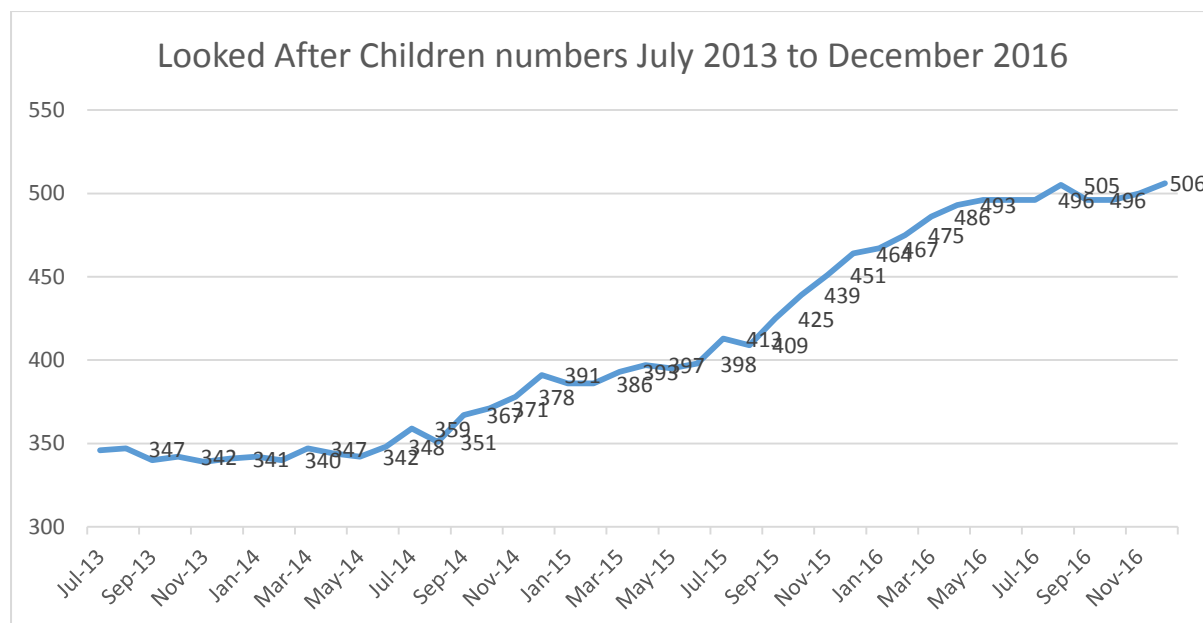
- Increase costs of care through increasing off framework purchasing and lack of market management
- CHC pick-up totalling around £1.7m
- Capital below cases

Budget monitoring report

- We have not been able to review down the cost of care for those currently in receipt of a service to offset the increases
 - Increased acuity of packages
- 2.5 The Commissioning & Performance Budget is forecast to be underspent by £362k. The overspend is due primarily to long-term vacancies across the Safeguarding and Business Development Teams.
- 2.6 The Early Help & Communities budget is forecast to overspend by £51k. This can be partly attributed to a reduction in the use of Library buildings by Skills & Learning which has resulted in a lower forecast of income from room hire and lower than anticipated expenditure on Blue Badge scheme within Early Help. On the plus side, we are due to receive additional external income for work already carried out by Trading Standards. Work continues to identify savings to meet Forward Together targets within the Library Service.
- 2.7 The Director's Office budget is currently forecast to be underspent by £369k. This largely reflects the 'to be allocated budgets' within the overall budget.

Children's Services

- 2.8 The new Care and Protection service came into operation from 5th September following a restructure of the social work function of the County Council to improve service delivery and respond to the recommendations of the Ofsted inspection report.
- 2.9 The number and cost of children who are looked after by the County Council continues to be a significant cost pressure this year. The budget process identified an additional budget of £3m a year to address the growth in the numbers of looked after children from around 340 to 400 - broadly what would be expected of an authority of Dorset's size - and reflects the growth in numbers seen nationally as a result of various social work practice changes. The actual number of looked after children when the budget was set was 467 and it was recognised that this figure would probably peak at around 500 during mid to late 2016 before reducing to the anticipated, longer-term level of 400 by autumn 2017. To recognise this, the County Council set aside additional one-off funding of £4m for 2016/17 and £1m for 2017/18.
- 2.10 At the end of December the number of looked after children (LAC) was 506, slightly higher than the projected peak of 500. However, as part of a Government initiative, a number of unaccompanied asylum seeker children (UASC) have been taken into care by Dorset. These costs are funded by the Government and therefore have limited impact on the budget. The underlying figure therefore stands at 494, an increase of 5 on the previous month. The chart below shows the number of children in care since July 2013 and that the growth in numbers had appeared to have slowed.



- 2.11 The costs of looking after children within the County Council can be expensive with some secure residential placements costing over £7k a week. The standard annual cost of looking after a child is a minimum of £30k a year if placed with an in house foster carer or up to £50k a year with an independent foster agency. With such high marginal costs and the critical nature of child protection, predicting the outturn against these budgets if difficult. These costs represent the direct payments to carers and do not factor in the social worker time and overheads associated with supporting children in care.
- 2.12 The current central forecast, based on the current cohort remaining in their current care setting indicates that the budget will be overspent by £5.4m on these placements, although this will be offset by the £4m of one-off budget that has been set aside, resulting a net overspend of £1.4m. This is partly because the cost of placements has been higher than budgeted, predominately because of a shortage of in-house foster care placements. This has meant that children have been placed in more expensive, independent foster care and other residential placements. If the number of LAC reduces in line with the budget assumptions then the overspend will reduce, although the later in the year this reduction happens to lower the impact on the 2016/17 budget position.
- 2.13 The legal costs associated with this level of LAC and the court orders required to make children safe has also resulted in a pressure in this area of around £500k.
- 2.14 There is currently a national shortage of social workers and all local authorities are struggling to recruit and retain experienced staff. This means that agency staff have to be brought in to cover vacancies and ensure that caseloads are kept at safe levels. Whilst the Directorate has been optimistic that there would be a reduction in the need for agency workers, with a lot of energy been spent on developing recruitment and retention strategies, there continues to be pressure on this budget. There are currently 51 agency staff employed covering vacancies, sickness and maternity leave. It is anticipated that this will remain the case for the remainder of the financial year, although 17 new starters have been appointed and should all be in post by the start of the 2017/18 financial year. The recruitment and retention drive continues with the view to reduce agency in line with the report to Cabinet on 10

October 2016. However, costs are still likely to be significant, and agency numbers remain high meaning that there will be an overspend in this area of £2.4m.

- 2.15 The new Prevention and Partnership service also came into effect from September as a result of the departmental reshaping. Within this there are several pressures, specifically in relation to:
- Special Educational Needs and Disabilities (SEND) - the need to accommodate several children in independent, residential placements, which has added pressure of £600k to the Prevention and Partnerships special educational needs budgets. These placement costs are typically shared with Health and Education and these agencies are working together to reduce these costs.
 - Family Partnership Zones – a new structure to support and coordinate early help and prevention commenced on the 5th of September. The new targeted Youth workers are part of these new arrangements along with the Children's Centres and the former locality teams in 7 geographical areas. The budget area related to the youth service review will not fully realise the total savings hoped in this financial year. The review will save £1m a year in total, but the Family Partnership Zones budget will be £100k overspent due to this slippage as more time has been required to allow community groups to be facilitated to take on former DCC buildings.
 - SEND transport – an optimistic savings target of £1.25m was identified in this area as part of the budget process. However, it is unlikely that all of this will be achieved in 2016/17, partially due to an increase in the volume of children who have become eligible for SEND home to school transport and some complications during the retendering of some of the route contracts. Based on the data from Dorset Travel, following the retender and rearrangement of routes for the start of the academic year, it is likely that there will an overspend against the new budget of £2,043k. Work is taking place to fully understand the position and it is still felt that large savings will be made once the main contracts are renewed in 2017/18.
- 2.16 Overall therefore, the Children's Services overspend position for 2016/17 is anticipated to be £7.2m. At this stage in the year, measures to reduce the overspend will have a low impact as the year end approaches. A concerted effort is being made to return children home where it is safe and the looked after children overspend could be reduced by around £750k if the numbers of LAC begin to reduce and the position around agency social workers can be resolved.
- 2.17 The Dedicated Schools Grant budgets are ringfenced to schools, but there have been a number of emerging pressures, specifically in relation to the High Needs element of the funding which is retained and managed by the County Council on behalf of the schools. The Government had recently extended the scope of the High Needs funding, which meant that it had to cover educational costs of children and young people up to the age of 25. This expansion of the age range, coupled by an increase in the number of children who are applying for Education, Health and Care plans is placing unprecedented pressure on both the locally retained budget and schools' own budgets. The pressure in this area is £5m for the financial year. Efforts are being made to set a balanced budget for 2017/18, but this deficit will have to be recovered in future years.

Environment & Economy

- 2.18 The total Directorate forecast overspend is £610k on a net budget of £36.1m, with detail relating to individual services as follows –
- 2.19 Economy, Planning & Transport – Most budgets are generally on track to balance. Unmet Forward Together saving targets and lower than anticipated planning application income have been met by achieving savings elsewhere.
- 2.20 Dorset Travel – The savings target of £600k from mainstream transport continues to be a risk. Routes with a current value of £1 million have now been retendered, however, cost increases to these routes have negated efficiency savings elsewhere in mainstream. Savings to public transport have been exceeded with a likely underspend of £118k which are currently offsetting overspends in Fleet Operations. Income from new public routes is forecast to increase the underspend in the public transport budget to £150k. The decrease in overspend of £75k from November was due to a saving from the Community Transport Budget.
- 2.21 Business Support Unit – This budget is now projecting a cautious underspend of £15k, despite uncertainty over realising forward together savings from implementing automated timesheets for highways staff. This has been achieved by holding vacancies where possible, pending the outcome of the Business Support Unit review.
- 2.22 Coast & Countryside – The forecast overspend for Coast & Countryside at the end of December is £52k, which is a significant decrease from the November forecast. There is optimism for a balanced budget by the end of the financial year. The underspend in Coast & Countryside General, relating to reduced cost of verge management, needs to be read against the overspends in the Greenspace Teams, where the work is undertaken; there is confidence that Environmental Advice and Community Energy Teams will be at or near balanced budgets. The actual outturn from Arboriculture will be dependent on the winter weather, but is forecasting a balanced budget now, and has hit its income target already. However, there is little prospect of being able to make further savings on the Hosted Partnerships budget.
- 2.23 Estates & Assets – The Estate and Assets Service budget (Team budget, County Buildings, County Farms and Depots) is forecasting an underspend of £21,849 which is an improvement of £62,440 on the previous month. This is down to several factors including improved income forecasted from County Hall catering due to improvements to the facilities (£16k), reconciliation of income from the Colliton Club (£13.5k), additional income generation forecasted by the Estates & Assets team (£18.5k); and some underspends on running costs of buildings. However, the Way We Work property savings target has worsened considerably from the previous forecast, by £173k. This is due to a decision that depreciation on disposed buildings cannot be included in this savings target (£140k), a slippage in harvesting maintenance savings on the Youth Centres since the current year's budgets had already been spent (£38.3k) and slippage in the disposal of a few office buildings. Overall therefore the budget is projecting an overspend of £302.4k.
- 2.24 Buildings & Construction - is currently forecasting a £416.8k underspend. The underspend results from managed vacancies, exacerbated by staff loss. We have stepped up our recruitment effort as a number of new significant capital projects are on the horizon and have had success in making architectural appointments, however recruitment remains problematic with engineers. The Repairs and Maintenance team are forecasting a reduction in income on account of:

a) The current emphasis on "repair" rather than "replace". This approach does impact on income however it will result in overall cash savings to the authority.

b) The uncertainties around the future of the estate as youth centres are being transferred to the community, schools are being converted to academy status and the core property list is being further developed. It is likely there will be a significant saving in programmed R&M capital expenditure, however, there will be a corresponding reduction in fee income.

c) Investment in resourcing the re-procurement of the Repairs, Maintenance, Minor and Smaller Capital Works Framework which will serve the authority (and its successor, if applicable) for four years.

2.25 Schools Pooled Repairs & Maintenance – It is assumed that this service will spend within budget.

2.26 Network Management – Whilst the forecast underspend is now £37k for Network Management which is an increase in underspend of £35k from November due to an increase in forecasted income from the Traffic Regulation Orders. There is still concern in relation to the Parking Service who currently have projected income relating to the rollout of Pay and Display across Dorset Towns (£100k) along with the £50k relating to visitors and residents parking on the County Hall campus

The visitor parking target is not based upon known visitor numbers and there would be an investment of capital, estimated to be in the region of £20k to create a Pay & Display Car Park within the County Hall campus which is now operational. There is now a level of confidence of achieving the £20k revenue from the County Hall car park for a full financial year. Residents parking is less likely as there seems to be very little demand at present.

With regard to pay and display across Dorset towns, £100k is the surplus from a good sized town revenue and would be achievable under certain circumstances. The problem is timescale in that the design, consultation, legal order process and installation is likely to be 12 months before any income is realised. Capital would be needed to implement and public objection is also highly likely. The Sherborne scheme is currently at the consultant stage.

2.27 Network Development – There is a projected underspend of £5k. A review of capitalised staff costs and updated figures for August indicate that the risk of overspend is much reduced. There is one vacancy, one member of staff on maternity and one posts for a trainee engineer which not be taken up until June 2017. The net result is that there is an under recovery of overheads against capital. This will improve if Highways Improvements are able to take on temporary resource to cover these vacancies. Training costs have increased due to staff starting HNC courses over 2 years. The overhead rate applied to capitalised staff has been refined downwards over a number of years, but there is a concern that this year the overhead rate has been reduced to an unsustainable level. Consequently for Quarter 4 the overhead will be reviewed.

2.28 Network Operations - is forecast to be underspent by £14k. Most of the cost centres within the Operations division are showing a positive outturn however this could easily change as we go into the winter months, especially in relation to the winter budget. The Sign Shop is still predicting a negative outturn for year end however there is still some cost centre transfers to carry out to move costs from revenue to

Budget monitoring report

capital codes. The construction delivery cost centre is showing a positive outturn and is in a good position for the time of year.

- 2.29 Fleet Services – Previous forecasts reported an underspend of £0.9k, however an underspend of £21k is now being reported. This improvement is due to a number of budget adjustments and improved income management. Informed forecasting and controls on expenditure provides confidence that a balanced budget can be achieved however, this will very much depend on the weather as any prolonged cold/wet weather will impact on the service and the budget.
- 2.30 Emergency Planning (now within the Environment and Economy Directorate) - This budget is forecasting a balanced budget.
- 2.31 Director's Office – The forecast overspend of £246k relates mainly to the second year effects of the Directorate restructure, after allowing for limited expected and actual vacancy management savings, that are relatively secure.
- 2.32 Street Lighting PFI – This is a 25 year contract with a ring-fenced budget and is managed through a sinking fund.
- 2.33 ICT and Customer Service Unit (now within the Environment and Economy Directorate) - The service as a whole is now projecting a £170k overspend due to a prudent view being taken of cost recovery from capital projects. The Wide Area Network costs have benefited from a 'one off' credit which aids the overall service position. Vacancy management has continued to decrease the forecast spend on staffing and related costs.

Partnerships

Dorset Waste Partnership

- 2.34 The budget was set at £34.205m, of which the DCC share is £22m (64%). The forecast of budget variance for 2016/17 at December is an underspend of £1.28m. The DCC share of this underspend would be £823k.

The favourable variances arise primarily from reduced prices in relation to a major contract that has been renewed in 2016 (£302k), Joint Committee decisions on reduced Household Recycling Centre opening hours (£158k) and a reassessment of the life of the stock of wheeled containers (£250k). The Garden Waste and Commercial Waste services both have a favourable variance (a combined total of £463k). Savings on the year to date (£264k) are being made on recycle costs, where the price per tonne is currently lower than the budget assumption of £20 / tonne. Adverse variances involve additional disposal costs (£150k), where waste arising cannot now be transferred to a cheaper outlet as quickly as planned, and additional tonnages of waste arising (£159k).

Some slippage on capital financing costs relating to infrastructure projects (£40k) and vehicle purchases (£112k) also continues to be acknowledged.

Public Health

- 2.35 The MTFP assumes a £700k contribution from Public health in 2017-18. This position has changed slightly and this contribution will effectively be received in 2016/17. The Joint Public Health Board (JPHB) agreed to release £2.3m of

accumulated reserve plus a further £200k of in-year savings back to the three constituent local authorities. Dorset County Council will receive 55% - nearly £1.4m. Further savings in 2016/17 and 2017/18 could also be released subject to JPHB approval.

Chief Executive's Dept

- 2.36 The Chief Executives Department is forecasting an overspend of £91k at the end of December. This forecast recognises the transfer of the IT and Emergency Planning services to the Environment Directorate and the Coroners Service to the Adult Services Directorate. The main factors influencing the overspend are:-
- 2.37 The Chief Executive's Office and Assistant Chief Executive's Office are forecasting underspends due to staff vacancies arising from the restructure of the Directorate's management team.
- 2.38 The Policy and Research department is projecting a £66k overspend largely attributable to increased staff costs in respect of increments, an unachievable vacancy factor of £29.4k and reduced income levels. The service however is hoping to achieve some one off income in respect of a new system that has developed (SWIM project).
- 2.39 Commercial Services is predicting an overspend of £26k, an improvement since the last report. This has been achieved through reducing supplies and services spend and increased income levels. There are several key pressures on the services including a £50k share of the Directorate-wide savings target and a decrease in planned income due to staff vacancies and a delay in a review of the funding of the NEXUS system.
- 2.40 Legal and Democratic are forecast to overspend by £108k, an increase since the last report. The main cause of this is in the salaries budget where pressures include JE awards and the inability to meet the high vacancy factor. There has also been a delay in the planned Democratic Services restructure.
- 2.41 The Financial Services budget is projecting a £6k underspend. As reported previously the service has undergone a restructure which was implemented in October. However the service has absorbed a £60k share of the Directorate's base budget problem as well as £140k share of the Forward Together for Support Services transformation savings target bought forward into this financial year.
- 2.42 The HR budget is forecasting a £49k underspend, an improvement from the last report. This has been achieved through vacancy management.

Central/Corporate Budgets

- 2.43 The Central/Corporate Budgets are showing an underspend of £711k, this compares to a £21k overspend reported in August. We are expecting a shortfall on the Education Services Grant of £111k due to academy conversions during the year. Whilst there is still a shortfall on the interest receivable budget of £155k this is offset by a significant reduction in the cost of borrowing resulting in a net underspend of £321k across the financing area. The contingency budget is also expecting a £500k underspend.

3 Forward Together 2020

- 3.1 Work continues on the Authority's transformation programme, FT2020. Each of the Directors has given a formal update of the transformation programme in their own areas to the Budget Strategy Task & Finish Group. A summary of the progress against savings targets is also set out in Appendix 2.
- 3.2 Overall, progress against target savings of £10m for 2016/17 shows that nearly £4m has already been achieved, with a further £2.6m on course. £1.1m needs more work to deliver and around £2.3m has been deemed unachievable – mainly SEN transport savings and slippage from Youth Service reconfiguration in Children's Services and mainstream transport savings in the Environment & Economy Directorate.

4 Budget Strategy Task & Finish Group

- 4.1 The Group continues to meet monthly and as mentioned, has now received full briefings on the transformation work going on in each of the Directorates. The Group has also received savings proposals from Members which are currently being considered for Budget Strategy 2017/18.
- 4.2 The Cabinet is due to receive an update on the MTFP and the Authority's draft efficiency plan in consideration of the four-year budget offer at the 28th September meeting. This will be on the back of a predicted overspend set out in this report which would potentially claim more than half of our general balances and draw us down below the bottom-end of our operating range.
- 4.3 It is therefore absolutely imperative that the actions being taken to bring the budget back towards a balanced position, particularly within Children's Services, are understood and owned throughout the organisation, and robustly owned, monitored and implemented by senior management. If the position cannot be turned in the right direction in the next two months then further action will be necessary across the whole of the council to reduce non-essential spend.

