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Agenda

Dorset County Council

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

David Harris (Chairman)	Clare Sutton (Vice-Chairman)	Richard Biggs
Cherry Brooks	Ray Bryan	Andrew Cattaway
Colin Jamieson	Steven Lugg	Andrew Parry
William Trite		

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 15 September 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:
Tuesday, 12 September 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 - 14

To confirm and sign the minutes of the meeting held on 24 July 2017.

4. **Public Participation**

(a) Public Speaking

(b) Petitions

5. **Progress on Matters Raised at Previous Meetings** 15 - 22

To consider a report outlining Cabinet decisions arising from recommendations of the Audit and Governance Committee or any outstanding actions identified at the last meeting.

6. **Report of Internal Audit Activity - Plan Progress 2017/18** 23 - 38

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

7. **Budget Monitoring Report** 39 - 52

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

8. **Treasury Management and Prudential Code Review 2016-17** 53 - 70

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

9. **Quarterly Asset Management Report** 71 - 100

To consider a joint report by the Chief Financial Officer and Corporate Director for Environment and Economy (attached).

10. **SEN Transport** 101 - 108

To consider a joint report by the Head of Design and Development and the Service Director – Economy (attached).

11. **Work Programme** 109 - 112

To consider the Committee's current work programme.

12. **Questions from County Councillors**

To answer any questions received in writing by the Chief Executive by not later than 10.00am on 15 September 2017.

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Dorset County Council

Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ on Monday, 24 July 2017

Present:
David Harris (Chairman)
Richard Biggs, Cherry Brooks, Ray Bryan, Andrew Parry and William Trite.

Other Members Attending: Daryl Turner attended as the Cabinet Member for the Natural and Built Environment.

Officers Attending: Sarah Baker (Group Finance Manager), Rupert Bamberger (Assistant Director - SWAP), Antony Bygrave (Assistant Complaints Manager), Laura Cornette (Corporate Policy & Performance Officer), Darren Gilbert (Director, KPMG), Richard Ironside (Senior Finance Manager), Andrew Martin (Service Director - Highways and Emergency Planning), Jim McManus (Chief Accountant), Patrick Myers (Assistant Director - Design and Development), Alex Nash (Audit Assistant, KPMG), Alan Rose (Race Director, Ironman UK), Julie Taylor (Senior Assurance Manager - Complaints), Mark Taylor (Group Manager - Governance and Assurance), David Wilson (Data Protection Officer) and Denise Hunt (Senior Democratic Services Officer).

(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 **Wednesday, 20 September 2017**.)

Apologies for Absence

33 An apology for absence was received from Clare Sutton.

The Chairman wished to express his disappointment at the lack of attendance at the first meeting of the Committee following the recent elections.

Code of Conduct

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

Minutes

35 The minutes of the meeting held on 13 March 2017 were confirmed and signed.

Arising from the minutes the following was discussed:-

Minute 25 – Update on the Property Rationalisation Programme
It was highlighted that adherence to the Local Member Protocol was important and that a list of property disposals should be circulated to all members so that they were aware of activity within their wards.

Public Participation

36 There were no public questions received at the meeting in accordance with Standing Order 21(1).

There were no public statement received at the meeting in accordance with Standing Order 21(2).

Petitions
There were no petitions received in accordance with the County Council`s petition

scheme at the meeting.

Terms of Reference

37 The Committee noted its terms of reference.

Progress on Matters Raised at Previous Meetings

38 The Committee considered a report containing an outstanding action in relation to Data Protection.

The Data Protection Officer confirmed that Councillors would need to apply to join the Data Protection Register and pay £35 a year. Information was included in the Members' handbook and would be circulated again to all members. The Information Commissioner's Office had provided a paper copy of the online form and confirmation was awaited that this could be used.

It was confirmed that it would not be necessary to register more than once, although members should update their details online to specify county /district/borough council membership.

The Chairman asked the Data Protection Officer to inform those Members who were already registered as district / borough councillors and advise them of the requirement to add their county council membership online.

Internal Audit Annual Report - 2016/17

39 The Committee considered the annual report by the South West Audit Partnership (SWAP) which summarised the work of the Internal Audit Service during 2016/17 and which had provided a reasonable assurance.