Richard Bates
Chief Financial Officer
January 2017

Budget monitoring report

Appendix 2

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Cost Centre Management Budget Monitoring Summary	Responsible Officer	Year	2016-17			October	November	December
		'Above Line' Net Budget Only £000's	Forecast £000's	Projected Under/(Over) Spend £000's	Projected Under/(Over) Spend £000's	Projected Under/(Over) Spend £000's		
Children's Services Directorate								
Childrens Service Budget								
Pre September 16 structure	Sara Tough	6,387	7,259	(1,338)	(1,032)	(872)		
Care & Protection	Vanessa Glenn	21,368	29,438	(7,613)	(7,933)	(8,070)		
Design & Development	Patrick Myers	6,251	5,635	365	437	616		
Partnerships and Performance	Jay Mercer	21,449	29,216	(7,553)	(7,720)	(7,768)		
Directors Office	Sara Tough	1,881	1,830	262	(67)	50		
Application of Contingency	Richard Bates	0	(4,000)	4,000	4,000	4,000		
DSG Services	Jay Mercer	7,431	7,628	(89)	(70)	(198)		
Children's Services Total including DSG		64,767	77,007	(11,965)	(12,385)	(12,240)		
DSG Funding (overspend to be carried forward)	Sara Tough	(7,435)	(12,507)	5,245	5,065	5,072		
Children's Services (Non DSG) Total		57,331	64,500	(6,721)	(7,320)	(7,169)		
Adult & Community Services Directorate								
Adult Care Service User Related	Harry Capron	59,178	65,119	(3,309)	(5,602)	(5,941)		
Adult Care	Harry Capron	19,515	18,997	1,541	906	518		
Commissioning and Performance	Helen Coombes	36,568	36,207	41	187	362		
Early Help & Communities	Paul Leivers	8,405	8,354	22	21	51		
Director's Office	Helen Coombes	651	282	328	379	369		
Adult & Community Services total		124,317	128,959	(1,377)	(4,109)	(4,642)		
Environment and the Economy Directorate								
Economy, Planning & Transport	Maxine Bodell	2,019	1,987	(24)	32	32		
Dorset Travel	Andy Shaw	15,741	16,115	(449)	(449)	(374)		
Business support Unit	Jan Hill	574	559	4	16	15		
Coast & Countryside	Phil Sterling	2,631	2,684	(68)	(72)	(52)		
Estates & Assets	Peter Scarlett	(1,582)	(1,279)	(192)	(198)	(302)		
Buildings & Construction	David Roe	95	(322)	455	455	417		
Pooled R&M	David Roe	78	78	0	0	0		
Network Management	Simon Gledhill	1,284	1,247	3	2	37		
Network Development	Tim Norman	715	715	6	5	(0)		
Network Operations	Martin Hill	4,159	4,145	13	13	14		
Fleet Services	Sean Adams	(32)	(53)	1	22	21		
Emergency Planning	Simon Parker	212	212	(3)	(3)	0		
Director's Office	Mike Harries	414	660	(248)	(247)	(246)		
Streetlighting PFI	Tim Norman	3,824	3,824	0	0	0		
ICT	Richard Pascoe	5,923	6,093	(85)	0	(170)		
Environment and the Economy Directorate Total		36,054	36,664	(588)	(423)	(610)		
Chief Executives								
Chief Executives Office	Debbie Ward	366	307	59	59	59		
Partnerships	Karen Andrews	245	259	(16)	(14)	(14)		
Communications	Karen Andrews	235	228	7	7	7		
Policy and Research	Karen Andrews	422	489	(49)	(44)	(66)		
Commercial Services	Karen Andrews	652	679	(26)	(26)	(26)		
Governance and Assurance	Mark Taylor	642	638	1	5	4		
Assistant Chief Executive		241	206	35	35	35		
Legal & Democratic Services	Jonathan Mair	2,004	2,111	(107)	(107)	(108)		
Financial Services	Richard Bates	(260)	(254)	(15)	(6)	(6)		
Human Resources	Sheralyn Huntingford	1,540	1,491	0	49	49		
Directorate Wide	Richard Bates	0	0	0	0	0		
Cabinet	Richard Bates	3,467	3,492	(45)	(30)	(25)		
Chief Executives Total		9,554	9,645	(157)	(72)	(91)		
Partnerships								
Dorset Waste Partnership	Karyn Punched	20,717	19,894	794	823	823		
RIEP		0	0					
Public Health	David Phillips	(2)	(1,377)	700	1,375	1,375		
Partnerships Total		20,715	18,517	1,494	2,198	2,198		
Central Finance								
General Funding	Richard Bates	(9,787)	(9,677)	(2)	0	(111)		
Capital Financing	Richard Bates	25,574	25,253	(96)	307	321		
R&M	Richard Bates	1,244	1,244	0	0	0		
Contingency	Richard Bates	(8,255)	(8,755)	0	500	500		
Precepts/Levy	Richard Bates	677	677	0	0	0		
Central Finance	Richard Bates	(264,860)	(264,860)	0	0	0		
Central Finance Total		(255,407)	(256,118)	(97)	807	711		
Total Above Line Budgets		(0)	14,674	(12,691)	(13,983)	(14,674)		
Excluding DSG Budgets		(7,435)	2,167	(7,446)	(8,918)	(9,602)		

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Appendix 2

Summary - All FT Savings

2016/17

Savings measure	£000's
Adults	1602
Childrens	3865
Env & Economy	2646.5
Chief Exec's	913.8
Whole Authority	976
Summary - All Savings 2016/17	10,003

Assessment of Savings achievement at >>> 09-Jan-17

Achieved	On course	More Work		Not achievable
		Needed	Not achievable	
1,140	359	103	0	
1,525	840	50	1,450	
878	694	275	800	
399	360	110	45	
37	342	552	45	
3,978	2,595	1,090	2,340	

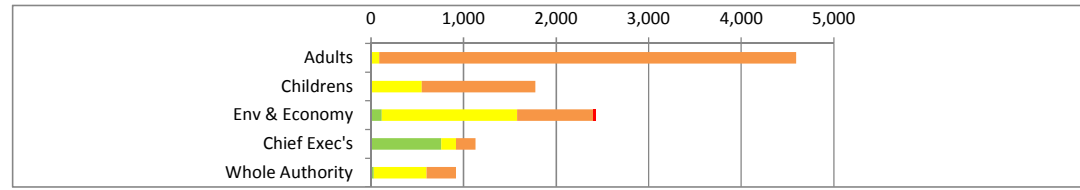


2017/18

Savings measure	£000's
Adults	4592
Childrens	1775
Env & Economy	2430
Chief Exec's	1132
Whole Authority	921
Summary - All Savings 2017/18	10,850

Assessment of Savings achievement at >>> 09-Jan-17

Achieved	On course	More Work		Not achievable
		Needed	Not achievable	
0	90	4502	0	
0	550	1225	0	
119	1,460	826	25	
762	156	214	0	
32	569	320	0	
913	2,825	7,087	25	



Plus : Further Savings required not yet identified in the FT programme

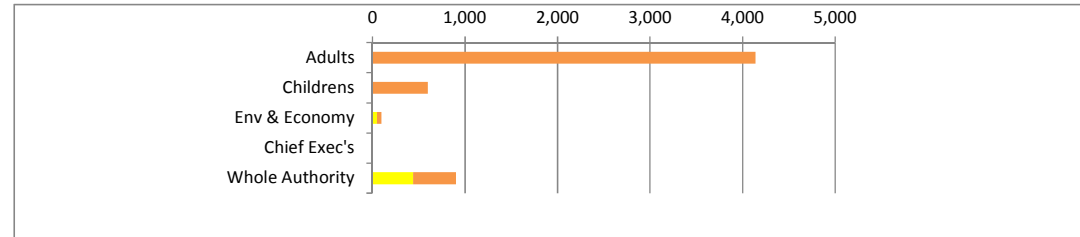
6,182

2018/19

Savings measure	£000's
Adults	4140
Childrens	600
Env & Economy	100
Chief Exec's	0
Whole Authority	905
Summary - All Savings 2018/19	5,745

Assessment of Savings achievement at >>> 09-Jan-17

Achieved	On course	More Work		Not achievable
		Needed	Not achievable	
0	0	4140	0	
0	0	600	0	
0	50	50	0	
0	0	0	0	
0	439	466	0	
0	489	5,256	0	



Plus : Further Savings required not yet identified in the FT programme

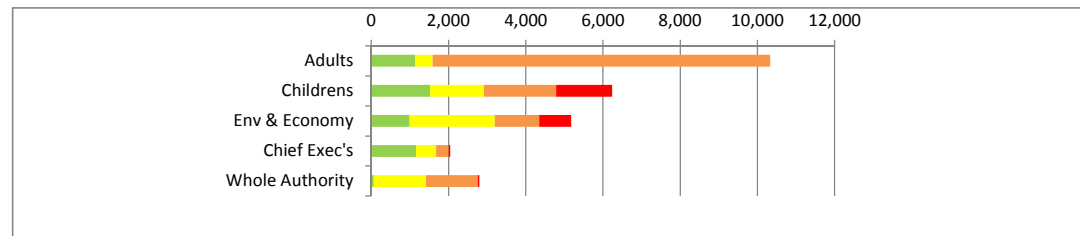
3,694

All Years

Savings measure	£000's
Adults	10334
Childrens	6240
Env & Economy	5176.5
Chief Exec's	2045.8
Whole Authority	2802
Summary - All Savings All Years	26,598

Assessment of Savings achievement at >>> 09-Jan-17

Achieved	On course	More Work		Not achievable
		Needed	Not achievable	
1,140	449	8,745	0	
1,525	1,390	1,875	1,450	
997	2,204	1,151	825	
1,161	516	324	45	
69	1,350	1,338	45	
4,891	5,909	13,433	2,365	



Plus : Further Savings required not yet identified in the FT programme (2017/18 and 2018/19)

9,876

Plus : Further Savings required not yet identified in the FT programme required in 2019/20

9,590

Total Further Savings required not yet identified in the FT programme to 2019/20 inclusive

19,466

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Audit & Governance Committee

Dorset County Council



Date of Meeting	20 January 2017
<u>Lead Officer</u> Richard Bates – Chief Financial Officer	
Subject of Report	Appointing the external auditor
Executive Summary	<p>The current external auditor’s appointment runs out following the audit of the financial statements for the year ending 31 March 2018. The County Council must make its own arrangements for procuring external audit services in order to ensure an appointment is made by 31 December 2017. Four procurement options are available, each of which are discussed in this paper.</p> <p>At the time of writing this paper, there is uncertainty over the exact details of local government structures in Dorset. Whilst the report therefore recommends a procurement approach, it also recommends delegation of responsibility for detailed arrangements to the Chief Financial Officer to ensure Dorset Councils work together in the best way to secure effective and efficient audit arrangements in the transition to LGR as well as after its implementation.</p> <p>It is likely that the other Dorset Councils will be recommending the same approach as the County Council.</p>
Impact Assessment:	Equalities Impact Assessment: Appointment of an auditor is not a change of policy or strategy for audit services, only the potential approach to procurement.
	Use of Evidence:

	<p>Budget: Audit of the financial statements is a statutory requirement. The current audit fee is £74k per annum. This paper examines possible approaches to the procurement of the external auditor from 1 April 2018 in order to ensure audit services deliver excellent value for money for Dorset's taxpayers.</p>
	<p>Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk LOW</p>
	<p>Other Implications: None evident.</p>
Recommendation	<p>The Committee is asked to:</p> <ul style="list-style-type: none"> (i) note the content of this report and particularly the options available for the procurement of the external auditor; (ii) support the recommendation to the County Council to opt into the sector-led auditor procurement process being led by Public Sector Audit Appointments Ltd (PSAA); (iii) support the recommendation that the County Council delegates to the Chief Financial Officer, responsibility to ensure that the County Council is active in supporting delivery of best value for money arrangements across all Dorset Councils in light of LGR arrangements yet to be confirmed.
Reason for Recommendation	<p>To enable Officers of the County Council to progress arrangements for the appointment of the Authority's external auditor.</p> <p>To ensure the Chief Financial Officer and his staff can work effectively with other Dorset Councils to ensure best value for money and to deliver effective and efficient audit arrangements in the transition to potential new governance structures across the county.</p>
Appendices	<p>None</p>
Background Papers	<p>A link to PSAA's website is provided for reference.</p> <p>http://www.psa.co.uk</p>
Officer Contact	<p>Name: Jim McManus, Chief Accountant Tel: 01305 221235 Email: j.mcmanus@dorsetcc.gov.uk</p>

1. Background

- 1.1 Historically, local authority external auditors were appointed by the Audit Commission. The Local Audit & Accountability Act 2014 (LAAA) provided for the closure of the Commission on 31 March 2015 but its contracts continue under transitional arrangements managed by Public Sector Audit Appointments Ltd (PSAA).
- 1.2 PSAA is a company limited by guarantee which was established in August 2014, under the LAAA, specifically for the purposes of managing former Audit Commission contracts. PSAA is a subsidiary of the Improvement and Development Agency – a body which is itself wholly owned by the LGA.

2. Timing

- 2.1 Dorset County Council's external audit is provided by KPMG LLP under arrangements made through PSAA which expire on conclusion of the audit of the 2017/18 financial year. From that point on, the County Council will be audited by a firm that it will have procured itself.
- 2.2 LAAA requires that the external auditor be appointed by 31 December 2017. There are a number of matters to consider in selecting the auditor - and indeed in deciding on the specific procurement approach - some of which are discussed in this paper.

3 Procurement options

- 3.1 There are four main options available to the County Council when considering the external auditor procurement approach:
- short term option to continue with current auditor
 - tendering the County Council's business as a stand-alone contract
 - collaborative procurement with one or more other authority
 - opting into a national collaborative procurement by a third party.

Continuing with the current auditor

- 3.2 We could pursue the option to engage our current auditor directly for a short period of time. We would generally only look to do this if we were seeking an initial period of stability prior to a proper test of the market. This approach would have the advantage of allowing the market to develop after a potential, initial rush to appoint auditors and may allow a more informed choice. It might also, in our particular circumstances, enable a smooth audit transition to LGR.
- 3.3 Delaying the appointment of a new auditor would, however, miss any efficiency opportunities that are available through an early market test. It would also mean we would miss out on any potential collaboration opportunities – these might be particularly appealing to us in the transition to LGR.

Stand-alone tender

- 3.4 This process would mean tendering the Authority's business using our own procurement process. The likely value would mean the arrangement would need to be OJEU compliant. In these circumstances LAAA requires us to establish an audit panel to decide who the auditor should be, following the tender process. There are further choices around the establishment of the panel itself and these come with a

requirement for officer time and resource and potentially collaboration with/involvement of others.

- 3.5 This approach allows most discretion and autonomy over the approach and the decision-making. However, running our own process involves officer time and cost and it is possible that we might end up with bids from firms with limited experience of local authority auditing. This method would, again, miss out on opportunities for collaboration and might also mean only a short-term relationship would be possible – prior to LGR which would take effect from the 2019/20 financial year.

Collaborative procurement

- 3.6 This approach would mean working with others to appoint an auditor for all those involved in the process. It is attractive in that in the transition to LGR, it would be possible for us to enter a joint arrangement with other pre-unitary partners and work together to select our auditor. It would also allow a higher level of autonomy over the process and decision-making than opting into a sector-led procurement.
- 3.7 However, this approach also needs officer time and support and involves a level of complexity/management on top of the stand-alone tender in that it would be necessary for collaborators to agree on the approach, resourcing and decision-making. It would also involve the establishment and support of an audit panel.

Sector-led procurement

- 3.8 Opting into a sector-led procurement process is the fourth option available to us; in this case, opting into the arrangements in place with PSAA. The Secretary of State has designated PSAA an *appointing person* which means the company can undertake the necessary procurement activity to contract with a number of firms on behalf of those for whom it acts. PSAA will then propose the appointment of an auditor to each participating authority, having regard to matters such as auditor independence.
- 3.9 This approach offers least autonomy over the choice of auditor and there is at present, only limited detail on how the procurement will operate. However, the arrangements are likely to be the most similar to those currently in place. Should we decide to opt-in, we must confirm by 9th March 2017 that we wish to do so.
- 3.10 A sector-led approach has the advantage of avoiding the support, time and cost of arranging independent or collaborative procurements and of establishing and servicing an audit panel. Clearly PSAA will incur costs in running the scheme and these will be included in the fee payable to the auditor – as is presently the case.
- 3.11 This method ensures that the arrangements will be managed by an organisation with significant experience of public sector audit appointments. If we work collaboratively with the other authorities in Dorset, we can also ensure arrangements are put in place to appoint auditors most efficiently across whichever LGR configuration is decided upon and that the auditor(s) establish a clear understanding of the existing councils' arrangements, governance and reporting as part of their transition to any new structures from 1 April 2019.
- 3.12 The County Council's fee for the audit of the financial statements (and value for money opinion) was set at £74k per annum, from 2015/16 until the contract expires at the end of 2017/18. It is not yet possible to say whether our fee would increase or

decrease under the opt-in arrangements from 1 April 2018 – but all the options carry uncertainty over fees.

- 3.13 To an extent, the fee levels with the PSAA scheme will depend on take-up. The current arrangements operated by PSAA mean that the overhead recovered by the company to pay for their costs is included in the £74k that the County Council pays to KPMG LLP. PSAA Ltd's accounts for the year ended 31/03/2016 showed administrative expenses of £2.01m against a turnover of £73.8m – so a very crude, pro rata approach to fee recovery might indicate that £2k of our £74k fee was overhead paid to PSAA.

4 Further/summary considerations

- 4.1 As well as the advantages and disadvantages summarised above, there are some additional matters to be considered in making the decision about the procurement approach.
- If we pursue an independent or collaborative approach to the procurement, we must establish an audit panel to recommend the appointment of the external auditor. In these circumstances, the panel must also oversee any non-audit services provided. It must have an independent Chair and a majority of independent Members.
 - Regardless of the option followed for the appointment process, the audit firm chosen must comply with the Code of Audit Practice issued by the National Audit Office.
 - Whichever approach is chosen, we must have appointed our auditor by 31 December 2017.
 - We can only appoint an audit firm that is registered for local audit.
 - Quality must be a key consideration in the procurement and selection process. Appropriate recognition should therefore be given to auditor methodology, systems, processes, staff skills and experience and ability to deliver within our faster closedown targets (which are far tighter than those prescribed by statute).
 - How do the audit staff fit, culturally and strategically with our people and processes – can we work with them?
 - How will we ensure we get value for money and will the auditor add value beyond the assurance work of auditing the financial statements?

5 Summary and recommendation

- 5.1 Although there are some, limited disadvantages with opting into the national scheme, it is recommended that the County Council opt into the PSAA, sector-led procurement. Although there will be an overhead cost involved, this option delivers significant savings in officer and member time and will ensure the process is carried out by a company with a solid track record of public sector auditor appointments.
- 5.2 It is further recommended that Members delegate to the Chief Financial Officer, responsibility within the PSAA scheme to work with colleagues across Dorset Councils to ensure that efficient and effective audit arrangements are put in place for Dorset's future governance structures after decisions about LGR are taken in January 2017. It is likely that the Chief Financial Officers of Dorset's other Councils will be recommending the same approach.

Richard Bates
Chief Financial Officer
January 2017

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Audit & Governance Committee

Dorset County Council



Date of Meeting	20 January 2017
<u>Lead Officer</u> Richard Bates – Chief Financial Officer	
Subject of Report	Primary school meals contract – Contract Extension Consultation.
Executive Summary	<p>The existing contract for primary school meals is with Chartwells and runs for four years (plus potential to extend for up to a further two years) from August 2014.</p> <p>As the initial contract period therefore expires in July 2018, if schools decide to re-procure, we will need to start the consultation process soon. This paper sets out the process for establishing whether a Contract extension will be required and if so, what the implications will be.</p> <p>The paper is coming to the Committee as there were problems in the early days of the current contract which resulted in a call to account. This paper therefore aims to provide an early briefing of the plan for the next steps for the primary school meals contract arrangements to ensure Members are informed and involved as appropriate.</p>
Impact Assessment:	Equalities Impact Assessment: None at this stage.
	Use of Evidence:

	<p>Budget: The annual value of the contract is £3.5m so will need to be listed on the schedule of procurements over £500k when it is either extended or re-procured, so it can be reviewed by Cabinet. The costs fall to the schools' budgets who buy into the contract.</p>
	<p>Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: Medium Residual Risk: Medium</p>
	<p>Other Implications: None evident.</p>
Recommendation	<p>The Committee is asked to:</p> <ul style="list-style-type: none"> (i) note the content and agree the proposed approach set out in this report; (ii) comment on any additional matters that officers should consider during the consultation period (iii) acknowledge the current supplier's viability requirements and the fact that these are probably lower than viability levels for schools due to the relationship between cost and volume, and funding; (iv) acknowledge the risk that in the event that no central contract is viable, some schools could be left with no provision.
Reason for Recommendation	<p>To enable the consultation with schools to be carried out efficiently and effectively and understand the preferred option(s) for future delivery of primary school meals after the expiry of the initial contract period.</p>
Appendices	<p>None</p>
Background Papers	<p>Report to Audit & Scrutiny Committee 16th October 2014.</p>
Officer Contact	<p>Name: Roger Allen Tel: 01305 221279 Email: r.allen@dorsetcc.gov.uk</p>

1. Background and context

- 1.1 Schools and academies have a statutory obligation to provide school lunches (upon request) to pupils eligible for free lunches and to those pupils for whom it would be reasonable to provide paid lunches. These lunches must comply with The National School Food Standards and with the Food Safety & Hygiene Regulations (England) 2013.
- 1.2 In September 2013 the government announced that Universal Free School Meals would be introduced for all key stage 1 pupils. The impact for Dorset County Council was an expected increase from 5,000 to 11,000 meals per day across the County.
- 1.3 The County Council had already been leading centralised contract arrangements on behalf of itself, Bournemouth Borough Council and the Borough of Poole for many years. School meals provision has changed and developed over the years, the most significant, recent change was the hot school meal initiative, announced in 2007. This required Councils to put in place the infrastructure for a new type of service provision as well as supporting schools to put in place arrangements to deliver the hot school meals service.
- 1.4 One-off grant was provided by Government for the infrastructure in 2008 but no further funding was provided to support the maintenance or replacement of equipment. The County Council's funding was used effectively, options for the provision of hot meals were given to schools including providing their own, use of their own contractor and the central contract which had two main options; brought-in hot and re-heating on-site.
- 1.5 The County Council led the award and management of a seven-year contract arrangement which supported the phased implementation of the new arrangement which took place over a four year period; this contract expired in 2014. Schools across the County diversified their service provision over this period – and since - some via pilot initiatives supported by the County Council, some schools tendering their own arrangements and some choosing an in-house model.

2. Current contract arrangements

- 2.1 The County Council, along with Bournemouth and Poole Councils consulted schools (and academies) during 2012 to establish if there would be interest in a central, primary school meal contract. The response confirmed strong support for an option involving the three Councils establishing a central contract. A contract was subsequently awarded to Chartwells in 2014 for a period of four years with an option to extend for a further two years. Detail of the procurement process can be found in the Audit and Scrutiny Report October 2014.
- 2.2 The contract required significant levels of investment for infrastructure and to support the new social value aspects of the contract arrangement. To secure the investment and best value from the contractor, schools were informed that the contract would need to meet business viability criteria for the supplier and that they would need to commit for the full four-year initial contract period. Schools were further advised that they would be consulted during the second half of the initial contract period to allow them to consider their options, including an extension to the current contract.
- 2.3 There were well-documented issues during the early implementation stages of the current contract, resulting in a call to account in October 2014. Chartwells took on board the concerns raised by the Councils and schools and put in place an action

plan - which included developing a strong management team to build a well-trained workforce and to have all the necessary infrastructure in place. The supplier is now delivering high performance across all aspects of the contract as reflected in regular feedback taken from schools. The County Council also operates robust and proactive contract management and quality assurance processes, which have supported improvements in quality and service. As well as direct contract with officers, regular customer surveys from schools, parents and pupils have supported and evidenced service improvements.

3 Current contract coverage, uptake and funding

3.1 The initial contract was secured with 105 schools across Dorset. Over the last two years the number has increased to 114, as follows:

- DCC Schools: 77
- BBC Schools: 21
- BOP Schools: 16

3.2 Take-up of universal free meals has grown from 65% to 74% and the average number of meals served each days is 11,750. At the time of writing, uptake is as follows:

- DCC Free School Meals 76% - KS1 Universal Infant Free School Meals = 72%
- BBC Free School Meals 75% - KS1 Universal Infant Free School Meals = 75%
- BOP Free School Meals 68% - KS1 Universal Infant Free School Meals = 76%

3.3 Schools (and academies) are currently funded by Government at a rate of £2.30 per UIFSM. The current contractual cost per meal from Chartwells is £1.76, which facilitates funding to support local delivery of meals either through infrastructure or staffing resources.

4 Consultation and options

4.1 As mentioned at 2.2, schools were advised that they would be consulted on future options in the latter half of the initial contract period. The consultation will be run by the County Council's Senior Procurement Officer between January and April 2017. The consultation will establish whether there is appetite to extend the current, central contract arrangement or whether schools wish to make alternative arrangements for school meals provision.

4.2 Consultation meetings will need to be concluded by the end of April 2017. Information on the options will be provided directly to Head Teachers of each school and academy currently using the central contract and will also be published on the Council's schools information portal NEXUS.

4.3 Head Teachers will be asked to provide a decision on their preferred option by the end of May 2017. Although this timescale is tight, it does allow for consultation and agreement with governing bodies. Where a response is not received it will be assumed that the school does not wish to stay with the central contract and this will be explained clearly to them.

4.4 As the lead for the central contract, the County Council will co-ordinate the consultation process for all three authorities. Each authority will be responsible for ensuring that their own elected members are aware of the consultation approach and communicating with the schools and academies in their authority areas.

4.5 One option is the extension of the current contract but other possibilities exist and in order to accommodate the options with the longest lead-time, the consultation needs to be concluded by the end of April 2017 with a formal decision regarding provision from September 2018 to be made by the end of May 2017.

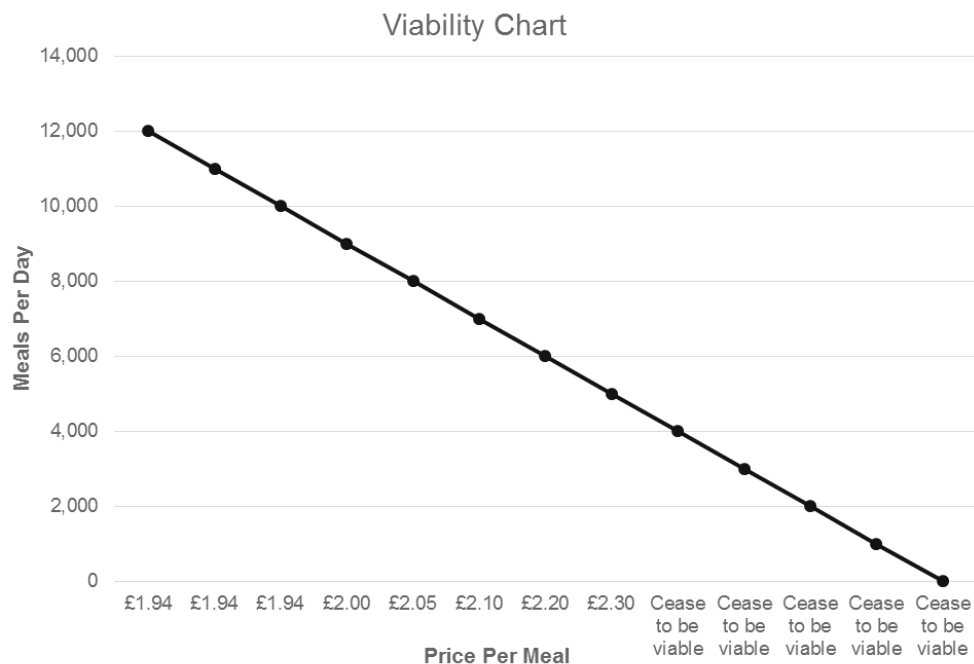
Extend current contract

4.6 In order to extend the current contract we will require schools to sign-up to the deal for the duration of the full contract period - ie until 2020 - to ensure it remains viable for all concerned. We would also wish to avoid a repetition of the consultation exercise for a further, single-year extension.

4.7 We can only extend the contract if sufficient schools express their wish to do so. In order for the business to remain viable for the current supplier, the volume of meals must not fall below 4,000. The supplier’s chart, below, shows how price will vary with quantity.

4.8 The chart shows that although 4,000 meals is still viable for the supplier, the price reaches £2.30 at 5,000 meals and it is likely that the tipping-point for schools is at a price which is still somewhat lower than the £2.30 current funding level.

4.9 If schools do not wish to extend the current contract arrangement and there are sufficient numbers to make a central contract viable we would include local suppliers in the development of any new contract as recommended in the lessons learned in the call to account.



Tender for own service

4.10 Schools are free to carry out a tender for their own service, either as a single entity or as part of a collective/multi-site arrangement. There are several local providers who currently supply schools in the county. Maintained schools must comply with contract procedure rules, which state that any contract with a total value of £100k or above must be formally tendered and that a contract with a value in excess of £164k

is subject to EU Tender. Academies will have their own financial governance arrangements to comply with.

- 4.11 The appetite of each entity to carry out its own tender exercise will depend on the additional benefits they think they can gain from their own approach over and above that delivered through the central contract. They will also need to consider, carefully, the effort that will be required to run the tender process successfully.
- 4.12 We will alert local suppliers to the consultation exercise so that schools can make an informed choice about their options. However, it should be borne in mind that if sufficient volume cannot be generated to extend the current arrangement and if a central contract cannot be re-procured, there is a risk that county-wide coverage will not be viable, resulting in some schools being left with no provision.

Sharing existing facilities

- 4.13 Some schools might wish to approach other schools that already cook on-site to establish whether they could extend their provision to supply nearby schools. If a school that wishes to supply to others has an outsourced contract in place, contract procedure rules (or academy governance/rules) will apply.

In-house provision

- 4.14 Some schools might consider carrying out the service themselves. In such cases the school would need to assure itself that the service would be viable, sustainable and safe by considering the following:
- kitchen facilities available
 - number of meals to be produced
 - food safety implications - including allergens
 - adherence to school food standards
 - costs – direct costs such as food, equipment, staffing etc as well as overheads
 - arrangements for management of the service
 - contingency arrangements.

5 Legal considerations

- 5.1 The UK has not yet applied to leave the European Union. The procurement rules set out in the Public Contracts Regulations 2015 will therefore continue to apply to all contracts let by UK public bodies, meaning the school meals contract work will be carried out within existing legal framework.

6 Summary

- 6.1 The Committee is asked to support the approach outlined above and to contribute any other considerations that need to be taken into account. Consideration also needs to be given to the risks involved with being unable to deliver a central contract and Members will be informed of the outcome of the consultation.
- 6.2 The Portfolio Holder for Children's Services has also been consulted on the content of this report and the consultation exercise.

Richard Bates
Chief Financial Officer
January 2017

Audit and Governance Committee

Dorset County Council



Date of Meeting	20 January 2017
Officer	<u>Local Members</u> All Members <u>Lead Directors</u> Debbie Ward, Chief Executive
Subject of Report	Corporate Plan: Outcomes focused monitoring report
Executive Summary	<p>In April 2016 the County Council adopted a Corporate Plan based on an outcomes focused approach. The Plan is comprised of four outcomes, reflecting the County Council's commitment to helping people in Dorset be Healthy, Safe and Independent, and benefitting from a Prosperous economy.</p> <p>Alongside this, in February 2016 the County Council agreed a new committee structure to monitor and scrutinise progress against the Corporate Plan, with Overview and Scrutiny Committees for Economic Growth, People and Communities and Safeguarding.</p> <p>The Corporate Leadership Team has selected a set of "outcome indicators" that will measure progress towards the four outcomes. This indicator set provides the focal point from which we can understand whether or not we and our partners are making a difference to people's lives in Dorset. A summary of the current status of these indicators is provided at Appendix 1 of this report. Detailed analysis can be accessed on the Dorset Outcomes Tracker on <i>Sharepoint</i>. Councillors and officers can access this at any time, and it can be made available for real-time interrogation at committee meetings.</p>
Impact Assessment: <i>Please refer to the protocol for writing reports.</i>	<p>Equalities Impact Assessment:</p> <p>There are no specific equalities implications in this report. However, the prioritisation of resources in order to challenge inequalities in outcomes for Dorset's people is fundamental to the outcomes approach and the Corporate Plan.</p>

	<p>Use of Evidence:</p> <p>The outcome indicator data in this report is drawn from a number of local and national sources, including the Adult Social Care Outcomes Framework (ASCOF) and the Public Health Outcomes Framework (PHOF). Corporate oversight and ownership of performance management information and processes is a key component of the terms of reference of the corporate Planning and Learning Group. There is a lead officer for each outcome on this group whose responsibility it is to ensure that data is accurate and timely and supported by relevant commentary.</p> <p>Budget:</p> <p>None in the context of this specific report. However the information contained herein is intended to facilitate evidence driven scrutiny of the interventions that have the greatest impact on outcomes for communities, as well as activity that has less impact. This can help with the identification of cost efficiencies that are based on the least impact on the wellbeing of customers and communities.</p> <p>Risk:</p> <p>Having considered the risks associated with this report using the County Councils approved risk management methodology, the level of risk has been identified as:</p> <p>Current: Medium Residual: Low</p> <p>Other Implications:</p> <p>None</p>
<p>Recommendation</p>	<p>That the committee:</p> <ul style="list-style-type: none"> i) Considers the evidence of Dorset’s position with regard to the outcome indicators in Appendix 1; and: ii) Identifies any issues requiring more detailed consideration.
<p>Reason for Recommendation</p>	<p>The 2016-17 Corporate Plan provides an overarching strategic framework for monitoring progress towards good outcomes for Dorset. The new Audit and Governance Committee and the three Overview and Scrutiny committees provide corporate governance and performance monitoring arrangements so that progress against the corporate plan can be monitored effectively.</p>
<p>Appendices</p>	<p>1. Population Indicators Summary – All outcomes</p>
<p>Background Papers</p>	<p>Corporate Plan Refresh 2016-17 (Report to the Cabinet, 13 April 2016)</p>

Officer Contact	Name: John Alexander Tel: (01305) 225096 Email: j.d.alexander@dorsetcc.gov.uk
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1. Background

- 1.1 In April 2016 the County Council adopted a Corporate Plan based on an outcomes focused approach. Its core principle was to articulate the conditions of wellbeing that we are seeking to achieve for Dorset alongside our communities and partners – the “ends” – and work backwards, using the best available evidence, to establish the best “means” of achieving them with the resources available to us. The Corporate Plan is comprised of four outcomes, reflecting the County Council’s commitment to helping people in Dorset be **Healthy**, **Safe** and **Independent**, and benefitting from a **Prosperous** economy.
- 1.2 Alongside this, and following a member “Task and Finish” review of the County Council’s overview and scrutiny arrangements, the County Council, in February 2016, agreed that the future committee structure should be based on the new outcome focused Corporate Plan, with Overview and Scrutiny Committees for Economic Growth, People and Communities and Safeguarding, each having responsibility for monitoring progress with specific Corporate Plan outcomes.
- 1.3 The Overview and Scrutiny Committees can, if necessary, seek approval via the new Audit and Governance Committee if there are any grounds to invoke formal scrutiny processes (e.g. *Call in*, *Call to Account* or *Councillor Call for Action*). A formal Overview and Scrutiny Management Committee, comprising the Overview and Scrutiny Committee Chairmen and the Chairman of the Audit and Governance Committee, oversees and coordinates the whole process.

2. Outcome indicators

- 2.1 Following the adoption of the corporate plan, the Corporate Leadership Team, having sought advice from senior managers, selected a set of “outcome indicators” that will measure progress towards the four outcomes. This indicator set provides the focal point from which we can understand whether or not we and our partners are making a difference to people’s lives in Dorset. In a relatively small number of cases, efforts continue to be made to find the ‘best fit’ data to meet CLT’s priorities, and it is for this reason that some ‘blanks’ remain in the appendices. Members will be updated on progress with these as soon as possible.
- 2.2 A summary of the latest available data for these indicators is presented here at Appendix 1. Live, up-to-date information on all of the indicators that support the corporate plan can be accessed on the [Dorset Outcomes Tracker](#) on *Sharepoint*. Councillors and officers can access this at any time, and it can be made available for real-time interrogation at committee meetings.
- 2.3 Members will note that no specific annual targets are attached to these indicators. In the past, target setting processes have been somewhat arbitrary, particularly in view of the fact that no single agency can be held to account for delivering an outcome such as, for example, reducing levels of obesity across Dorset or equalising life expectancy across different geographies. Rather, for each indicator, a trend line shows the direction of travel, and anticipated future direction if nothing different is done to influence progress.

3. The role of overview and scrutiny

- 3.1 It is for members (and managers) to challenge the evidence and commentaries provided, and decide if they are comfortable that the forecasts are acceptable. If not, it is the job of members, officers, partners and communities to work together to try to find ways to make improvements (or “turn the curve”) in a more acceptable direction. In effect, the target is to outperform an unacceptable forecast. The three Overview and Scrutiny Committees are engaging with this process at their January meetings, and a report on progress will be submitted to the Cabinet on 1 February.

3.2 In June 2016, a [Planning and Scoping document](#) was presented to, and discussed by, the Audit and Governance Committee and the Overview and Scrutiny Committees as a suggested means for identifying issues requiring more detailed consideration by members and for initiating review processes. This takes members through a process of specifying the purpose of any review, indicators of success and a defined methodology, and other considerations such as resource requirements, risks and timescales. Through such a process it will be possible for members to scrutinise not just progress towards outcomes, but the performance of County Council services in making positive contributions to those outcomes.

4. What are the big issues?

4.1 Lead officers have suggested that the indicators which require the most focus and attention are as follows:

4.2 People in Dorset are Healthy

- Admission episodes for alcohol-related conditions
- Under 75 mortality rate from cardiovascular diseases considered preventable

4.3 People in Dorset are Independent

- The rate of delayed transfers from hospital
- The rate of children in care
- The rate of absence from school

4.4 People in Dorset Are Safe

- The rate of children subject to a child protection plan
- The number of domestic abuse incidents and crimes
- The number of people killed or seriously injured on Dorset's roads

4.5 Dorset's Economy is Prosperous

- Ratio of lower quartile house prices to lower quartile incomes
- Productivity rate (GVA)
- Percentage of employers that have skill shortage vacancies

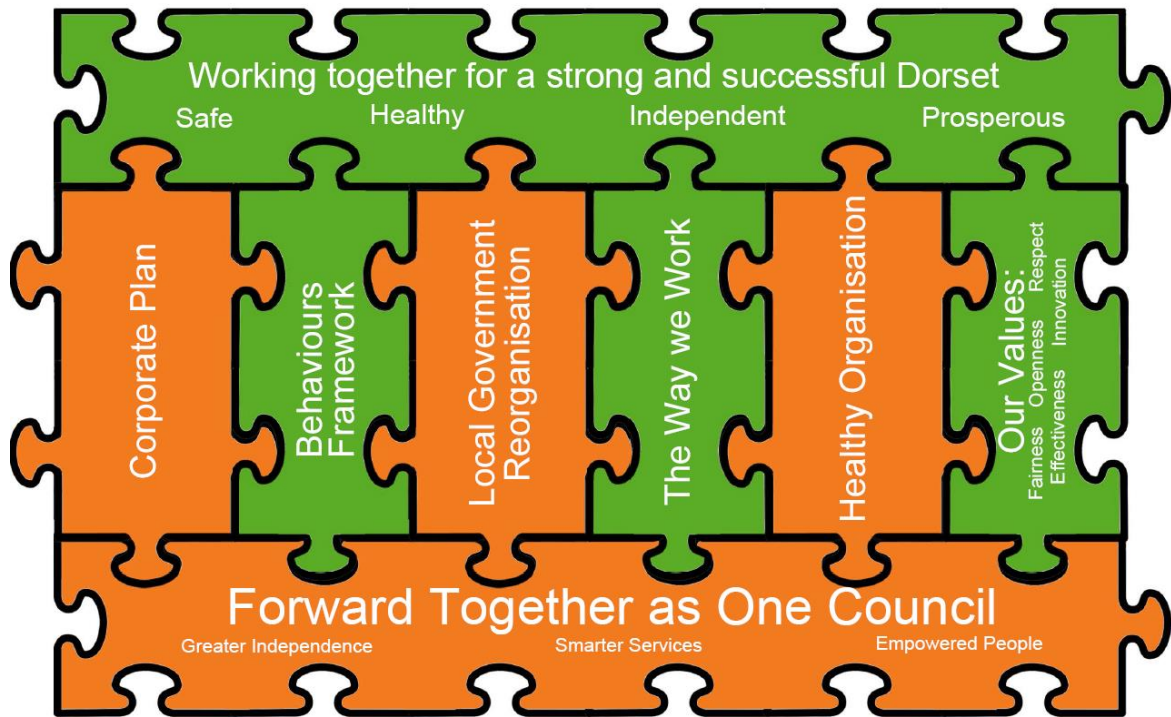
4.6 Any criteria could be used for suggesting an indicator is worthy of special attention, but likely reasons include: the situation is getting worse in Dorset; Dorset is worse than other comparable areas; or the situation with the indicator is putting unsustainable pressure on service budgets, to the detriment of our ability to maintain good performance in other areas.

5. Conclusion

5.1 Dorset's relentless focus on outcomes, and on seeking to address how to make a real difference to people's lives in Dorset whilst living within our means, demonstrates a significant departure from our previous, more process-driven approaches to performance management. Our outcomes focused overview and scrutiny functions are also new, and genuinely innovative. Making it all work to its full potential will take time, effort, and a degree of cultural change. It is important that members note, and understand, that the processes for scrutiny and overview described in this report are very much not "set in stone". Officers are very committed to making this new and different approach demonstrably effective, and the feedback, insight and suggestions for improvements of members is fundamental to making that happen.

5.2 To support members as we develop and refine our outcomes approach, we have organised two half day training opportunities on 8 and 9 February. The seminars are

specifically designed to provide members with an increased understanding of outcomes based activity and the tools to effectively scrutinise and challenge this. The courses will be facilitated by David Burnby, an internationally recognised expert in outcomes management. He has a wealth of experience and personally supported the recent development and agreement of a new 'Outcomes Framework' for the Northern Ireland Assembly - entitled 'Programme for Government' - a good example of how outcomes can be used to help different views to unite around a common purpose. We very much hope that you will be able to join us for one of these sessions. If you have not already signed up for one of them, you can do so by contacting the Learning and Organisational Development Manager, Helen Sotheran, h.l.sotheran@dorsetcc.gov.uk, 01305 224088.