Referring to the summary of reviews during 2016/17 where the residual risk remained high in 4 areas, the Assistant Director confirmed that he was satisfied that the recommendations had been implemented in respect of the ethical governance and children in care audits. The actions arising from the safer recruitment and use of external advisors audits were not yet fully addressed and would therefore be subject to follow up.

Members enquired about the proposal to reduce the number of internal audit days from 2018/19 and asked how this would affect the quantity or quality of work. In response, the Assistant Director explained that although a reduction in audit days would result in reduced audit coverage, he was confident that this would not impact on the quality of the audits or SWAP's ability to meet the statutory requirement to provide an annual audit opinion.

In light of the critical commentary contained in the report concerning the risk accepted by management in relation to DBS checks, members questioned whether this was an issue relating to the policy or its implementation and asked whether the portfolio holder had accepted this risk. The Assistant Director responded that this related to the policy of using the manager self-serve system to undertake DBS checks. Management had confirmed that other mitigating controls were in place and therefore assessed the risk as acceptable, however SWAP felt it important to highlight this area. Following the recent changes to cabinet portfolio responsibilities SWAP undertook to provide an update on this issue.

The Chairman referred to the higher number of level 3 and level 4 recommendations in the finance audits and asked whether there were underlying contributory factors. It was explained that due to pressures on the 2016/17 budget the Chief Accountant had asked SWAP to undertake the audits and those areas that were given a partial assurance would be subject to follow-up reports received by the Committee in future.

Members asked about the audit in relation to the IR35 / Intermediaries Legislation and were informed that the new legislation related to employees who made their own PAYE deductions. A review had been undertaken in advance of the new Legislation coming into force when the employees had been identified and re-employed in a different way. It was confirmed that no employee remained on the payroll who did not comply IR35 regulations since 6 April 2017.

The Chairman suggested that elements of the review of Forward Together audit might be considered in more depth by the Committee in future.

Resolved
That SWAP ensures that the Cabinet Portfolio Holder is updated on the current position on the audit of DBS checks.

External Audit Report 2016/17

40 The Committee considered a report by KPMG, the Council`s external auditors, which summarised the key findings of the 2016-17 external audit. The report was introduced by Darren Gilbert, Director and Alex Nash, Auditor.

The Director advised that this was the first set of local authority statements to be signed off this year, in anticipation of the faster closing of the accounts required by 31 July next year and it was pleasing that the Authority had already comfortably met this deadline.

He reported that the financial statements and value for money conclusion had been issued with an unqualified opinion following a very smooth audit overall. The audit certificate had been withheld in respect of the Pension Fund due to the time difference in the availability of the Pension Fund annual report

The Chairman referred to significant value for money risks in relation to Children Services and the Director explained that the auditors were satisfied that the Council had an understanding of the challenges and were dealing with the issues involved. As an area of public interest and high spend it was important to ensure there were robust arrangements in place to address the risks.

Members asked about the significant audit risk in relation to the fair valuation of property. As a subjective area, external auditors considered the qualifications and methodology used by the professional valuers. Depending on type of property there was a sense check that the valuation was as expected in addition to an assessment of how the valuation tools were being applied locally. The audit had found that there was a reasonable rationale for the individual assessments that were made.

Noted

Statement of Accounts and Outturn 2016/17

41 Following a presentation on the Financial Statements by the Chief Accountant, the Committee considered the report by the Chief Financial Officer containing the Statement of Accounts for 2016/17 prior to the formal sign off process.

Members asked about a short term loan of £35m in the context of the Council’s cap on borrowing and were advised that a short term loan had been secured at an interest rate of 0.6% that had been lent by other councils. It was confirmed that the Council had borrowed within the limits of the Prudential Code and that the cap related to any borrowing that would affect the revenue budget.

It was noted that a report on treasury management and the Prudential Code would be considered by the Committee on 20 September 2017 and members were encouraged to identify and develop some Key Lines of Enquiry (KLOEs) to inform this report, which would be useful.

Members asked about the increased costs of Adult Services due to off framework provision and were informed that evaluation of tenders for the Dorset Care Framework over the next 5 years was in progress and there was a need to both add and sustain people on this framework in future.

Resolved

1. That the Statement of Accounts for the year ended 31 March 2017 be approved and that the Accounts and associated paperwork be signed by the Chairman.
2. That members identify and confirm any Key Lines of Enquiry to inform the Treasury Management report to be considered on 20 September 2017.