Dorset Outcomes Tracker (DOT)















FULL

Population Indicators Summary Report


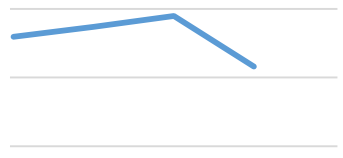
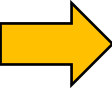



January 2017



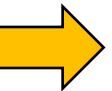
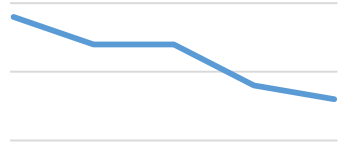
People in Dorset are SAFE

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Rate of children subject to a child protection plan	53 2015-16	 Worse	WORSE 43.1 England Average	
The rate of children who go missing or are absent from school	3.7% 2015	 Worse	SIMILAR 3.7% England Average	
The number of safeguarding referrals for adults	2811 2015-16	 Worse	No Comparable Data	
Older people feeling safe in the home				Under development
Total crime in Dorset	17144 2015-16	 Worse	No Comparable Data	
Antisocial behaviour in Dorset	8713 2015-16	 Improved	No Comparable Data	
Percentage of adults who feel safe	67.8% 2015-16	 Improved	WORSE 68.2% England Average	
Number of domestic abuse crimes	1775 2015-16	 Worse	No Comparable Data	


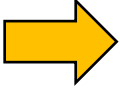

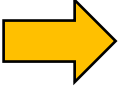



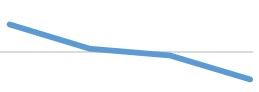
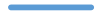
People in Dorset are SAFE (Cont'd)

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Number of domestic abuse incidents	2321 2015-16	 Improved	No Comparable Data	
Number of people killed or seriously injured on Dorset's roads	276 Qtr 1 2016	 No Change	No Comparable Data	
Rate of hospital admission due to unintentional injury				Under development
Severe weather events				Under development


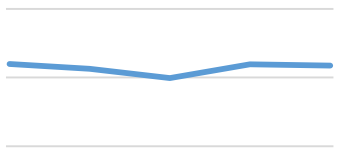
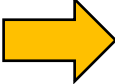
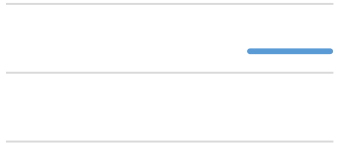

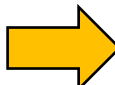
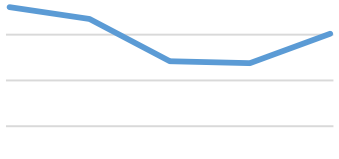
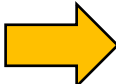
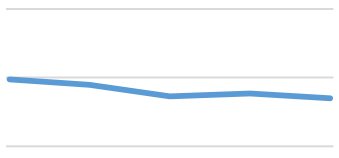
People in Dorset are HEALTHY

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Percentage of children achieving expected level at Early Years Foundation Stage	68% 2015	 Improved	BETTER 69% England Average	
Slope index of inequality in life expectancy at birth within English local authorities, based on local deprivation deciles within each area - Male	6.3 2012-14	 No Change	BETTER 9.2 England Average	

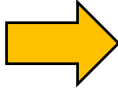
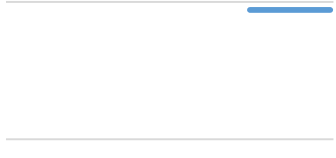
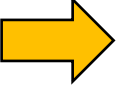

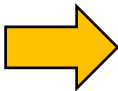
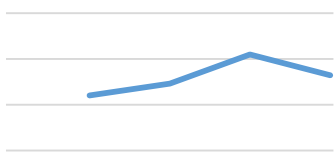

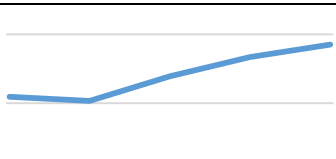
People in Dorset are HEALTHY (Cont'd)

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Slope index of inequality in life expectancy at birth within English local authorities, based on local deprivation deciles within each area – Female	5.9 2012-14	 Worse	BETTER 7 England Average	
Low birth weight of term babies	2.6 2014	 No Change	BETTER 2.9 England Average	
Admission episodes for alcohol-related conditions (narrow definition) – Male	661 2014-15	 No Change	BETTER 827 England Average	
Admission episodes for alcohol-related conditions (narrow definition) - Female	384 2014-15	 No Change	BETTER 474 England Average	
Deaths from drug misuse	3.7 2013-15	 Worse	BETTER 3.9 England Average	
Smoking Prevalence in adults - current smokers (APS)	15.2 2015	 Improved	BETTER 16.9 England Average	
Smoking prevalence at age 15 - current smokers (WAY survey)	9.2 2015	 No Change	SIMILAR 8.2 England Average	



People in Dorset are HEALTHY (Cont'd)

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Child excess weight in 4-5 and 10-11 year olds - <u>4-5 year old</u>	23.5 2014-15	 Worse	WORSE 21.9 England Average	
Excess weight in Adults	65.7 2013-15	 No Change	SIMILAR 64.8 England Average	
Rate of young people referred for self-harm per 100,000	515.5 2014-15	 Worse	WORSE (detail to follow)	Graph to follow
Days of work lost from mental health problems				TBA
Access to green space				TBA
Under 75 mortality rate from cardiovascular diseases considered preventable - Male	55.1 2013-15	 No Change	BETTER 76.7 England Average	
Under 75 mortality rate from cardiovascular diseases considered preventable - Female	14 2013-15	 No Change	BETTER 26.5 England Average	











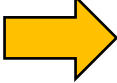


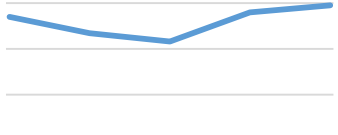
People in Dorset are HEALTHY (Cont'd)

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Mortality from diabetes: indirectly standardised ratio (SMR), <75 years, 3-year average (2012-14) – Male	47.1 SMR 2013-15	 No Change	BETTER 100 England Average	
Mortality from diabetes: indirectly standardised ratio (SMR), <75 years, 3-year average (2012-14) – Female	86.9 SMR 2013-15	 No Change	BETTER 100 England Average	
Physical activity in adults	58.2% 2014-15	 No Change	BETTER 57% England Average	
Percentage of household waste recycled	58.5% 2015-16	 Improved	BETTER 44.8% England Average	
Condition of designated landscapes				TBA


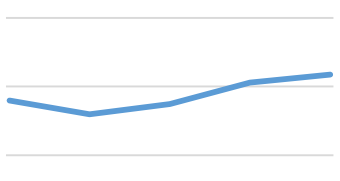






People in Dorset are INDEPENDENT

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Rate of children in care	62 2016	 Worse	WORSE 60 England Average	


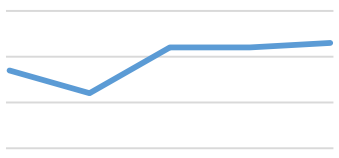


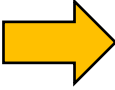
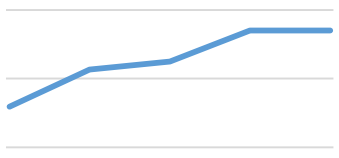



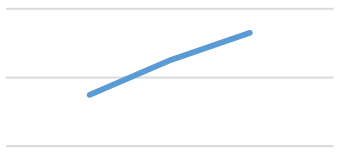

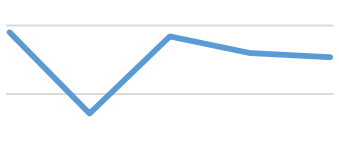

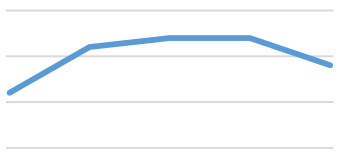
People in Dorset are INDEPENDENT (Cont'd)

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Number of domestic abuse crimes	1775 2015-16	 Worse	No Comparable Data	
Number of domestic abuse incidents	2321 2015-16	 Improved	No Comparable Data	
Number of lone registrations at birth				TBA
Rate of absence from school	4.7 2014-15	 Worse	WORSE 4.5 England Average	
Percentage of children achieving expected level at Early Years Foundation Stage	68% 2015	 Improved	BETTER 60% England Average	
% of students gaining 5 or more GCSEs grade A* - C, including Maths and English	57.7% 2015	 Worse	BETTER 52.8% England Average	
Percentage of 16-18 year olds in jobs without training	8.5% 2016	 No Change	WORSE 4.5% England Average	
The rate of permanent admissions to residential care	595.4 2015-16	 Worse	BETTER 628.2 England Average	




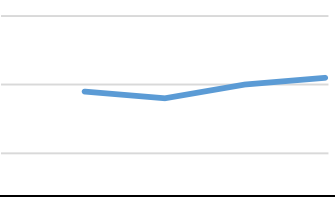

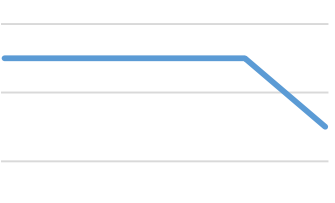

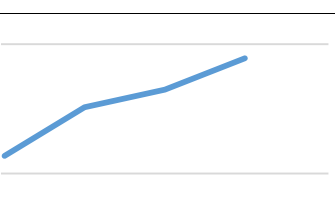

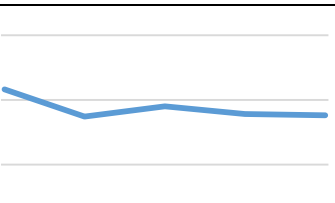
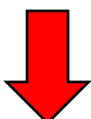
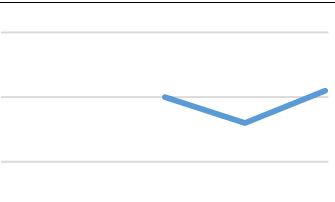
People in Dorset are INDEPENDENT (Cont'd)

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
The rate of delayed transfers from hospital care	23.5 2015-16	 Worse	WORSE 18.6 England Average	
The rate of homelessness				TBA
The rate of volunteering in Dorset				TBA
Rates of coverage of superfast broadband and 4G mobile network	89.6% 24Mbps July 2016	 Improved	SIMILAR to the UK Average 24Mbps	
Proportion of clients given self-directed support	95% 2015-16	 Improved	BETTER 86.9% England Average	
Proportion of clients given direct payments	19.2% 2015-16	 Worse	WORSE 28.1% England Average	
Percentage SEN children using public/ mainstream/ independent transport to get to school				TBA

With an economy that is PROSPEROUS

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Productivity rate (GVA per hour worked)	90.3 2014	 Improved	WORSE 101.7 England Average	
Business of new enterprises per 10k pop, aged 16-64 years	82 2015	 Worse	WORSE 99 England Average	
Percentage of population with a level 2 or higher qualification (aged 16-64)	77% 2015	 No Change	BETTER 73% England Average	
Annual growth in apprenticeships starts	-1% 2015	 Worse	WORSE 3% England Average	
Percentage of employers with vacancies that have skill shortage vacancies	33% 2015	 Worse	WORSE 29% England Average	
% of students gaining 5 or more GCSEs grade A* - C, including Maths and English	57.7% 2015	 Worse	BETTER 52.8% England Average	
Percentage of residents educated to level 4 (or equivalent) and above	34% 2015	 Worse	WORSE 37% England Average	

With an economy that is PROSPEROUS (Cont'd)

Description	Latest position	Direction Of Travel	Benchmark	Progress – direction of travel
Ratio of lower quartile house prices to lower quartile earnings	10.6 2015	 Worse	WORSE 7 England Average	
Percentage of people living in fuel poverty	11% 2014	 Worse	SIMILAR 11% England Average	
Average vehicle speeds during the weekday morning peak on locally managed 'A' roads	34.7 Mph July 2015	 Worse	BETTER 23.6 mph England Average	
Rates of coverage of superfast broadband and 4G mobile network	89.6% 24Mbps July 2016	 Improved	SIMILAR to the UK Average 24Mbps	
Bus passenger journeys per head of population	23.8	 Worse	WORSE 82.7 England Average	
Percentage of residents who do any walking or cycling at least once a month	88.1% 2014	 Worse	BETTER 87.1% England Average	

Audit and Governance Committee

Dorset County Council



Date of Meeting	20 January 2017
Officer	Chief Financial Officer
Subject of Report	Treasury Management Mid Year update 2016/17
Executive Summary	<p>At the meeting of the Cabinet on 11 February 2016 members approved the Treasury Management Strategy Statement and Prudential Indicators for 2016-17. Cabinet had previously approved the adoption of the CIPFA Prudential Code and in turn the adoption of the Treasury Management Code of Practice. In adopting the code, recommended best practice is for Members to receive an annual report on the Treasury Management Strategy and Prudential Indicators, a mid year update on progress against the strategy and a year end review of actual performance against the strategy.</p> <p>This report provides Members with an update on the economic background, its impact on interest rates, performance against the annual investment strategy, an update of any new borrowing, any debt rescheduling, compliance with the prudential Code and an update on the deposits held with Icelandic Banks.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>N/A</p>

<p><i>Please refer to the protocol for writing reports.</i></p>	<p>Use of Evidence:</p> <p>CIPFA 2015/16 benchmarking Capita Asset Services Benchmarking 2015/16</p>
	<p>Budget:</p> <p>All treasury management budget implications are reported as part of the Corporate Budget monitoring and outturn report, alongside the Asset Management reports that include the progress of the capital programme.</p>
	<p>Risk Assessment:</p> <p>This report is for information. However, treasury management is an inherently risky area of activity and a number of controls are embedded in its operation. The key Treasury risks are highlighted as part of the Annual Treasury Management Strategy approved by Cabinet as part of the Budget setting process. This report highlights any variances from this strategy and draws out any specific risks which have arisen.</p> <p>Current Risk: HIGH Residual Risk MEDIUM</p>
	<p>Other Implications:</p>
<p>Recommendation</p>	<p>That the Committee:</p> <p>1. Note and comment upon the report.</p>
<p>Reason for Recommendation</p>	<p>To better inform members of the Treasury Management process and strategy, in accordance with the corporate priority to ensure money and resources are used wisely.</p>
<p>Appendices</p>	<p>Appendix 1 – Prudential Indicators</p>
<p>Background Papers</p>	<p>Treasury Management Annual Strategy 2016/17 Capital Programme Budget and Monitoring reports 2016/17</p>
<p>Report Originator and Contact</p>	<p>Name: David Wilkes Tel: 01305 224119 Email: D.Wilkes@dorsetcc.gov.uk</p>

1. Background

- 1.1. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. The role of treasury management is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 1.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending requirements. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3. Accordingly, treasury management is defined as:
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.4. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual review of treasury management activities and the actual prudential and treasury indicators. The Act also requires the production of a mid year update on treasury management and prudential activities. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA prudential Code for Capital Finance.
- 1.5. During each financial year a minimum of three reports will be produced; a report in February, which will sit alongside the Council's revenue and capital budget reports, outlining the treasury management strategy for the forthcoming financial year; a report in September reporting on the previous year's treasury management activity and prudential indicators; and a report in January providing members with an update of the year to date position. In doing so, the Council will be fully compliant with the Act.
- 1.6. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policies and activities. This report is therefore important in that respect as it provides details of the mid year position for 2016/17 for treasury activities, and in doing so highlights compliance with the Council's policies previously agreed by members. The report provides commentary of the overall performance of the treasury activities of the Council, and all of the prudential indicators are summarised in Appendix 1.

2. Treasury Management Advisers

- 2.1. The Council uses Capita Asset Services as its treasury management advisers. Capita provides a range of services which include:
 - Technical support on treasury matters, capital finance issues and the drafting of reports;
 - Economic and interest rate analysis;
 - Debt services which includes advice on the timing of borrowing;
 - Debt rescheduling advice surrounding the existing portfolio;

- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings-market information service comprising the three main credit rating agencies.

2.2. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Council. This service is subject to regular review.

3. Economic Background and Interest Rate Forecast

3.1. Part of Capita's service is to assist the Council to formulate a view on interest rates. The following table gives Capita's most recent forecast for UK Bank Rate, short term investment returns (LIBID) and borrowing rates from the Public Works Loans Board (PWLB):

	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
BANK RATE	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.75	0.75
3 month LIBID	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.40	0.50	0.60	0.70	0.80	0.90
6 month LIBID	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.50	0.60	0.70	0.80	0.90	1.00
12 month LIBID	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.80	0.80	0.90	1.00	1.10	1.20	1.30	1.40
5 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.70
25 yr PWLB	3.00	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.30	3.40
50 yr PWLB	2.70	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.90	2.90	3.00	3.00	3.10	3.10	3.20

3.2. When the Treasury Management Strategy for 2016/17 was agreed in February 2016, Capita's expectation, in line with most commentators, was for the Bank Rate to increase from 0.50% to 0.75% late 2016, followed by gradual increases thereafter to 1.75% by the end of financial year 2018/19. However, in order to counteract what it forecast was going to be a sharp slowdown in growth resulting from the UK's decision to leave the EU, the Monetary Policy Committee (MPC) at its meeting 4 August 2016 cut the Bank Rate from 0.50% to 0.25%.

3.3. The MPC also gave a strong steer that it was likely to cut the Bank Rate again by the end of 2016. However, economic data since August has indicated much stronger growth in the second half of 2016 than previously forecast; and inflation forecasts have also risen substantially, primarily as a result of the sharp fall in the value of sterling. Consequently, the Bank Rate was not cut again in November and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth.

3.4. During the two-year period 2017 to 2019, when the UK is negotiating the terms for withdrawal from the EU, it is expected that the MPC will wish to avoid taking actions that could dampen growth prospects, for example by raising the Bank Rate, which will already be adversely impacted by the uncertainties of the form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in until after those negotiations have been concluded. However, if strong domestically generated inflation, for

example from wage increases within the UK, were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

- 3.5. With so many external influences weighing on the UK, economic and interest rate forecasting remains challenging. Forecasts (and future MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, for example in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments. However, the overall longer run expectation is still for gilt yields and PWLB rates to rise, albeit gently.
- 3.6. Capita believes that the overall balance of risks to economic recovery in the UK remains to the downside. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
- Monetary policy action reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some major developed economies, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
 - Weak capitalisation of some European banks.
 - A resurgence of the Eurozone sovereign debt crisis.
 - Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.
 - Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or US Federal Reserve's rate increases, causing a further flight to safe havens (bonds).
 - UK economic growth and increases in inflation are weaker than currently anticipated.
 - Weak growth or recession in the UK's main trading partners - the European Union and the United States.
- 3.7. The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include:
- The pace and timing of increases in the Federal Reserve's funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
 - UK inflation returning to significantly higher levels than in the wider European Union and the United States, causing an increase in the inflation premium inherent to gilt yields.

4. Capital Expenditure and Financing

- 4.1. The Council's capital programme can be funded in two main ways:
- Financed immediately through the application of capital or revenue resources, which includes applying capital receipts from asset sales, capital grants received from central government or direct from revenue budgets, and has no impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is made not to apply resources, the capital expenditure will give rise to a borrowing need.

- 4.2. The Council is only permitted to borrow to finance capital expenditure or for short term cash flow needs, and cannot borrow to fund on going revenue expenditure.
- 4.3. Capital expenditure forms one of the Council's prudential indicators and is reported in more detail as part of the quarterly asset management updates to Cabinet. The actual capital spend for 2014/15 and 2015/16, the budget for 2016/17 and the latest projected outturn for 2016/17 are summarised in Table 1 below. Projected capital spend for 2016/17 is approximately £18M lower than budget due to slippage.

Table 1 Capital Expenditure 2014/15 – 2016/17

Prudential Indicator 1	2014/15 actual £'000	2015/16 actual £'000	2016/17 budget £'000	2016/17 projected £'000
Capital Expenditure	80,774	87,958	81,756	63,500
Financed in Year	60,538	87,958	62,025	62,037
Unfinanced capital spend	20,236	0	19,731	1,463

5. The Council's Overall Borrowing Need

- 5.1. The unfinanced capital spend element of the capital programme is called the Capital Financing Requirement (CFR) and is made up of the Council's underlying need to borrow in addition to any PFI and finance lease liabilities it may have. The CFR figure is therefore a gauge of the Council's debt position and results from the Council's capital activity and the resources that have been used to pay for it.
- 5.2. The Council was debt free until 2002, when the Government changed the way in which it helped councils to fund their capital spend. Rather than paying councils capital grants the Government gave revenue grants to cover the costs of principal repayment and the interest costs of borrowing. This funding was included as part of the revenue support grant (RSG) funding formula, and gave councils little option other than to borrow to fund capital expenditure. As part of the 2010 grant changes this part of the funding formula has been removed.
- 5.3. Part of the Council's treasury activity is to address the funding requirements for this borrowing need. The treasury team manages the Council's cash position to ensure that there is sufficient cash available to meet the capital plans and the resulting cash flow requirements. The borrowing may be sourced through external bodies, such as the Government through the Public Works Loans Board (PWLB) or the money markets, or by utilising temporary cash resources from within the Council.
- 5.4. The Council's borrowing need, and therefore the CFR, cannot increase indefinitely, and statutory controls require the Council to make an annual charge to the Income and Expenditure account over the life of the assets that are being financed by the borrowing requirement. This charge is known as the minimum revenue provision (MRP) and is effectively a repayment of the borrowing need.

- 5.5. It is important to stress that the borrowing need or requirement is not the same as the actual amount of borrowing or debt held by the Council. The decisions on the level of debt are taken as part of the treasury management operations of the Council, subject to overriding limits set by Members as part of the Annual Treasury Management Strategy.
- 5.6. The CFR can also be reduced by:
- The application of additional capital financing resources (such as unapplied capital receipts or government grants); or
 - Charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision.
- 5.7. The Council's CFR for the year is shown in Table 2 and is one of the key prudential indicators. It includes the PFI and leasing liabilities, as well as the Council's underlying need to borrow. The actual CFR for 2015/16 is shown as well as the budgeted and latest estimate for the 2016/17 financial year. It is difficult to predict the exact make-up of the CFR as it is largely affected by the spending profile of the capital programme and year end accounting decisions.

Table 2 Capital Financing Requirement (CFR)

Capital Financing Requirement Prudential Indicator 2	2015/16 Actual £'000	2016/17 Budget £'000	2016/17 Projected £'000
Underlying Borrowing Requirement b/f	292,845	298,174	287,313
Capital Expenditure	87,958	81,756	63,500
Revenue Contributions	-4,942	-6,076	-6,076
Capital Receipts applied	-6,083	-200	-200
Grants	-72,050	-45,758	-45,758
Reserves Applied	-1,611	0	0
Minimum Revenue Provision	-12,023	-10,003	-10,003
Other Adjustments	3,219	0	0
Underlying Need to Borrow	287,313	317,893	288,776
Other Long Term Liabilities	38,933	34,798	34,798
Capital Financing Requirement	326,246	352,691	323,574

- 6. Borrowing Position as at 31 December 2016**
- 6.1. Actual borrowing activity is constrained by the prudential indicators for net borrowing and the CFR. In order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council cannot borrow to support its day to day revenue expenditure. This indicator therefore allows the Council some flexibility over the timing of the borrowing so, for example, if interest rates are favourable it can borrow in advance of its immediate cash need.
- 6.2. Table 3 highlights the Council's gross borrowing, its investment balances and the net borrowing against the CFR and authorised borrowing limit.

Table 3 Gross Debt (excluding PFI)

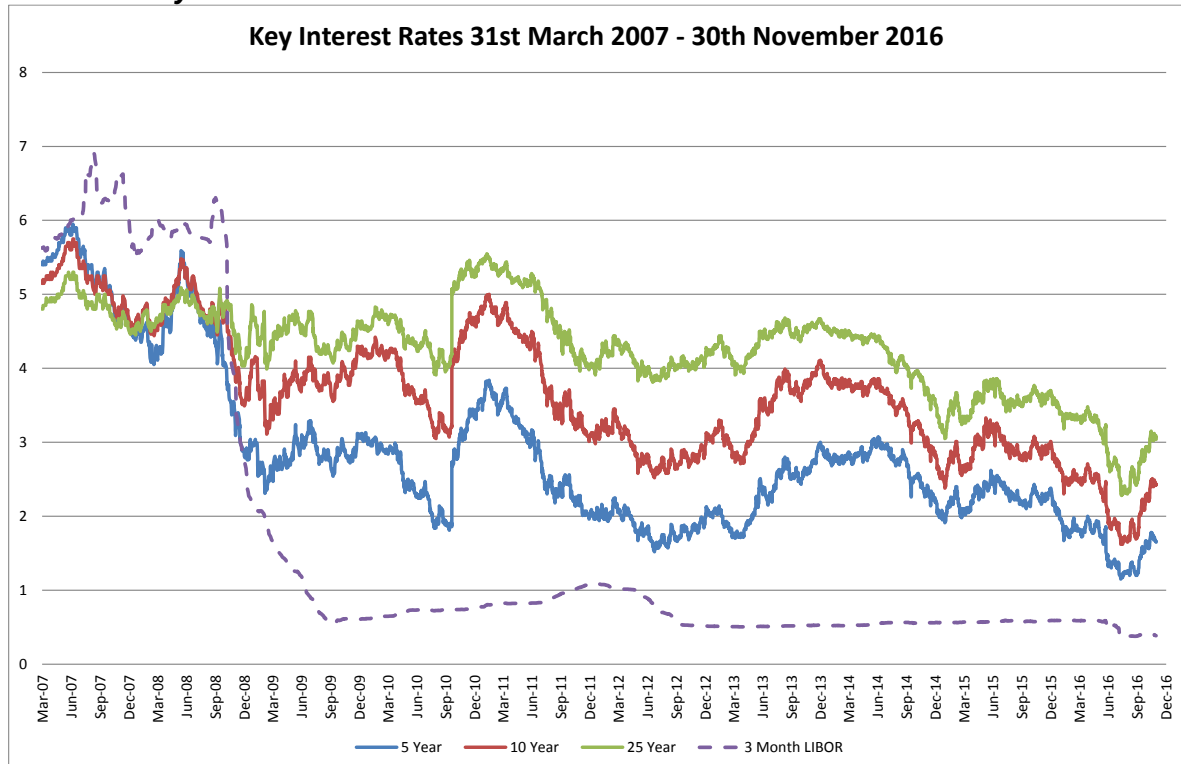
Gross and Net Debt Prudential Indicators 5-7	Actual 31/03/2016 £'000	Budget 31/03/2017 £'000	Projected 31/03/2017 £'000
Gross Debt	184,341	204,341	198,521
Investments	12,738	13,106	7,008
Net Debt	171,603	191,235	205,529
Underlying need to Borrow	287,313	317,893	288,776
Under borrowing	102,972	113,552	90,255
Authorised Limit	355,000	355,000	355,000
Operational Boundary	335,000	335,000	335,000
Maximum Gross Debt	215,124	204,341	198,521

6.3. The debt and net positions should be considered in light of the prevailing economic conditions summarised in section 3. The treasury management strategy over the past few years has been to reduce investment balances and delay borrowing. This strategy has been adopted for two main reasons:

- To reduce counterparty risk on the Council's investments – the lower the level of investment balances the lower the size of any losses if counterparties fail, which has been a major risk during the financial crisis;
- To reduce the cost of carrying cash balances – shorter term investment interest rates are at historically low levels and the gap between the cost of borrowing and investment returns is at its widest for 20 years.

6.4. Chart 1 illustrates the divergence of long term borrowing rates and the short term investment returns, as indicated by the 3 month LIBOR rate, over the past 9 years.

Chart 1 - Key Interest Rates



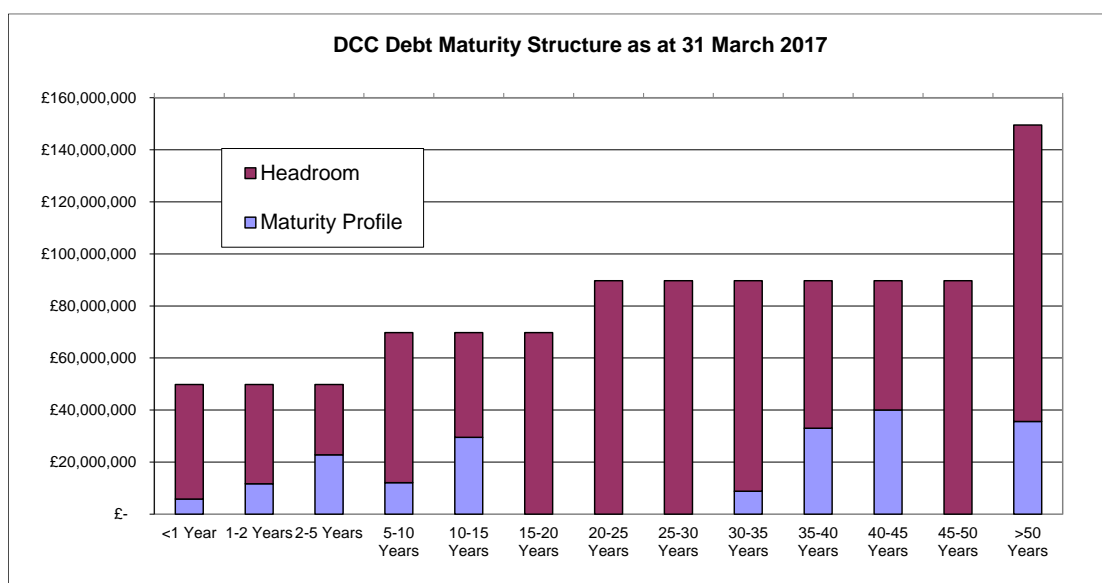
- 6.5. Prior to September 2008 the 3 month LIBOR rate moved broadly in line with the longer period borrowing rates, and reflected the flat yield curve at that time. This meant that it was possible to take borrowing in advance of need and invest it, temporarily until it was required, at a similar rate to what it was borrowed at. However, since the financial crisis short term investment rates have reduced significantly, and although the longer term borrowing rates have also reduced slightly, the gap between borrowing costs and investment returns has increased markedly. Borrowing costs over 25 years are currently in the region of 3.0% compared to the 3 month LIBOR rate of approximately 0.5%. On a typical borrowing tranche of £10m, this difference would amount to a carrying cost of approximately £250k per annum, until it has been spent.
- 6.6. For this reason the Council has adopted a strategy of delaying long term borrowing until the cash is actually required. However, the Council continues to be mindful as to the projections for long term borrowing costs, as projected increases in these costs will result in higher future long term borrowing costs if borrowing is delayed.
- 6.7. Projected borrowing at 31 March 2017, as of now, is expected to increase by £14.2m from the position at 1 April 2016, but this is subject to continual review throughout the year. Projected changes in borrowing for the financial year are summarised in table 4 below:

Table 4 - Borrowing

	Description	Rate	Outstanding
Borrowing as at 31/03/16		3.98%	£184,341,150
<u>New Borrowing</u>			
Loan 40	London Borough of Islington	0.65%	£5,000,000
Loan 41	Leicester City Council	0.70%	£10,000,000
<u>Repayments</u>			
Loan 2	PWLB annuity	4.70%	-£805,301
Loan 3	PWLB annuity	4.65%	-£14,527
Projected Borrowing as at 31/03/17		3.73%	£198,521,322
Net Increase / (Decrease)			£14,180,172

- 6.8. Loan 40 will mature at the end of this financial year on 31 March 2017 but it has been assumed, for cashflow reasons, that this loan will be renewed or replaced with new debt.
- 6.9. The Council has a target of maintaining an under borrowed position of around £100m. This however has to be balanced with assessing the long term costs of borrowing and also has to be viewed in terms of the maturity structure of the existing portfolio of long term borrowing.
- 6.10. The maturity structure of the Council's borrowing remains within the prudential limits for 2016/17, as set out in the chart below:

Chart 2 Debt Maturity Structure



6.11. The maturity limits are to ensure that the Council is managing its refinancing, liquidity and interest rate risks. If a high proportion of borrowing matures in any one year it may place pressure on the cash flow position of the Council and force it to refinance these loans at unfavourable rates. By spreading the maturity profile of loans the Council can provide for their repayment in an orderly way.

7. Investment Position as at 31 December 2016

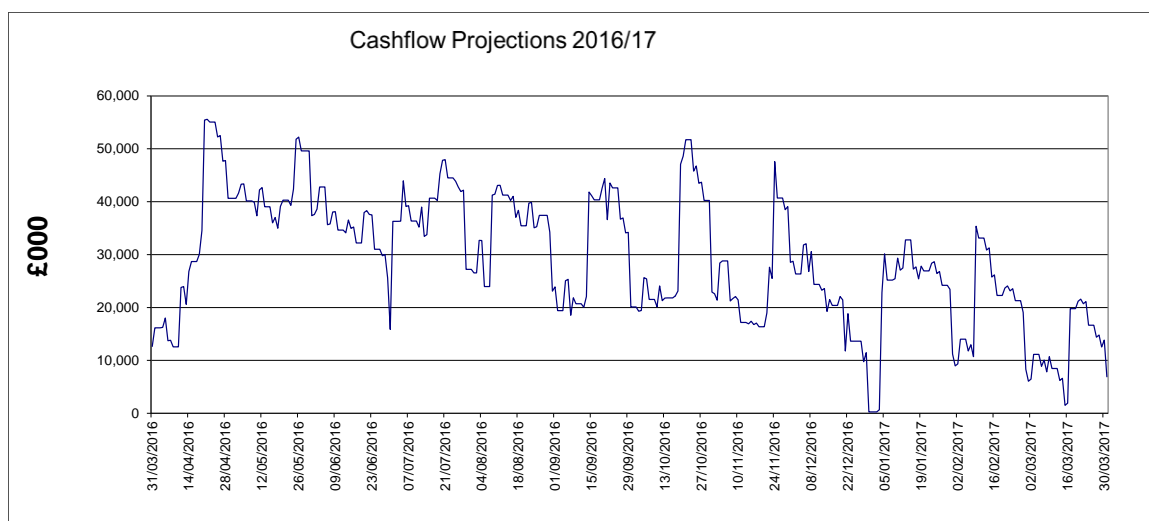
- 7.1. The Council invests in accordance with the Annual Investment Strategy, which is approved by the Council alongside the Treasury Management Strategy in February each year.
- 7.2. The cash resources of the Council are made up of revenue and capital resources, as well as cash flow monies. Investment balances do fluctuate throughout the year as part of the day to day operations of the Council. Table 5 shows the investment balances at the start of the year, the maximum, minimum and average balances held, and the balances at the end of the year for 2015/16 and as projected for 2016/17.
- 7.3. Investment income projected for the year is £0.1m, a reduction of £0.4m on the previous financial year. The reason for the anticipated reduction is the decrease in average balances held a result of the strategy to delay borrowing, and therefore the cost of borrowing, by reducing investment balances, and lower rates of interest available in the market, with average returns expected to fall from 0.75% in 2015/16 to 0.41% in 2016/17.

Table 5 - Analysis of Investments

	Actual 2015/16	Budget 2016/17	Projected 2016/17
	£'000	£'000	£'000
Investments as at 1 April	56,620	20,400	12,738
Maximum cash balance	124,244	60,100	55,700
Minimum cash balance	12,738	2,300	400
Average cash balances	71,492	33,700	29,100
Investments as at 31 March	12,738	13,100	7,000
Investment Income	538	250	120
Average Return	0.75%	0.65%	0.41%

- 7.4. Historically balances available for investment tended to be higher at the start of the financial year as government grants are received, and reduce as expenditure is incurred more evenly through the year. Over recent years this pattern has become less pronounced as the level of government funding has reduced. Chart 4 below shows the projected daily investment balances for this financial year.

Chart 4 Cashflow Projections



8. Risk Management

- 8.1. Return on investments must be assessed against the level of risk taken by the Council. Since the Icelandic banking crisis, many authorities, including Dorset County Council have tightened their treasury management policy, and re-emphasised the investment priorities of security of deposits first, liquidity of investments second, and return third.
- 8.2. The Treasury Management Policy restricts the number of counterparties to those with credit ratings of A- or higher. The only institutions where investments can be made for more than one year are other Local Authorities, the Government and the big four high street banking groups (Barclays Bank, HSBC Bank, Lloyds Banking Group and RBS).

Richard Bates
Chief Financial Officer
January 2017

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Audit and Governance Committee

Dorset County Council



Date of Meeting	20 January 2017
Officer	Head of Organisational Development
Subject of Report	Information Governance – Data Protection Update
Executive Summary	This report informs Members of two major developments relating to data protection within DCC. The first development is that a Data Protection Audit by the Information Commissioner’s Office is to take place on 7 th to 9 th March 2017. The report seeks to provide members with assurance about the steps being taken to prepare for the Audit and invites their comments. Secondly, it highlights that the Data Protection Act 1998 is to be replaced on 25 th May 2018 by either a new EU Regulation, the General Data Protection Regulation (GDPR) or an Act of Parliament, which will mirror all the main provisions of the GDPR. This report is for information only and does not require a decision.
Impact Assessment: <i>Please refer to the protocol for writing reports.</i>	No EQIA has been completed on this report as it does not propose any new policy or procedure impacting upon either service users or staff. Proposed changes in any action plan emerging from the audit may result in changes and these would be subject to screening and any necessary assessment of impacts at that time.
	Use of Evidence:
	Budget: This report is for assurance only and does not have any immediate budgetary implications. Further reports will address the outcome of the ICO audit and the actions required to ensure compliance with the new legislation and these will set out budgetary implications of any actions required.
	Risk Assessment: This report is for information only and does not have any risk implications.

	<p>Other Implications:</p> <p>No other implications</p>
Recommendation	That members consider and comment upon the preparations for the Data Protection Audit by the Information Commissioner's Office and the impending changes in data protection legislation.
Reason for Recommendation	<p>Preparations for the forthcoming data protection audit and the new legislation have identified the need to ensure information governance updates are regularly given to both Members and CLT.</p> <p>As part of the ICO Audit, the auditors will be speaking to members of staff and may wish to speak to Elected Members.</p>
Appendices	None
Background Papers	None
Officer Contact	<p>Name: David Wilson, Data Protection Officer</p> <p>Tel: Ext: 01305 225175 Int: 710 5519</p> <p>Email: d.j.wilson@dorsetcc.gov.uk</p>

1. Information Commissioner's Office.

1.1 The Information Commissioner's Office (ICO) is responsible for enforcing and promoting compliance with the Data Protection Act 1998 (DPA). The ICO has identified that audit has a key role to play in educating and assisting organisations to meet their legal obligations. As such, the ICO undertakes a programme of consensual audits to provide practical advice and recommendations to improve the way local authorities deal with information rights issues.

2. Data Protection Audit of DCC.

2.1 DCC accepted the offer of a consensual data protection audit, which will take place over three days, 7th to 9th of March 2017. The audit team will consist of three Auditors who will look at three specific areas. These are:

- data protection governance;
- subject access requests i.e. the process by which an individual can access the information held about them; and
- records management, both paper and electronic.

2.2 The Auditors will typically assess DCC's procedures, systems, records and activities in order to:

- ensure the appropriate policies and procedures are in place;
- verify that those policies and procedures are being followed;
- test the controls in place;
- detect any inherent potential for data breaches; and
- identify any necessary changes in controls, policies, procedure and practices.

- 2.3 The benefits of the consensual audit include:
- demonstrating commitment to, and recognition of, the importance of data protection;
 - the opportunity to use the ICO's resources at no expense;
 - independent assurance of data protection policies and practices;
 - identification of data protection risks and practical, pragmatic, organisational specific recommendations;
 - the sharing of knowledge with trained, experienced, qualified staff and an improved working relationship with the ICO, and
 - assistance in ensuring we achieve legal compliance with the new EU General Data Protection Regulation (GDPR), which comes into force on 25th May 2018.
3. ICO audit outcomes:
- 3.1 There are known areas where current practice is failing to reach the required standard. This is particularly true in respect of our handling of subject access requests, which are increasingly taking longer than the statutory 40-day time limit for compliance. The audit provides us with an opportunity to test how well we handle and safeguard the data we hold and with the support of the ICO, to improve our practice.
- 3.2 The Director of Adult Services, supported by Governance and Assurance Manager, the Data Protection Officer and a cross directorate group is leading the County Council preparations for the audit.
- 3.3 This group have drawn up a comprehensive action plan to assess and address any areas which require improvement and includes:
- staff and public awareness campaign;
 - establishing a set of key performance indicators;
 - an intensive training program to increase the number of staff having received data protection training;
 - checks on how current staff data protection training is to become part of the annual PDR process;
 - a review and where necessary, an update of all relevant policies, guidance notes and standard contractual / procurement clauses;
 - regular information governance updates to senior management and members.
- The purpose of submitting this report to the Audit and Governance Committee is to fulfil the latter of the above actions.
4. Replacement of the Data Protection Act 1998.
- 4.1 The EU has passed the General Data Protection Regulation (GDPR), which will come into force on 25th May 2018. All the indications are that the Brexit process will not be complete before this date and therefore, the UK will be subject to the GDPR.
- 4.2 Even if the Brexit negotiations were to be completed before this date, any free trade deal will almost certainly result in the UK being directly subject to the GDPR. Even if no free trade deal is agreed, The Information Commissioner and the Government have both confirmed that there would be a need to either to adopt all the main principles of the GDPR and this could be achieved by incorporating them into a new Act of Parliament.

- 4.3 The Data Protection Officer is presently studying the GDPR and the implications for DCC and will produce a report in due course. It is likely that the ICO audit will provide extremely useful advice and guidance on the measures necessary to comply with the GDPR.
- 4.4 It is already apparent that there will be resource implications in preparing for compliance with the GDPR and these will be highlighted in a more detailed report which will identify the actions required to ensure compliance.

Jonathan Mair
Head of Organisational Development
January 2017

Minute Extract and Recommendation from Staffing Committee - 22 November 2016

Statutory Officer Panel Terms of Reference (Disciplinary Investigation Process for the Chief Executive and Statutory Officers)

(Note: The Chief Executive and Monitoring Officer were not present for this item.)

Members considered a report by the Head of Human Resources (HR) and Organisational Development (OD) which outlined the current process and arrangements for dismissal of the Chief Executive and Statutory Officers and highlighted the statutory underpinning of the procedure currently in place, which included seeking the advice of an independent panel.

The HR and OD Service Manager advised members that the proposal was to align with the model procedure which had now been incorporated into the Chief Executive Officers terms and conditions handbook by the Joint Negotiating Committee (JNC) whereby elected members would no longer sit on the Independent Panel. The other elements of the DCC procedure would remain unchanged; the Staffing Committee would sit as a hearing panel, it would then pass to an independent panel for a view and the final decision to dismiss would be made by the full County Council.

One member felt further information was needed on this proposal. He felt the report did not identify exactly how the progression of evidence was gathered and did not see the necessity for the change. He highlighted areas where he felt more detail was needed and suggested that the Audit and Governance Committee also had sight of this proposed change. He was concerned there were too many assumptions and opinions made with a lack of evidence trail and felt he report should be deferred to allow for further additions and concerns.

The Chairman felt it was important to add that the Independent Panel was just one part of the process and was not about removing elected members from the process. This represented a very small change to the process and was being made to ensure the County Council was in line with the recommendations of the JNC and confirmed that the fundamental process had not changed. It was important to note that ultimately all decisions would be made by elected members.

The Vice Chairman felt the changes gave strength to any Chief Executive who found they were being pursued politically to remove them from post.

One member suggested it would be helpful to have the advice from the JNC appended to the report when it was presented to the full Council.

On being put to the vote Cllr Peter Richardson requested that his vote against the proposal be recorded. He added that he did not feel the Independent Panel would be improved by the exclusion of elected members.

Resolved

That the advice from the JNC be appended to the report in readiness for County Council.