Reason for Decision

Under the Accounts and Audit (England) Regulations 2015, the Statement of Accounts and Annual Governance Statement must be approved by the Council, or a Committee to which the Council has delegated authority by 30 September.

Budget Monitoring Report

42 The Committee considered a report by the Chief Financial Officer which reported the latest position on the budget overspend and set out the reasons for the divergence from the balanced budget set in February 2017.

Three key areas of variance were within Children Services and concerned Looked After Children (LAC), SEN transport and agency social workers and work was in progress on a number of actions to address these areas in order to arrive at a balanced budget in 2018/19.

The Chairman asked about the difference between the predicted overspend of £7,356m in Children Services and what had happened to cause the increase.

Members heard that an assumption had been made that the number of higher cost placements would reduce which had not materialised. In addition, there were issues around the Council`s ability to engage in-house foster carers and for those carers to be able to deal with complex cases. This had resulted in insufficient numbers of in-house foster carers and a much higher costs for external carers.

Members also felt there was a need to investigate the pay differential between that received by agency staff compared with what the Council paid the agency. They asked about the number of high cost packages and were informed that the 20 most expensive LAC cost the Council £5m. These cases had already been reviewed, however, any changes would require a longer term 6-12 month plan.

Resolved

1. That the Directors' early estimates included in the forecast of outturn and the operational reasons causing us to diverge from the balanced budget agreed by the Council in February be noted;
2. That the latest projections for savings from the Forward Together programme be noted;
3. That the strategies, policies and tactics indicated in this report alongside potential escalation options and timing currently in development to address the in-year overspend be noted;
4. That the risks and impact of the current forecast on the County Council's general fund and on the development of the MTFP are understood.
5. That the overspend in the Children Services budget is discussed at the next meeting of the Overview and Scrutiny Management Board in order to assess the best way through which the various Committees are able support the work required to reduce the overspend and improve understanding of the issues involved.

<u>Reason for Decisions</u>
It was important for Members to understand the causes underpinning the forecast overspend and consider the adequacy of the proposed responses and escalation. Delivery of Forward Together savings was critical to the financial position of the County Council, but there were pressures in the current year's forecast which meant additional measures on top of the original programme must be explored.

Dealing with the current year's forecast overspend was critical to the understanding of the base position and development of the budget strategy for 2018/19 and the MTFP for ensuing years.

Debt Recovery Performance for year 2016/17

43 The Committee considered a report by the Chief Financial Officer that included a revised Debt Management Policy.

The Chief Accountant introduced the report and requested that debt management was reported more frequently to the Committee in order to support the finance team in challenging certain areas.

It was suggested that best practice could be gained from the revenues and benefits partnerships and that regular information on debt management could be included in the budget monitoring reports in future.

<u>**Resolved**</u>
1. That the revised policy and the approach taken to its development be noted;
2. That the reduction in the total debt in 2016/17 and in the first quarter of 2017/18 be noted;
3. That the write-off made in 2016/17 and the reasons for this be noted;
4. That the changes to the bad debt provision calculations from 2017/18 be noted; and
5. That the policy on payment in advance, direct debit and electronic payment and communication (digital by default) be supported.

<u>Reason for Decisions</u>
Efficient debt recovery procedures ensured the County Council collected all money rightfully due to the organisation which in turn supported the funding of all the Authority's services.

Single Person's Council Tax Discount

44 The Chief Accountant provided a verbal update with regard to the validation of claims in respect of the Single Person`s Council Tax Discount. The Council had engaged Capita who had completed the data matching exercise and compared this with other published government data sets. The exercise would be concluded by 30 November 2017 in order to feed the results into next year's Council Tax base and would thereafter be completed every 2 years.

The Chairman reported that the first exercise had resulted in an additional £600k in Council Tax.

<u>**Noted**</u>

Update Report for Ironman Event 2017

45 The Committee considered a report by the Service Director for Highways and Emergency Planning that reported on progress against the implementation plan for the 2017 Ironman event.

The report was introduced by the Service Director who referred to the key actions contained in the implementation plan. He reported that the event in 2017 would be a half marathon consisting of a single rather than a double circuit, resulting in a reduced impact on the highways network.