RECOMMENDED

That the County Council, following the Audit and Governance Committee meeting, be asked to approve the terms of reference for the Statutory Officer Panel so that the Panel comprised independent persons only.

Reason for recommendation

The Staffing Committee would deal with issues relating to disciplinary action or capability in respect of the Chief Executive, Directors, Statutory Officers and Heads of Service. In light of the recommendation independent persons would play an advisory roles but any decision to dismiss would still be one for the County Council.

Staffing Committee

Dorset County Council



Date of Meeting	22 November 2016
Officer	Head of Human Resources and Organisational Development
Subject of Report	Statutory Officer Panel Terms of Reference (Disciplinary Investigation Process for the Chief Executive and Statutory Officers)
Executive Summary	<p>Where there is a proposal to dismiss the Chief Executive as Head of Paid Service, the council is required to follow a statutory process in accordance with the procedure set out in the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015. The procedure includes the appointment of an independent panel.</p> <p>The Regulations are silent about whether the panel should comprise a mixture of elected members and independent persons or independent persons only. When the independent panel arrangements were introduced, the council chose to establish a mixed panel comprising both independent persons (as defined in the Localism Act 2011) and elected members. This is the Statutory Officer Panel.</p> <p>Since then, the Joint Negotiating Committee for Chief Executives of Local Authorities (the JNC) have issued advice recommending that the panel contain independent persons only, and not members. The JNC has also issued an updated edition of the Chief Executives Handbook (the conditions of service for Chief Executives) which includes a revised model procedure for disciplinary dismissals. The model procedure is in line with their advice that the panel should contain independent persons only. The model procedure should apply unless alternative arrangements have been agreed locally. Whilst the model procedure applies specifically to chief executives, it can also be used as a framework for statutory chief officers (the Monitoring Officer and the Chief Finance Officer) who are subject to the same statutory restrictions on dismissal.</p>

Statutory Officer Panel Terms of Reference

	<p>The terms of reference for the Statutory Officer Panel are incorporated in the council's Constitution. Any change will therefore require approval of County Council. The recommendations of the Staffing Committee will be put forward to the County Council via the Audit and Governance Committee, with changes effective immediately following County Council approval.</p>
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>It is not considered that a full EqIA is required for this report.</p>
	<p>Use of Evidence:</p> <p>This report is based on advice provided by the JNC and a review of associated legislative requirements.</p>
	<p>Budget:</p> <p>There are no direct cost implications arising from this report.</p>
	<p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk LOW</p>
	<p>Other Implications:</p> <p>None.</p>
Recommendation	<p>It is recommend that, in line with the JNC's position, the Staffing Committee recommend to the County Council:</p> <p>The terms of reference for the Statutory Officer Panel be updated so that the Panel comprises of independent persons only.</p>
Reason for Recommendation	<p>The Staffing Committee deal with issues relating to disciplinary action or capability in respect of the Chief Executive, Directors, Statutory Officers and Heads of Service. If this recommendation is accepted then independent persons would play an advisory role but any decision to dismiss would still be one for the full County Council.</p>
Appendices	None
Background Papers	None

Officer Contact	Name: Sarah Butcher, Principal HR & OD Adviser Tel: 01305 228505 Email: s.e.butcher@dorsetcc.gov.uk
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1. Introduction

- 1.1. In principle it is for each local authority to determine its procedures and practical arrangements for disciplinary action and dismissal. However in the case of the statutory role of Chief Executive (as Head of Paid Service), there are further legal requirements in respect of the processes that must be followed. This process includes seeking the advice of an independent panel.
- 1.2. There has been some uncertainty as to whether the panel should include elected members as well as independent persons. Advice previously available suggested that whilst the panel must include independent persons, it could also include elected members. The council adopted the independent panel arrangements last year, creating the Statutory Officer Panel as the council's panel for this purpose, which is made up of three elected members and two independent persons.
- 1.3. The JNC has since issued further advice for local authorities, recommending that the panel comprise only of independent persons – in other words, no members should sit on the panel. The JNC is the national negotiating body for the pay and conditions of service of chief executives in England and Wales. The Authorities' Side consists of elected members nominated by the Local Government Association.
- 1.4. The JNC model procedure should apply unless alternative arrangements have been agreed locally. Therefore, the council does have some discretion in how far to follow the JNC advice. Should the council continue with the current arrangements by continuing to include members on the Statutory Officers Panel, note that this would be considered as 'alternative local arrangements' which do not follow the model procedure.

2. The Council's Existing Disciplinary Dismissal Process

- 2.1. The council's existing disciplinary dismissal process for Chief Officers is designed in accordance with the steps outlined in the previous version of the JNC's model procedure.
- 2.2. In the event of any proposed disciplinary dismissal of the council's Chief Executive, Monitoring Officer or Chief Finance, the Staffing Committee would sit as a disciplinary panel. If the Staffing Committee recommend the dismissal, they would do so via the Statutory Officer Panel (currently three members and two independent persons), to the County Council.
- 2.3. Any decision to dismiss can only be made by the full County Council, although any advice, views or recommendations of the independent panel must be taken into account before taking any such decision.

3. The Proposed Approach

- 3.1. Should the council decide to follow the advice of the JNC and the model procedure, the steps in the process will remain the same – the Staffing Committee would continue to make a recommendation to the County Council via the Statutory Officer

Statutory Officer Panel Terms of Reference

Panel. The only difference is that there would be no members sitting on the panel and the terms of reference for the panel will need to be updated to reflect this. Members would continue to be involved at Staffing Committee and then at full Council.

Sheralyn Huntingford
Head of Human Resources and Organisational Development

November 2016

Joint Negotiating Committee for Chief Executives of Local Authorities

**To: Chief Executives in England (copies for the Finance Director and HR Director)
(Wales and N Ireland for information only)
Regional Directors
Members of the Joint Negotiating Committee**

5 May 2016

Dear Chief Executive,

CHIEF EXECUTIVES' HANDBOOK

You will be aware that The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 replaced the statutory Designated Independent Person (DIP) provisions with an Independent Panel process.

The JNC has been working over recent months to update the Chief Executives' Handbook so that it reflects the new statutory process and we hope to issue the revised version in the coming weeks.

In the meantime, we wish to bring to your attention one key change that will be a feature of any joint agreement and therefore you should consider reflecting this in your Council's Standing Orders / Constitution (as appropriate). The Regulations provide that where there is a proposal to dismiss the Head of Paid Service, Monitoring Officer or Finance Officer the authority must appoint a Panel, and take into account any advice, views or recommendations of that Panel. The Panel should be a committee of the Council, appointed under section 102(4) of the Local Government Act 1972 and should contain at least two independent persons appointed under s.28(7) of the Localism Act 2011.

There has been some uncertainty as to whether this requirement incorporated the need to maintain political balance in this committee, ie. that the requisite number of councillors should also be appointed. Having consulted DCLG the JNC has accepted that it is possible that the Panel can comprise only independent persons provided that is what the authority resolves and therefore in the national model process the Independent Panel shall comprise only independent persons (at least two) appointed under S28(7) of the Localism Act 2011. In other words, no elected members should sit on the Panel.

Employers' Secretary: Sarah Messenger Local Government Association Local Government House Smith Square London SW1P 3HZ info@local.gov.uk	Officers' Secretary: Amar Dave Hon Secretary ALACE daveamar@aol.com
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If, following a disciplinary investigation, there is a recommendation to dismiss the Chief Executive, the reports of the Investigating & Disciplinary Committee and the Independent Investigator should then be sent to the Independent Panel for its consideration prior to advising the Council.

We are aware that many councils will shortly be convening an Annual General Meeting of the full Council so you may wish to use that opportunity to update the Council's Standing Orders / Constitution accordingly. However, should a disciplinary process be underway before then you should continue to use your current procedures.

Yours faithfully,

Sarah Messenger
Amar Dave

Joint Secretaries

Employers' Secretary: Sarah Messenger Local Government Association Local Government House Smith Square London SW1P 3HZ info@local.gov.uk	Officers' Secretary: Amar Dave Hon Secretary ALACE daveamar@aol.com
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Further guidance on process applying to both procedures is expressed in flow diagram format which is provided as **Appendices 5a, W5a, 5b and 5c.**

A. THE MODEL DISCIPLINARY PROCEDURE AND GUIDANCE – ENGLAND

1. *Issues requiring investigation – (procedure)*

Where an allegation is made relating to the conduct or capability of the chief executive or there is some other substantial issue that requires investigation, the matter will be considered by the Investigating & Disciplinary Committee (IDC).

This Committee will be a standing committee appointed by the council. Arrangements for flexibility are recommended in the event that a member of the standing committee has a conflict of interest.

Other structures are necessary to manage the whole process, including an Independent Panel should there be a proposal for the dismissal of the chief executive. This will be comprised of independent persons, appointed in accordance with ***The Local Authorities (Standing Orders) (England) Regulations 2001*** as amended.

1. *Issues requiring investigation – (guidance)*

1.1 *The Local Authorities (Standing Orders) (England) Regulations 2001 as amended*

1.1.1. The Local Authorities (Standing Orders) (England) Regulations 2001 (the Regulations) (as amended by the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015) provide that the dismissal of a chief executive in cases of disciplinary action (as defined in the Regulations) may only take place if the proposal to dismiss is approved by way of a vote at a meeting of the authority, after they have taken into account:

- any advice, views or recommendations of a panel (the Independent Panel)
- the conclusions of any investigation into the proposed dismissal and
- any representations from the protected officer concerned

1.1.2 **Disciplinary action:** in relation to a member of staff of a local authority is defined in the Regulations as “any action occasioned by alleged misconduct which, if proved, would, according to the usual practice of the authority, be recorded on the member of staff’s personal file, and includes any proposal for dismissal of a member of staff for any reason other than redundancy, permanent ill-health or infirmity of mind or body, but does not include failure to renew a contract of employment for a fixed term unless the authority has undertaken to renew such a contract”.

The definition of disciplinary action would therefore include other reasons for dismissal such as capability or some other substantial reason including a

breakdown in trust and confidence between the chief executive and the authority.

- 1.1.4 The attached **Appendix 5d** (potential reasons for termination table) sets out those circumstances that could potentially result in dismissal and whether or not they are covered by this procedure.

1.2 Structures to manage the procedure

- 1.2.1 A key feature of the model procedure is the specific roles envisaged by the Investigating and Disciplinary Committee (IDC), the Appeals Committee, the Independent Panel and the council. Authorities will need to consider a number of important issues around the composition of committees and the delegation of appropriate powers. In particular, it must be borne in mind that staffing issues are a non-executive function and so these bodies have to be put in place by the council not the Leader / Mayor or executive.
- 1.2.2 The IDC must be a politically balanced committee comprising, it is suggested, five members. Where authorities operate a leader / cabinet or mayor / cabinet executive structure, this must include at least one member of the executive. This Committee may need to be in a position to take decisions and appropriate actions as a matter of urgency. It may need to meet at very short notice to consider allegations and decide whether there is a case to answer and to consider whether suspension of the chief executive might be appropriate. It is also possible that in some circumstances members of the IDC may find themselves in a position where they have a conflict of interest. It is therefore recommended that authorities take this into account when constructing the committee and its powers, including the quorum and substitutes. The IDC also has an important role in considering the report of an Independent Investigator. The role of the IDC is explained further at appropriate stages in the guidance. (The Committee that performs this function may locally be known by a different name although its role and responsibilities will be that outlined throughout this document and referred to herein as the IDC. This Committee may also fulfil other functions).
- 1.2.3 The Appeals Committee must be a politically balanced committee of, it is suggested, five members who are not members of the IDC. Where authorities operate an executive structure this must include at least one member of the executive. The Appeals Committee will have a more limited role. Its purpose will be to hear appeals against action taken short of dismissal and to take a decision either to confirm the action or to impose no sanction or a lesser sanction.
- 1.2.4 The JNC has agreed that the Independent Panel should comprise of independent persons (at least two in number) who have been appointed by the council, or by another council, for the purposes of the council members' conduct regime under section 28(7) of the Localism Act 2011. Councils are required to issue invitations for membership of the Panel in accordance with the following priority order:

- (a) an independent person who has been appointed by the council and who is a local government elector in the authority's area
- (b) any other independent person who has been appointed by the council and
- (c) an independent person who has been appointed by another council or councils

1.2.5 Appropriate training should be provided for Independent Panel members.

1.2.6 It should be noted that any remuneration paid to members of an Independent Panel may not exceed that payable in respect of their role under the Localism Act.

1.2.7 A requirement for any disciplinary process is to carry out an investigation of the allegations to establish the facts of the case and to collate evidence for use in the disciplinary hearing. In the case of a chief executive, it will normally be necessary to engage an independent person for this purpose, and this person is referred to here as the Independent Investigator. Arrangements have been agreed to enable the speedy appointment of a competent and experienced person to perform this role, with the assistance of the Joint Secretaries.

1.3 Managing access to the procedure (See also Para 5 of this guidance) – considering the allegations or other issues under investigation

1.3.1 The procedure itself does not require that every single issue which implies some fault or potential error on the part of the chief executive be investigated using this process. It is for the authority to decide the issues that will engage the formal process.

1.3.2 Authorities will therefore need to consider what constitutes an 'allegation' made relating to the conduct or capability of the chief executive and what it considers are other substantial issues requiring investigation. Clearly the route for complaints against the council and the chief executive and for issues that might be substantial and require some form of investigation, and possibly formal resolution, is varied. Ideally, procedures need to be in place which can filter out and deal with 'allegations' against the chief executive which are clearly unfounded, or trivial or can best be dealt with under some other procedure.

1.3.3 For example, allegations and complaints that are directed at the chief executive, but are actually complaints about a particular service, should be dealt with through the council's general complaints procedure. If the matter is a grievance from a member of staff directed against the chief executive, it may be appropriate to first deal with it through the council's grievance procedure. Of course if the matter were a serious complaint against the chief executive's personal behaviour such as sexual or racial harassment, the matter would be one that would be suitable for an investigation under the disciplinary procedure.

- 1.3.4 An authority will need to put into place arrangements that can manage the process. In particular - that records are kept of allegations and investigations and that there is a clear route into the disciplinary procedure. It could be, for example, that in the case of allegations against the chief executive, the monitoring officer and the Chair of the IDC would oversee referrals to that Committee.
- 1.3.5 Where the issue to be investigated is related to the sickness absence or capability of the chief executive in terms of performance, there is likely to be a link with the authority's sickness procedure or appraisal / performance management procedure.
- 1.3.6 Where management action is required in respect of the normal sickness of the chief executive, the authority needs to be clear about who takes appropriate actions. Initially, it could be the Director of HR (according to local procedures) who will follow the authority's normal sickness absence procedures. Whoever is responsible will report to the IDC as appropriate to the matter being investigated – in particular where procedures have been followed to the point where dismissal appears to be a possibility (see flow diagrams **Appendices 5a, 5b & 5c** for reference).
- 1.3.6 Any shortcomings in a chief executive's performance can be better identified, and therefore remedied, at an early stage if there is an objective performance appraisal system in place as required by the JNC agreement (see **Appendix 2**).
- 1.3.7 For a chief executive the system is likely to be linked to objectives in the authority's community plan and the performance objectives should be specific, measurable, achievable, realistic and time-related. It may, but will not necessarily, be the system against which pay progression is measured (see flow diagram **Appendix 5c**).

2. Timescales – (procedure)

It is in the interests of all parties that proceedings be conducted expeditiously.

It is recognised that it would be inappropriate to impose timescales that could in practical terms be difficult to achieve.

2. Timescales – (guidance)

- 2.1 An important principle when taking disciplinary action is that the process should be conducted expeditiously but fairly. There is, therefore, a need to conduct investigations with appropriate thoroughness, to arrange hearings and allow for representation. It is not in the interests of the council, or the chief executive, that proceedings are allowed to drag on without making progress towards a conclusion.

2.2 Statutory and indicative timescales

2.2.1 The procedure does not set out explicit timescales except the specific requirement in the Local Authority (Standing Orders) (England) Regulations 2001 for the appointment of the Independent Panel at least 20 working days before the meeting of the council at which consideration as to whether to approve a proposal to dismiss is to be given. In this guidance we make reference to other statutory timescales and restrictions which are applicable to disciplinary procedures more generally, such as those contained in the Employment Relations Act 1999 (in connection with the right to be accompanied).

2.3 Avoiding delays in the procedure

One cause of delay in the procedure is the availability of the key people necessary to manage and control the process.

2.3.1 Availability of Independent Investigator

An Independent Investigator should only be formally appointed once the IDC has determined that there is a case that requires further investigation. However to minimise delays in any potential investigation, steps should be taken to identify a shortlist of three potential Independent Investigators from the list held by the JNC Joint Secretaries (see paras 6.3 and 6.4) concurrently with arrangements for the initial meeting of the IDC. This is not pre-judging whether an investigator will be needed, but a practical step to assist in minimising any delays.

2.3.2 Availability of the chief executive in case of sickness

- (a) It is possible that the sickness of the chief executive could impact on the ability to follow the disciplinary procedure. This may be because:
- the issue under investigation is the chief executive's sickness in itself (ie. a capability issue); or alternatively,
 - while during an investigation for another reason such as allegations about the chief executive's conduct, the chief executive commences sickness absence during the disciplinary process.
- (b) In principle, the sickness of the chief executive will invoke the local authority's normal sickness procedures. The nature of the investigation and facts surrounding the sickness will dictate the appropriate way of dealing with the issue.
- (c) If the investigation is about the long-term sickness or frequent ill-health problems experienced by the chief executive the authority should have already obtained appropriate medical information and advice by following its local processes. This would normally include referral to the authority's occupational health adviser who would examine the chief executive and / or seek further medical information from the chief executive's GP or any specialist dealing

with the case. However, the IDC or Independent Investigator may feel the need for further or more up-to-date advice and again they should use the authority's normal processes and procedures to obtain this. If the chief executive's absence or problems at work are as a result of a disability which places him / her at a substantial disadvantage compared to others without the disability, then the authority must consider and undertake reasonable adjustments in order to remove the disadvantage. The IDC must satisfy itself that this has been fully considered and that no further reasonable adjustments could be made which would remedy the situation.

- (d) Where the issue under investigation is not health-related and is, for example, the conduct of the chief executive and he / she then commences sickness absence then the approach will depend on the type and length of the illness and exactly when it occurs during the process.
- (e) A short period of illness should not normally create a major problem although the timing of the illness can create difficulties if it coincides with scheduled meetings for investigating or hearing aspects of the case. If this occurs then reasonable efforts should be made to rearrange the meeting. However, if the sickness becomes more persistent or is likely to become longer term then the authority will take steps to identify whether the chief executive, although possibly not fit to perform the full range of duties, is fit enough to take part in the investigation or disciplinary hearing.
- (f) If it appears that there will be a long period of ill health which will prevent the chief executive taking part in the process, the authority and possibly the Independent Investigator will have to make a judgement as to how long to wait before proceeding. In some cases it may be appropriate to wait a little longer where a prognosis indicates a likely return within a reasonable timescale.
- (g) However, where this is not the case, the authority will in most cases need to press ahead given the importance of resolving issues which can have a significant impact on both parties due to the nature and high profile of the role of chief executive. If this is the case the authority should ensure that the chief executive is given the opportunity to attend any meetings or hearings. However, the chief executive should be informed that if they cannot attend the meetings or hearings then they would proceed without them. If this is the case the chief executive may make written submissions to be considered and may also send their representative to speak on their behalf before a decision is taken.

2.3.3 Availability of representative

The availability of the chief executive's representative can also be a possible cause of delay. Reasonable account should be taken of the availability of all relevant parties when setting dates and times of meetings. Where it is simply not possible to agree dates to suit everybody the authority needs to be aware of the statutory right to be accompanied at disciplinary hearings and to take this into account when setting dates (see **Paragraph 4**).

2.3.4 Availability of witnesses

If the Independent Investigator or the IDC allows either party to call witnesses and the witnesses are unable to attend, their evidence should not be discounted and should still be considered. Alternatives may include written statements or minutes / records where individuals have been interviewed as part of the investigation. However, such evidence may not carry the same weight as evidence that can be subjected to cross-examination.

2.3.5 Availability of committee members

- (a) It is recommended that, in establishing the IDC and the Appeals Committee, authorities take availability issues into account and any operational quorum when considering the numbers of members to serve on these committees.
- (b) It should be particularly borne in mind that the IDC might need to be able to meet at short notice to consider serious allegations against the chief executive.

2.3.6 Availability of Independent Panel members

The Independent Panel must be appointed at least 20 days before the council meeting at which consideration whether or not to approve a proposal to dismiss is to be given. The appointment of Independent Panel members should, therefore, take into account their availability to undertake their role within that timescale.

3. *Suspension – (procedure)*

Suspension will not always be appropriate as there may be alternative ways of managing the investigation.

However, the IDC will need to consider whether it is appropriate to suspend the chief executive. This may be necessary if an allegation is such that if proven it would amount to gross misconduct. It may also be necessary in other cases if the continuing presence at work of the chief executive might compromise the investigation or impair the efficient exercise of the council's functions.

In any case, the chief executive shall be informed of the reason for the proposed suspension and have the right to present information before such a decision is taken.

An elected member should hold the delegated power to suspend the chief executive immediately in an emergency if an exceptional situation arises whereby allegations of misconduct by the chief executive are such that his / her remaining presence at work poses a serious risk to the health and safety of others or the resources, information or reputation of the authority. It is suggested that this power might be held by the Chair of the IDC or the Chair of the Urgency Committee.

The continuance of a suspension should be reviewed after it has been in place for two months.

3. *Suspension – (guidance)*

3.1 Although suspension in order to investigate an allegation or a serious issue is not disciplinary action in itself, it is a serious step in the process that should be managed well. Unlike with most other posts, the suspension of the chief executive may come immediately to the attention of the local and perhaps national media with potentially damaging consequences for the reputation of the chief executive and the authority.

3.2 Where a chief executive is suspended and facing allegations this is potentially stressful for the individual and disruptive to the council. It is therefore in the interests of all parties that such cases are dealt with as expeditiously as possible.

3.3 *Alternatives to suspension*

Suspension will not be appropriate in every case, as this will depend on the nature of the allegation or seriousness of the issue. Before suspending the chief executive, careful consideration should be given to whether it is necessary and whether there are any other suitable alternative ways of managing the situation, for example by agreeing particular working arrangements such as working from home for a period or working in some

other way that protects the chief executive and authority from further allegations of a similar nature.

3.4 Power to suspend

- (a) The chief executive is the head of paid service and normally bears the delegated responsibility for implementing council policy on staffing matters. However, when it is the chief executive who is the subject of an allegation or investigation, the authority will need to be clear about who has the power to suspend the chief executive and in what circumstances.
- (b) The point at which it may become clear that suspension is an appropriate action is likely to be at the stage where the IDC has conducted its initial assessment. The model procedure therefore envisages that the IDC should have the power to suspend the chief executive.

3.5 Short notice suspension

- (a) The procedure also recognises that in exceptional circumstances it may be necessary to suspend at very short notice and before the IDC can meet, e.g. because the remaining presence of the chief executive could be a serious danger to the health and safety of others, or a serious risk to the resources, information or reputation of the authority. An elected member should hold the delegated power to suspend in an emergency. It is suggested that this power might be held by the Chair of the IDC or the Chair of the Urgency Committee.

3.6 Suspension protocols

If suspension were deemed appropriate, the IDC (or in exceptional circumstances, the chair) would also be the appropriate body to agree or authorise any protocols which are necessary to manage the suspension and the investigation. For example, the chief executive might request access to workplace materials and even witnesses. Arrangements should be made to manage such requests and facilitate appropriate access. Another general principle would be that whilst suspended, the chief executive would remain available to participate in the investigation and to attend any necessary meetings. Therefore other important issues would include communication channels for day-to-day communication and any stipulations for reporting any scheduled or unscheduled absence from the area, e.g. pre-arranged holiday.

3.7 Review of suspension

Where the chief executive is suspended, the suspension should be reviewed after two months, and only continued following consultation with the Independent Investigator and after taking into account any representations made by the chief executive.

4. *Right to be accompanied – (procedure)*

Other than in circumstances where there is an urgent requirement to suspend the chief executive, he or she will be entitled to be accompanied at all stages.

4. *Right to be accompanied – (guidance)*

- 4.1 Although the statutory right to be accompanied applies only at a disciplinary hearing, the JNC procedure provides the opportunity for the chief executive to be accompanied at all stages by their trade union representative or some other person of their choice, at their own cost.
- 4.2 The procedure recognises that there may be, in exceptional circumstances, a need to suspend the chief executive at short notice, when it is not possible to arrange for their trade union representative to be present. These circumstances might include for example where there is a serious risk to the health and safety of others or serious risk to the resources, information, or reputation of the authority.
- 4.3 Although it would be beneficial to agree dates for the necessary meetings required, the procedure cannot be allowed to be delayed owing to the unavailability of a representative. The statutory right to be accompanied in a disciplinary hearing contained in s.10 of the Employment Relations Act 1999 applies only to hearings where disciplinary action might be taken or be confirmed, that is to say when a decision may be taken on the sanction, or a decision may be confirmed during an appeal. In this model procedure the statutory entitlement to be accompanied would arise:
- where the IDC considers the report of the Independent Investigator and provides the chief executive with the opportunity to state their case before making its decision.
 - during any appeal against the decision taken by the IDC.
 - at a council meeting considering a proposal for dismissal and also fulfilling the requirement relating to a right of appeal
- 4.4 At these important stages (IDC receiving the report of the Independent Investigator and any appeal against the decision taken by the IDC), if the chief executive's trade union representative is unavailable for the date set then the chief executive will have the right under the provisions of the Employment Relations Act 1999, to postpone the meeting for a period of up to one week.
- 4.5 If the representative is unable to attend within that period the authority will have the right to go ahead with the hearing without further delay, although reasonable consideration should be given to arranging an alternative date.

5. Considering the allegations or other issues under investigation – (procedure)

The IDC will, as soon as is practicable inform the chief executive in writing of the allegations or other issues under investigation and provide him / her with any evidence that the Committee is to consider, and of his / her right to present oral evidence.

The chief executive will be invited to put forward written representations and any evidence including written evidence from witnesses he / she wishes the Committee to consider. The Committee will also provide the opportunity for the chief executive to make oral representations. At this initial consideration of the need to investigate further, it is not anticipated that witnesses will be called. The discretion to call witnesses lies solely with the IDC.

The IDC will give careful consideration to the allegations or other issues, supporting evidence and the case put forward by the chief executive before taking further action.

The IDC shall decide whether:

- the issue requires no further formal action under this procedure or
- the issue should be referred to an Independent Investigator

The IDC shall inform the chief executive of its decision without delay.

5. Considering the allegations or other issues under investigation – (guidance)

- 5.1 The range of issues and to some extent the seriousness of the issues, which come before the IDC, will depend on the filter that the council adopts. Issues such as those relating to sickness absence and performance are likely to arise at the IDC having followed the authority's sickness absence or performance management / appraisal procedures (see **Paragraph 1.3**).
- 5.2 It is possible in some cases that with some minimal investigation the IDC can dismiss the allegation without even the need to meet with the chief executive. However, this procedure is aimed at dealing with situations where the matter is not so easily disposed of. It therefore provides a process whereby the chief executive is made aware of the allegations and provided with the opportunity to challenge the allegations or to make their response.
- 5.3 When an issue comes before the IDC it needs to make a judgement (see **paragraph 5.4.1**) as to whether the allegation can be dismissed or whether it requires more detailed investigation, in which case this will be undertaken by an Independent Investigator. If the IDC is of the opinion that the allegations do not warrant an investigation, this should be immediately notified to the chief executive without delay, and, if necessary, the complainant informed accordingly. If the IDC is of the opinion that the matter is not serious but there

is some minor fault or error, then it can issue an unrecorded oral warning in accordance with its standard procedures.

- 5.4 The appointment of an Independent Investigator is a serious step but does not mean that the chief executive is guilty of some misdemeanour. In some cases the eventual result of the investigation will be to absolve the chief executive of any fault or wrongdoing. The appointment of an Independent Investigator operates so that both the authority and the chief executive can see that matters are dealt with fairly and openly. However, the matter still needs to be handled carefully in public relations terms due to the potential damage to the reputation of the chief executive or the local authority.

5.4.1 Threshold test for the appointment of an Independent Investigator

Cases will vary in complexity but the threshold test for the IDC in deciding whether to appoint an Independent Investigator is to consider the allegation or matter and assess whether:

- if it were to be proved, it would be such as to lead to the dismissal or other action which would be recorded on the chief executive's personal file and
- there is evidence in support of the allegation sufficient to require further investigation

5.4.2 Conducting the initial IDC investigation

- (a) It is intended that this stage is conducted as expeditiously as possible with due regard to the facts of the case. At this stage it is not necessarily a fully detailed investigation of every aspect of the case as that will be the responsibility of the Independent Investigator (if appointed). In order to avoid delay the IDC will want to explore the availability of potential Independent Investigators on the list maintained by the JNC Joint Secretaries at an early stage (see paras 6.3 and 6.4). However, it is important that before any decision is taken to formally appoint an Independent Investigator, the chief executive is aware of the allegations that have been made against him / her (or the issue to be addressed) and given the opportunity to respond.
- (b) This will be achieved by:
- The IDC writing to the chief executive setting out the allegations / issues and providing any evidence to be considered
 - Providing the opportunity for the chief executive to respond to the allegations in writing and to provide personal evidence or witness statements. The calling of witnesses at this stage is at the discretion of the IDC
 - Providing the opportunity for the chief executive to appear before the IDC
- (c) Fair notice should be given to enable the chief executive adequate time to prepare a response to the allegations or issues under investigation. During the initial hearing by the Committee, the chief executive is entitled to attend and

can be accompanied by a representative (subject to **paragraph 2.3.3** and **paragraph 4**).

5.4.3 Treatment of witness evidence

In general, if the authority has witness evidence relating to an allegation this should be presented in written form to the chief executive, although in exceptional cases it might be appropriate to anonymise the evidence in order to protect the identity of a witness. However, it remains important that the detail of the allegation is put to the chief executive in order that he / she understands the case against him / her.

5.4.4 Conflicts of interest

- (a) The model procedure envisages, and it is strongly recommended that the authority take steps to establish, a standing IDC. **Paragraph 1.2** indicates the basic rules concerning its membership. However, because a standing committee will comprise named councillors, there may be occasions when this presents problems of conflict of interest, for example where a member of the committee is a witness to an alleged event, or is the person who makes the original complaint or allegation. Councillors in this position should take no part in the role of the Committee, although they will of course be able to give evidence, if required. The authority should attempt to construct its Committees, and establish quorums and substitution rules in order to minimise the likelihood of an individual conflict of interest delaying the procedure. Where a number of members find themselves in a prejudiced position, there may be no alternative but for the council to establish a new Committee to perform the function of the IDC.
- (b) Declarations of interest are matters for individual councillors who are required to follow their authority's code of conduct for elected members and can seek advice from their Monitoring Officer. Problems could follow for the speed at which the case is conducted if the chief executive considers there are valid grounds for making a formal complaint to the council about the involvement of a councillor in a case.

5.4.5 Maintaining the fairness and integrity of the procedure

Where there is a matter that requires investigation it is important that a fair and correct procedure is followed. Allegations against the chief executive or serious issues that require resolution should follow this procedure. It is important that councillors do not undermine the fairness of the procedure by for example putting motions to full council about the case as there is a serious risk that it could prejudice the disciplinary procedure. Additionally, such actions will not only create adverse publicity for the authority and the chief executive but may create conflicts of interest and could limit the role that those councillors can then take as the case progresses.

5.4.6 Other appropriate actions

- (a) It could be that when faced with an issue, whether it be an allegation of misconduct, or connected with the capability of the chief executive, or some other substantial issue, the IDC might be in a position to consider alternatives to immediately moving to the appointment of an Independent Investigator or alternatively to dismiss the allegation or issue.
- (b) Clearly this will depend on the facts of the matters being investigated. It could be that the authority has another more appropriate policy or procedure to follow. Alternatively, it could be that the issue is one which might benefit from some mediation or attempts to resolve the particular issue in dispute prior to moving formally to appointing an Independent Investigator.
- (c) It is possible at any stage to consider the mutual termination of the contract and sometimes this will be a suitable alternative for all concerned. This might particularly be the case where relationships are breaking down but there is no evidence of misconduct attached to the chief executive. The Joint Secretaries could be available to assist (see **Appendix 4**).
- (d) If any financial settlements are considered, it is important that such an arrangement:
 - Falls within the authority's discretions under The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, or
 - Is a payment in consideration of an agreement that compromises a genuine legal claim that the chief executive might have at a Court or Employment Tribunal

In both cases the settlement must also comply with any other restrictions on exit payments, such as the £95,000 cap on such payments, including the circumstances in which the council may exercise powers to waive the cap.

- (e) The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 are designed to enable a local authority to compensate employees whose employment terminates on grounds of redundancy or in the interests of the efficient exercise of the authority's functions. It is therefore possible that a payment will be legitimate in certain circumstances. However, where there is an obvious case requiring disciplinary action and the allegation is such that dismissal is a likely outcome, it is not likely that an external auditor will sanction a deal under the current regulations.
- (f) The authority must take appropriate legal advice when attempting to reach a financial settlement to ensure that any payment is justified and lawful. Relevant considerations will include the likelihood of the claim succeeding and the amount of compensation that could be awarded by a Court or an Employment Tribunal.

5.4.7 Power to agree financial settlements

When considering its delegation of power the authority must include consideration of which Committee or Officeholder has the authority to negotiate a settlement and also a process by which any settlement would be sanctioned including liaison with the external auditor.

5.4.8 Access to appropriate professional / independent advice

- (a) Conducting an investigation into allegations or serious issues involving the chief executive can be demanding on the individuals involved. The IDC (and the Appeal Committee and council) will have access to the local authority's officers, but given the closeness of relationships between the chief executive and the other senior officers this can be a difficult time for those required to advise the Committee, to conduct investigations internally, or to source advice from outside the authority.
- (b) The authority should provide that the IDC has powers to appoint external advisers as appropriate. Useful sources of general advice on the operation of the procedure and assistance with conducting investigations include the Local Government Association by contacting the Employers' Secretary or from the appropriate Regional Employers' Organisation or ALACE.

In addition to this general advice and assistance, given the potential complexity of the issue, authorities might also require access to their own legal advice.

5.4.9 Ill-health - medical advice

In cases of capability related to sickness or where during the course of any other investigation, the ill-health of the chief executive results in their unavailability it will be important that the IDC has access to appropriate medical advice from the council's Occupational Health provider (see **paragraph 2.3.2**).

5.4.10 Performance

- (a) Where the issue is one of capability in terms of performance or competence, other than ill-health, the council will need to be in a position to establish or demonstrate the nature of the concerns. Evidence will be necessary in order to justify a further investigation.
- (b) This might come from a variety of sources, e.g. performance appraisal records, inspection reports, etc. Where the council follows an established appraisal / performance management process, this can also provide an appropriate route to establishing issues suitable for referral to the IDC (see **Appendix 2**).
- (c) Where the issue is breakdown of trust and confidence, the council will need to be able to establish that the fault for the breakdown could reasonably be regarded as resting solely or substantially with the chief executive.

6. *Appointment of an Independent Investigator - (procedure)*

The IDC will be responsible for appointing an Independent Investigator, providing the necessary facilities, paying the remuneration and providing all available information about the allegations.

The Independent Investigator should be selected from the list maintained by the National Joint Secretaries.

6. *Appointment of an Independent Investigator - (guidance)*

- 6.1 Where a decision has been taken to appoint an Independent Investigator, it is important that the council moves quickly to take this forward. This is particularly important if the chief executive has been suspended. This can be assisted if the availability of potential Independent Investigators is explored at an early stage.
- 6.2 This will require that the council is clear as to who has the power to appoint the Independent Investigator and to agree the terms of remuneration and working methods. The model procedure envisages that this will be the responsibility of the IDC.
- 6.3 It is in the interests of the council and the chief executive that both sides should have confidence in the independence and relevant competence of the Independent Investigator, not least to avoid, or at least minimise, argument later in the process about the quality or credibility of the investigation. To this end, it has been agreed that the Joint Secretaries will maintain a list of potential Independent Investigators, who have been selected for their suitability and experience for this work. Independent Investigators on that list will be offered on a 'taxi-rank' basis subject to their availability within the desired timescales, and no material connections with the council or the chief executive nor any connection to the allegations.
- 6.4 The Council will approach the National Joint Secretaries and will be supplied with the top three names from the list (if in exceptional circumstances three names are not available, both local parties will agree to choose from a shorter list). If these are acceptable to the council, the chief executive will be invited to select one of the names. The only acceptable reason for not selecting from the names supplied being conflict of interest. If an appointment is not agreed by the chief executive within 14 days of the date of the names being supplied, the council will be at liberty to select an Investigator from the names supplied.
- 6.5 Terms of reference – allegations or issues to be investigated**
- (a) When appointing an Independent Investigator it is important that they are provided with terms of reference. The Investigator will need to be:
- aware of the precise allegation(s) or issue(s) to be investigated

- provided with access to sources of information and people identified as relevant to the case
 - aware of expectations regarding timescales and any known factors which could hinder their investigation, e.g. the availability of key people
- (b) The IDC will be responsible for providing this information. It will also be in a position to discuss timescales for the investigation.

6.6 Remuneration

Remuneration for the Independent Investigator will be set at the Local Government Association's normal consultancy rate for external consultancy work.

7. *The Independent investigation – (procedure)*

The **ACAS Code of Practice on Discipline and Grievance** requires there to be an investigation to establish the facts of the case before proceeding to the disciplinary hearing. The JNC believes that, for chief executives, this should be carried out by an Independent Investigator. He / she should determine the procedure for the investigation, either operating on the basis of an independent investigation using his / her powers to access information, or a formal hearing, at which the allegations and supporting evidence including evidence provided by witnesses are presented by the authority's representative and the chief executive or his / her representative is able to present his / her case. While the recommended procedure allows for either option, on balance the JNC's preference is for the 'investigation' model, but the decision on this remains with the Independent Investigator.

Once appointed it will be the responsibility of the Independent Investigator to investigate the issue / allegation and to prepare a report stating in his/her opinion whether (and, if so, the extent to which) the evidence he / she has obtained supports any allegation of misconduct or incapability or supports a need for action under this procedure for some other substantial reason; and recommending any disciplinary action (if any is appropriate) or range of actions which appear to him / her to be appropriate for the authority to take against the chief executive.

7. *The Independent investigation – (guidance)*

7.1 Resources

- 7.1.1 The amount of time required to be spent on the investigation will depend on the case. Due to the demands on their time, the Independent Investigator could decide to delegate some of the investigation work to an assistant. This should be agreed with the IDC and the chief executive should be informed. If the work is delegated to someone else outside of the authority this might also

require further discussion on any difference in the terms of remuneration for the assistant to the Independent Investigator

7.2 Working arrangements

7.2.1 Once appointed it will be the responsibility of the Independent Investigator to investigate the issue / allegation and to prepare a report:

- stating in his / her opinion whether (and, if so, the extent to which) the evidence he / she has obtained supports any allegation of misconduct or other issue under investigation; and
- to recommend any disciplinary action (if any is appropriate) or range of actions which appear to him / her to be appropriate for the authority to take against the chief executive.

7.2.2 The methodology adopted by the Investigator should be confirmed with the parties. However, the JNC believes that the Independent Investigator should operate on the basis either of a process of evidence gathering, hearing submissions etc or a formal hearing, at which both parties will have the usual opportunities to present evidence, cross-examine witnesses etc. Both parties can be represented by an individual of their choice (the chief executive's representation should be obtained at his / her own expense). While the recommended procedure allows for either option, on balance the JNC's preference is for the 'investigation' model, but the decision on this remains with the Independent Investigator.

7.3 Suspension

7.3.1 The Independent Investigator does not have the power to suspend the chief executive, but if the chief executive has been suspended for two months, the IDC is required to review the suspension (see **paragraph 3.2.5**).

7.4 Confidential contact at authority

7.4.1 Although the Independent Investigator has a degree of independence, it is advisable to agree some protocols for his / her investigation in order that disruption to the council's work is kept to a minimum at what can be a difficult time. The Independent Investigator will also require agreed contact and reporting arrangements with the parties. It is recommended therefore that the council designates an officer to administer the arrangements.

7.4.2 During the investigation the Independent Investigator will as a matter of principle, make every attempt to ensure the appropriate confidentiality of any information obtained and discussed.

8. Receipt and consideration of the Independent Investigator's report by the IDC – (procedure)

The IDC will consider the report of the Independent Investigator, and also give the chief executive the opportunity to state his / her case and, to question witnesses, where relevant, before making a decision.

Having considered any other associated factors the IDC may:

- Take no further action
- Recommend informal resolution or other appropriate procedures
- Refer back to the Independent Investigator for further investigation and report
- Take disciplinary action against the chief executive short of dismissal
- Propose dismissal of the chief executive to the Council

8. Receipt and consideration of Independent Investigator's report by the IDC - (guidance)

8.1 Report of the Independent Investigator

8.1.1 The report of the Independent Investigator is made to the IDC which will have delegated powers from the authority to receive the report and take a decision on the outcome. Unless the chief executive is exonerated by the report then at this stage the chief executive should be given the opportunity to state his/her case before the committee makes its decision.

8.1.2 This may be done in one of two ways, according to the process followed by the Independent Investigator:

- If the Independent Investigator has proceeded by way of an evidence-gathering process, the Committee should hold a hearing, giving both the Independent Investigator and the chief executive the right to call and question each other's witnesses
- If the Independent Investigator has held a full hearing, the Committee may choose to limit their meeting to a consideration of the Independent Investigator's report. However, the Committee will need to consider whether to call witnesses for clarification, bearing in mind the ACAS Code of Practice requirement that the employee should be given a reasonable opportunity to call relevant witnesses. The Independent Investigator and the chief executive should both attend the meeting and be given an opportunity to summarise their case.

Under both options the IDC hearing should be conducted in accordance with the ACAS Code of Practice.

8.2 New material evidence

8.2.1 Where there is, at this stage, new evidence produced which is material to the allegation / issue and may alter the outcome, the IDC may:

- take this into account in making their decision or
- request that the Independent Investigator undertake some further investigation and incorporate the impact of the new evidence into an amended report

8.3 Recommendations by the Independent Investigator – outcomes or options

8.3.1 The Independent Investigator is expected to recommend any disciplinary action that appears to be appropriate. At this stage clarity is to be welcomed and a clear reasoned recommendation should be given. However, it could be that there is not one obvious action and it may be that the Independent Investigator recommends a range of alternative actions.