The main issue identified in 2016 had been the poor standard of marshalling. In 2017 Ironman had engaged a different marshalling company and would also pay the cost of 44 DCC highways officers to assist marshals in key locations along the race route. These officers would also manage the traffic control centre and carry out social media updates which had been instrumental in the success of the recent Dorchester Marathon

Mr Alan Rose, Race Director, Ironman UK, updated the Committee on progress made in liaising with residents and businesses along the route. E-mails had also been sent to every parish in the County, with more detailed information to those that were directly affected by the race route. His offer to attend parish council meetings had so far been accepted by Piddle Valley Parish Council.

He confirmed that information on road closures would be sent to residents in the next 2 weeks. Mr Rose advised that it would not be possible to deal with every issue that arose and that people should be prepared to plan around the road closure times on the day.

Daryl Turner, as the Cabinet Member for Natural and Built Environment, felt reassured that everything had been covered and acknowledged the role of social media in the success of the Dorchester marathon.

The Chairman commented that in 2016 the roads were closed for much longer than needed in the Preston area of Weymouth preventing access to the highways network for many residents.

Mr Rose confirmed that this related to the road between the Bowleaze Cove and Chalbury Corner which would be subject to one lane traffic at key times, similar to the arrangement in place in 2016.

Resolved
That the progress made in ensuring all necessary arrangements have been made prior to the 2017 Weymouth Ironman event be noted.

Reason for Decision
To ensure a successful Ironman event was undertaken on Dorset's highway network that resulted in minimum inconvenience to the travelling public, contributed to the health of the participants and the prosperity of the local economy.

External Funding Monitoring Report 2017

46 The Committee considered a report by the Chief Executive that provided an overview of external funding bidding activity in 2016-17.

The Committee asked some questions in relation to bidding activity and it was suggested that directorate table headings were replaced with the corporate plan themes.

Noted

Children Services Budget

47 The Committee considered a report by the Director for Children, Adults and Communities concerning the Children Services Budget that had been requested by the Committee at its previous meeting.

The Assistant Director – Design and Development introduced the report which focussed on Looked After Children (LAC) as the largest area of overspend.

He explained that the overriding issue had been demand in the type of care rather than volume. He reported that the number of LAC had reduced to 461 following a peak of 509 in July 2016. This figure included 19 asylum seekers that came with government funding. The budget had been further affected by the increased costs of external fostering needed due to a lack of in house provision. It was confirmed that out of county provision described the independent nature of provision rather than geographical area and that the costs would be circulated following the meeting.

The Committee was provided with some statistical information and heard that 5% of LAC cost 39% of the budget and that 25.4% of children cost up to £25k per year. The costs increased for children who were disabled or had a continuing healthcare need. Officers were liaising with Loughborough University who had developed a cost calculator to predict future costs of care based on historical trends.

A member asked whether high cost solutions to LAC was commonplace and members were advised that some troubled young people required 2:1 care due to the risks involved and that there were single children costing £350k per year.

The Chairman asked about the steps being taken to prevent problems escalating in families and members were informed of some of the steps outlined in the report, such as increasing capacity for early help through the Family Partnership Zones.

It was suggested that the costs and issues relating to LAC could be the subject of an inquiry day and that this should be considered by the Overview and Scrutiny Management Board in the first instance.

Resolved

1. That the progress of the actions outlined in this paper monitored;
2. That the Audit and Governance Committee receives further reports on the work to address the other budget pressures as outlined in the executive summary;
3. That a report is prepared on SEN travel for consideration at the meeting on 20 September 2017; and
4. That the Assistant Director – Design and Development prepares a scoping document for an Inquiry Day to be considered by the Overview and Scrutiny Management Board at its meeting on 11 September 2017.
5. That the cost of out of county provision is circulated to members

Reason for Decision

The report provided details of the cost calculator (Loughborough University) which enabled some very exact cost information to be calculated. This would add another layer of reassurance about the impact of the work being undertaken.

Corporate Plan Refresh 2017-18 and Outcomes Focused Monitoring Report

48 The Committee considered a report by the Chief Executive that included a revised Corporate Plan and progress against the safe, healthy, independent and prosperous outcomes. These were areas that were looked at in detail by the Overview & Scrutiny Committees.

The way in which data was captured was questioned due to the opposing direction of travel in areas that were linked, such as the rate of children subject to a child protection plan and the number of domestic abuse crimes. Members also noted that the timescales relating to the Healthy outcomes were outdated, some of which related to 2015.