8.3.2 Whilst the Independent Investigator's role is to make recommendations on disciplinary action, he / she may wish to comment on potential options for the way forward following the investigation process.

8.4 Decision by the IDC

8.4.1 The IDC should take its decision on the basis of the Independent Investigator's report, and its own findings. It is open to the Committee to impose a lesser or greater sanction than that recommended and it is obviously important for later stages of the procedure that the reasons for doing so are recorded.

9. *Action short of dismissal – (procedure)*

The IDC may agree to impose no sanction, or to take action short of dismissal, in which case the Committee will impose an appropriate penalty / take other appropriate action.

9. *Action short of dismissal – (guidance)*

9.1 Where the chief executive is found to have no case to answer, appropriate communication should be prepared with the chief executive to ensure as far as possible that there is no damage to the chief executive's reputation.

9.2 Where the decision taken by the IDC is action short of dismissal, the action will be taken by the Committee itself. There is no requirement to seek confirmation by the council (or in authorities operating Mayor and cabinet or leader and cabinet executives, checking to see whether there are any objections raised by members of the executive). The constitution of the IDC will need to include the delegated power to take disciplinary action in these circumstances.

- 9.3 The chief executive has a right of appeal against the decision (see **paragraph 11**).

10. Where dismissal is proposed – (procedure)
Proposal to dismiss on the grounds of misconduct and for other reasons such as capability or some other substantial reason

Executive constitutions only

In Mayor / cabinet and leader / cabinet **executive constitutions only**. The IDC will inform the Proper Officer that it is proposing to the council that the chief executive be dismissed and that the executive objections procedure should commence.

Executive objections procedure

The Proper Officer will notify all members of the executive of:

- The fact that the IDC is proposing to the council that it dismisses the chief executive
- Any other particulars relevant to the dismissal
- The period by which any objection to the dismissal is to be made by the leader / elected mayor on behalf of the executive, to the Proper Officer

At the end of this period the Proper Officer will inform the IDC either:

- that the leader / elected mayor has notified him / her that neither he / she nor any member of the executive has any objection to the dismissal
- that no objections have been received from the leader / elected mayor in the period or
- that an objection or objections have been received and provide details of the objections

The IDC will consider any objections and satisfy itself as to whether any of the objections are both material and well founded. If they are, then the Committee will act accordingly, i.e. it will consider the impact of the executive objections on its proposal for dismissal, commission further investigation by the Independent Investigator and report if required, etc.

Having satisfied itself that there are no material and well-founded objections to the proposal to dismiss, the IDC will inform the chief executive of the decision and put that proposal to the Independent Panel along with the Independent Investigator's report and any other necessary material.

Non-executive administration

In local authorities with no executive and therefore operating a committee system, the IDC will inform the chief executive of the decision and put that

proposal to the Independent Panel along with the Independent Investigator's report and any other necessary material. This is not a full re-hearing and will not involve the calling of witnesses

The role of the Independent Panel

Where the IDC is proposing dismissal, this proposal needs to go before the Independent Panel.

Both parties should be present or represented (the IDC might be represented by its Chair or other nominated person at the meeting). The Panel should receive any oral representations from the Chief Executive, in which case it should invite any response on behalf of the IDC to the points made, and may ask questions of either party. The Independent Panel should review the decision and prepare a report for Council. This report should contain a clear rationale if the Panel disagrees with the recommendation to dismiss.

The role of the Council

The council will consider the proposal that the chief executive should be dismissed, and must take into account:

- Any advice, views or recommendations of the Independent Panel
- The conclusions of the investigations into the proposed dismissal
- Any representations from the chief executive

The chief executive will have the opportunity to appear before the council and put his or her case to the council before a decision is taken.

Redundancy, Permanent Ill-Health and the expiry of Fixed Term Contracts

Proposed dismissals on the grounds of redundancy, permanent ill-health and the expiry of a fixed term contract where there has been no commitment to renew it, do not require the involvement of an Independent Investigator or Independent Panel.

However, the authority should follow appropriate and fair procedures in these cases and have mechanisms in place, including appropriate delegated authorities, to manage such eventualities. In addition, dismissals for all reasons including those set out in this paragraph must be approved by the Council itself.

10. Where the IDC proposes dismissal – (guidance)

- 10.1 Where the Committee proposes dismissal, the Regulations require that the council must approve the dismissal before notice of dismissal is issued. Additionally, in councils that operate with either a Mayor and cabinet executive or a leader and cabinet executive, notice of dismissal must not be issued until

an opportunity has been given to members of the executive to object to the dismissal.

10.2 Executive objections procedure

10.2.1 The executive objections procedure set out in the model procedure reflects the requirements of the Standing Orders Regulations (see Schedule 1, Part 1 (Mayor and cabinet executive), Paragraph 6 and Part 2 (leader and cabinet executive), Paragraph 6).

10.2.2 It is important that the authority identify The 'Proper Officer' to undertake the role specified in the Regulations, i.e. notifying members of the executive of the proposal to dismiss, providing relevant information and the timescale during which any material and well-founded objections should be made.

10.2.3 It will also be appropriate to explain that in order for an objection to be considered material and well-founded, the objection would need to be not only based on evidence (well-founded) but must also be relevant to the case (material).

10.2.4 Given the procedure followed it would be unusual for a member of the executive to be in a position to raise an objection that would be sufficient to change the outcome significantly. However, this may be the case.

10.2.5 It is for the IDC to decide whether any objections put forward by members of the executive are material and well-founded. If they are, then the Committee will need to consider the effect of the objection and act accordingly. For example, this may require further investigation.

10.3 The role of the Independent Panel

10.3.1 The Independent Panel must be appointed at least 20 days before the meeting of the council at which the recommendation for dismissal is to be considered.

10.3.2 It is likely that Independent Panel members will be unfamiliar with their role under the Regulations and with matters relating to the working environment of chief executives. Accordingly, it is important for Panel members to be offered appropriate training for the role the Panel is to fulfil.

10.3.3 The role of the Panel is to offer any advice, views or recommendations it may have to the council on the proposal for dismissal. The Panel will receive the IDC proposal and the reasons in support of the proposal, the report of the Independent Investigator and any oral and / or written representations from the chief executive. The Independent Investigator may be invited to attend to provide clarification if required. The Panel will be at liberty to ask questions of either party.

10.3.4 The Panel should then formulate any advice, views or recommendations it wishes to present to the council. If the Panel is recommending any course of

action other than that the council should approve the dismissal, then it should give clear reasons for its point of view.

10.4 The role of the Council

10.4.1 The Regulations require that in all constitutions, where there is a proposal to dismiss the chief executive, the council must approve the dismissal before notice of dismissal is issued. The council must therefore consider the proposal and reach a decision before the chief executive can be dismissed.

10.4.2 Given the thoroughness and independence of the previous stages, in particular, the investigation of the Independent Investigator (where applicable), it will not be appropriate to undertake a full re-hearing of the case. Instead, consideration by the council will take the form of a review of the case and the proposal to dismiss, and any advice, views or recommendations of the Independent Panel.

10.4.3 The chief executive will have the opportunity to attend and be accompanied by their representative and to put forward his / her case before a decision is reached.

10.4.4 The Council is at liberty to reject the proposal to dismiss. It can then decide on the appropriate course of action which could include substituting a lesser sanction or, in a case of misconduct or other reasons such as capability or some other substantial reason, referring it back to the IDC to determine that sanction.

11. Appeals – (procedure)

Appeals against dismissal

Where the IDC has made a proposal to dismiss; the hearing by the council will also fulfil the appeal function.

Appeals against action short of dismissal

If the IDC takes action short of dismissal, the chief executive may appeal to the Appeals Committee. The Appeals Committee will consider the report of the Independent Investigator and any other relevant information considered by the IDC, e.g. new information, executive objections (if relevant), outcome of any further investigation, etc. The chief executive will have the opportunity to appear at the meeting and state his / her case.

The Appeals Committee will give careful consideration to these matters and conduct any further investigation it considers necessary to reach a decision.

The decision of the Appeals Committee will be final.

11. Appeals – (guidance)

11.1 Appeals against dismissal

11.1.1 Discipline and Grievance – ACAS Code of Practice requires that an employee who has been dismissed is provided the opportunity to appeal against the decision.

11.1.2 As the Standing Orders Regulations require that the council approves the dismissal before notice of dismissal is issued, there might be some concerns about the ability to offer a fair appeal if the whole council was already familiar with the issues and had already taken the decision to dismiss. The model procedure therefore envisages that the council meeting fulfils the requirement for an appeal. Before the council takes a decision on the recommendation to dismiss the chief executive it will take representations from the chief executive. Those representations will constitute the appeals process.

11.2 Appeals against action short of dismissal

11.2.1 Appeals against actions short of dismissal will be heard by the Appeals Committee. The appeal hearing will take the form of a review of the case and the decision that was taken by the IDC.

11.2.2 This process should follow the procedure that the local authority applies generally to its other employees.

Audit and Governance Committee

Dorset County Council



Date of Meeting	20 January 2017
Officer	Monitoring Officer
Subject of Report	Constitutional Changes
Executive Summary	<p>The Constitution is a living document and is updated from time to time. The Audit and Governance Committee has a specific role in commenting upon proposed changes to the Constitution prior to consideration by the full Council.</p> <p>This report proposes changes which have arisen for consideration by the County Council at its meeting on 16 February 2017.</p>
Impact Assessment:	<p><u>Equalities Impact Assessment:</u> Not applicable</p>
	<p><u>Use of Evidence:</u> Evidence is detailed throughout each section of the report to describe the reasons for suggested changes to the Constitution.</p>
	<p><u>Budget:</u> There are no consequential budget implications as a result of this report.</p>
	<p><u>Risk Assessment:</u> Having considered the risks associated with this decision, the level of risk has been identified as: Current Risk: LOW Residual Risk LOW</p>
	<p><u>Other Implications:</u> Not applicable</p>
Recommendation	That the Audit and Governance Committee recommend to the County Council that constitutional changes in relation to the arrangements for County Council meetings be approved.

Constitutional Changes

Reason for Recommendation	To contribute to the corporate aim to 'provide innovative and value for money services'.
Appendices	None
Background Papers	None
Officer Contact	Name: Lee Gallagher, Democratic Services Manager Tel: 01305 224191 Email: l.d.gallagher@dorsetcc.gov.uk

- 1.1 The Constitution is a living document and is updated from time to time. The Audit and Governance Committee has a specific role in commenting upon proposed changes to the Constitution prior to consideration by the full Council.
- 1.2 This report proposes three changes which have arisen and will need to be considered by the County Council at its meeting on 21 July 2016. These are set out below:

Arrangements for County Council Meetings

- 2.1 County Council meetings operate in accordance with [Article 4 of the Constitution](#), which sets out the Policy Framework, Budget, Functions of the full Council, Council Meetings and Responsibilities for Functions.
- 2.2 In November 2013, the Council considered changes to County Council meetings following a Local Government Association Peer Review in July 2013 which reviewed a range of functions across the authority to help look at ourselves critically and learn how we can change into a radical and reforming council in line with the objectives of the Leader of the Council.
- 2.3 The action plan to implement recommendations highlighted in relation to member functions of the authority, including the arrangements for meetings of the full Council. These were:
- Development of a more business-like approach to meetings of the County Council.
 - Addition of a Leader of the Council item on all Council agendas to allow the Leader to address priority issues facing the Council which may not otherwise be included on the agenda.
 - Increased ability for public participation.
 - Committees to continue to report recommendations to the Council and minutes of the Cabinet and Overview and Scrutiny Committees to continue to be reported.
 - Question time for members of the Council would allow members to ask about Committee related issues arising from meetings not included on the agenda.

Constitutional Changes

2.4 The County Council has a good record of making changes to improve the way it operates. Following the changes above, the following model of operation was enhanced in:

- April 2015 with changes to the procedure for Notices of Motion.
- July 2015 and July 2016 with changes to the Petition Scheme.
- April 2016 with the introduction of new Overview and Scrutiny arrangements.

2.5 It is important that the Council should not lose momentum in taking forward improvements to the way in which it operates. As such there are a number of proposals below which aim to develop a more business-like approach identified in the Peer Review Action Plan and encourage debate on significant matters that the Council wish to consider. These are:

- Reporting of deaths of former members: to be mentioned as part of the Chairman's Announcements only and not to hold tributes to former members unless they were serving on the Council when they died. It is suggested that when deaths of historic members are reported to Democratic Services that an email notification is circulated to all members asking for any written tributes and these be sent on to the family and recorded in the County Council papers. This could enhance the current provision and save time at meetings.
- Notices of Motion be expanded to enable debate at Council meetings, with an adjustment to the deadlines to enable officers to prepare background briefing papers to be used as context at the meetings. This would enable significant strategic issues to be raised using this route, but consideration would need to be given to a criteria which identified and prioritised significant matters of debate. This would enable a more member led approach to debates at Council.
- Committees to continue to report recommendations to the Council and minutes of the Cabinet to continue to be reported, but not minutes of Overview and Scrutiny Committees. Links could be provided to the minutes for information only, and not for debate or questions. Alternatively, minutes to be provided to members in a different way, i.e. ensure subscriptions are managed through Mod.gov to share minutes as they are published with all members.
- Minutes of outside organisations of which the County Council have representation are largely not reported to the Council except for Dorset and Wiltshire Fire and Rescue Authority. Consideration could be given to removing these minutes from the Council agenda and providing more information to members outside of the Council meeting, or alternatively expanding this section of the agenda to provide a 'Partnership Brief' from the Fire Authority and other Partners e.g. Police and Crime Commissioner, CCG, NHS, etc on a rotational basis.
- The lunches for Council meetings are currently provided by Oh Crumbs at a cost of £4.50 per head for the buffet. Oh Crumbs is subsidised by the Council and is run by people with learning disabilities so there is a social value associated with continuing to use them. However, consideration could be given to an alternative provider. Chartwells, as the school meals provider, could provide a hot meal for £2 per head or buffet for £4 per head. Consideration could also be given to potentially reducing the number of times lunch is provided throughout the year.

2.6 Other potential developments to be investigated and costed for future consideration are:

Constitutional Changes

- Technology enhancements to enable proposals to be projected and amended live.
- Webcasting of meetings to be able to share meetings with a wider audience.
- Routine electronic voting, including recorded votes.
- Public consultation on items to be discussed at Council meetings, or to use Ask Dorset as a basis for debating the priorities identified.

2.7 Group Leaders and the Chairman of the Council considered the suggested changes above at their meeting on 3 November 2016, and made the following comments:

- Notices of Motion – Members discussed in detail the application of the current model for receiving motions at council, and the potential for the debate on motions at meetings instead of automatic referral to committees. The Leaders of the Liberal Democrat and Labour Groups expressed support for the current arrangements. However, recognition was given to the potential for flexibility to be included in the arrangements to be able to debate matters of strategic importance (to be determined by the Chairman and the Chief Executive).
- Minutes of Overview and Scrutiny Committees – It was acknowledged that recommendations from committees would continue to be made to Council, and members discussed the possible withdrawal of overview and scrutiny committee minutes from agendas. The Leader of the Liberal Democrat Group objected strongly to the removal of minutes from agendas as it was a really important democratic and political opportunity to review what had been happening and to raise comments in a public meeting.
- Partnership Updates – Members generally supported the exploration of brief partnership updates at Council meetings.
- Lunches after Council Meetings – All members supported the retention of 'Oh Crumbs' as the provider of buffet lunches following Council meetings.

2.8 In addition to the points raised above it was noted that:

- The ordering of items on the agenda could be made more flexible to ensure that opportunity to consider strategic and important items earlier on the agenda.
- Webcasting of meetings would be investigated as part of the aspirational redevelopment of committee rooms in due course, together with voting and audio solutions.
- Review the quality of projection equipment to be used for public meetings.
- Explore suggestions for alternative participation in meetings such as live texting.

2.9 The Audit and Governance Committee is asked to consider the proposed changes in the report, comments of the Group Leaders and Chairman of the Council, and to recommend changes through the constitutional review process (where applicable) for decision by the County Council in February 2017.

Jonathan Mair
Monitoring Officer
January 2017

Audit and Governance Committee Work Programme

Forward Plan

Chairman: Cllr Trevor Jones
Vice Chairman: Cllr Kate Wheller

Agreed Items (yet to be scoped and/or scheduled)

All items that have been agreed for coverage by the Committee have been scheduled in the Forward Plan accordingly.

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
13 March 2017 (10.00am)	1	<u>Budget Monitoring Quarterly Report</u>	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	Jim McManus Chief Accountant
	2	<u>Internal Audit Plan 2017/18</u>	To consider the Internal Audit Plan for 2017/18.	Rupert Bamberger Assistant Director South West Audit Partnership (SWAP)
	3	<u>Performance Monitoring Report</u>	To consider and comment upon the performance monitoring report for the quarter and agree any future actions with regard to the performance issues raised.	John Alexander Policy and Performance Manager
	4	<u>Annual Audit Letter</u>	This report summarises the key findings from the audit of Dorset County Council	John Oldroyd Senior Manager, Audit KPMG
	5	<u>External Audit Plan 2017/18</u>	To consider the External Audit Plan for 2017/18.	John Oldroyd Senior Manager, Audit KPMG
	6	<u>Draft Annual Governance Statement and 2016/17 Local Code of Corporate Governance</u>	To consider the Annual Governance Statement which sets out key features of the governance framework in place in the Authority and provides a review of its effectiveness.	Mark Taylor Group Manager (Governance and Assurance)
	7	<u>External Funding Monitoring Report</u>	An annual report that provides measures of bidding performance and highlights areas of interest in relation to external funding.	Laura Cornette Corporate Policy and Performance Officer
	8	<u>Constitutional Changes</u> (if required)	To consider any changes to the Constitution which have arisen that will need to be considered by the County Council.	Lee Gallagher Democratic Services Manager

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
24 July 2017 (10.00am) <i>Please note this is a revised date.</i>	1	<u>Annual Internal Audit Report 2016/17</u>	To receive the annual report of internal audit activity and to provide an independent opinion on the Council's governance, risk and control framework for 2016/17.	Rupert Bamberger Assistant Director South West Audit Partnership (SWAP)
	2	<u>Statement of Accounts</u> (including 2016/17 Budget Outturn and Financial Management Report)	To consider the Statement of Accounts for 2016/17 that has been reviewed by the Authority's external auditor, KPMG	Jim McManus Chief Accountant
	3	<u>Annual Governance Statement 2016/17</u>	To consider the Annual Governance Statement which sets out key features of the governance framework in place in the Authority and provides a review of its effectiveness.	Mark Taylor Group Manager (Governance and Assurance)
	4	<u>Debt Recovery Performance 2016/17</u>	To review the debt recovery performance of the County Council, and review the status of the authorities debt collection systems and procedures.	Sarah Baker Group Finance Manager
	5	<u>Performance Monitoring Report</u>	To consider and comment upon the performance monitoring report for the quarter and agree any future actions with regard to the performance issues raised.	John Alexander Policy and Performance Manager
	6	<u>Constitutional Changes</u> (if required)	To consider any changes to the Constitution which have arisen that will need to be considered by the County Council.	Lee Gallagher Democratic Services Manager
20 September 2017 (10.00am)	1	<u>Budget Monitoring Quarterly Report</u>	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	Jim McManus Chief Accountant

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
	2	<u>Treasury Management and Prudential Code Review</u>	To consider an update on the economic background and performance against the annual investment strategy and compliance with the Prudential Code.	David Wilkes Finance Manager (Treasury and Investments)
	3	<u>Performance Monitoring Report</u>	To consider and comment upon the performance monitoring report for the quarter and agree any future actions with regard to the performance issues raised.	John Alexander Policy and Performance Manager
	4	<u>External Audit Report 2016/17</u> (ISA 260 Report)	To consider the External Auditor's report to "Those charged with Governance".	John Oldroyd Senior Manager, Audit KPMG
	5	<u>Corporate Compliments and Complaints Annual Report</u>	To consider the Corporate Compliments and Complaints Annual Report 1 April 2016 to 31 March 2017.	Julie Taylor Senior Assurance Manager (Complaints)
	6	<u>Internal Audit Quarterly Report</u>	To receive a report on SWAP's independent work and assess the Council's risk, governance and control framework.	Rupert Bamberger Assistant Director South West Audit Partnership (SWAP)
	7	<u>Constitutional Changes</u> (if required)	To consider any changes to the Constitution which have arisen that will need to be considered by the County Council.	Lee Gallagher Democratic Services Manager
January 2018 <i>(date to be advised)</i>	1	<u>Budget Monitoring Quarterly</u>	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	Jim McManus Chief Accountant
	2	<u>Internal Audit Quarterly Report</u>	To receive a report on SWAP's independent work and assess the Council's risk, governance and control	Rupert Bamberger Assistant Director South West Audit Partnership

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
			framework.	
	3	<u>Treasury Management Year to Date Update 2017/18</u>	To consider the update on treasury management.	Tom Wilkinson Group Finance Manager
	4	<u>Performance Monitoring Report</u>	To consider and comment upon the performance monitoring report for the quarter and agree any future actions with regard to the performance issues raised.	John Alexander Policy and Performance Manager
	5	<u>External Funding Monitoring Report</u>	An annual report that provides measures of bidding performance and highlights areas of interest in relation to external funding.	Laura Cornette Corporate Policy & Performance Officer
	6	<u>Constitutional Changes</u> (if required)	To consider any changes to the Constitution which have arisen that will need to be considered by the County Council.	Lee Gallagher Democratic Services Manager
Other draft items / issues identified for potential review				

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