The Group Manager – Governance and Assurance advised that much of the headline data was at population level and therefore less frequently available. However, the Committee was assured that the lead officers for each indicator had been advised to ensure that the most up to date data was referenced. The Committee was also referred to the link to the more detailed analysis, which could be accessed on the Dorset Outcomes Tracker and that this could be presented on screen at a future meeting,

It was noted that the revised Corporate Plan had been approved by County Council on 20 July 2017.

Noted

Corporate Compliments and Complaints Annual Report 2016-17

49 The Committee considered the annual report and the Senior Assurance Manager explained that the focus was to learn from complaints and ensure that the learning was documented and communicated to staff so that it could be embedded into Council operations.

The decrease in the number of Adult Services complaints was questioned and it was confirmed that this was due to a separate complaints process now operated following the establishment of Tricuro. Members understood that responsibility for these rightly sat with Tricuro and they sought some reassurance that these complaints were being dealt with effectively. Officers would explore the revised arrangements in place to effectively scrutinise this area.

A member asked about potential underreporting of complaints made by children and the Senior Assurance Manager advised that she had previously worked closely with managers in the service to ensure children were supported in making complaints. She was currently reconnecting in this area of work in order to ensure young people had a voice.

The Chairman commented that the Committee would find it useful to understand the nature of complaints in order to identify areas that had impacted on the number of complaints. He suggested that information on complaints trends could be included in the regular progress report in future.

Resolved

1. That the publication of the annual report 2016-17 be approved; and
2. That the Committee area is aware of the statutory obligation to consider the Adult and Children's services appendices.

Reason for Recommendation

The effective management of complaints supported the County Council's aims, especially to protect and enrich the health and wellbeing of Dorset's most vulnerable children & adults.

Work Programme

50 The Committee noted its workplan and added the following additional items to be considered at the meeting on 20 September 2017:-

Developing plans and scoping work for an inquiry day – Children Services budget
Children Services budget - SEN travel

Resolved

That the Committee`s work programme be updated accordingly.

Questions from County Councillors

51 No questions were asked by members under Standing Order 20 (2).

Meeting Duration: 11.15 am - 3.50 pm

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Audit and Governance Committee

Dorset County Council

Date of Meeting	20 September 2017
Officers	Lead Cabinet Member Rebecca Knox – Leader Local Members All Members Lead Director 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 meeting held on 24 July 2017. (c) Updates in relation to items discussed at previous meetings.
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.
	Budget: No VAT or other cost implications have been identified arising directly from this programme.

	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
	Other Implications: None
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	Appendix 1 – Outstanding Actions Appendix 2 – Progress Updates
Background Papers	None
Report Originator and Contact	Name: Denise Hunt, Senior Democratic Services Officer Tel: (01305) 224878 Email: d.hunt@dorsetcc.gov.uk

Progress on Matters Raised at Previous Meetings

Appendix 1

Date of Meeting	Note Number and subject reference	Action Required	Responsible Officer	Completed (incl comments)
24 July 17	39 – Internal Audit Annual Report – 2016/17	The South West Audit Partnership to ensure that the Cabinet Portfolio Holder is updated on the current position in relation to the audit of DBS checks.	Rupert Bamberger	Completed – original Safer Recruitment - DBS checks report shared with Cabinet Member for Safeguarding, along with latest follow up report.
	42 – Budget Monitoring Report	The Children Services budget overspend is discussed at the next Overview and Scrutiny Management Board in order that committees can support the work required to reduce the overspend and improve understanding of the issues involved.	Democratic Services Officer	Update to be provided following the Overview & Scrutiny Management Board meeting.
	43 – Debt Recovery Performance for Year 2016/17	That regular information on debt management is included in the budget monitoring reports in future.	Jim McManus	Debt management information will be included in future budget monitoring reports, starting with the September committee report.
	47 – Children Services Budget	That a scoping document for an inquiry day to explore the costs and issues relating to Looked After Children is considered by the Overview and Scrutiny Management Board on 11 September 17.	Patrick Myers	The scoping document considered by the Overview & Scrutiny Management Board on 11.09.17 is attached at Appendix 3.
	49 – Corporate Compliments and Complaints Annual Report 2016-17	That consideration is given to the inclusion of information on complaints trends within the regular progress report in future.	Julie Taylor	Officers will be working to include complaints trends in future reports.

Appendix 2

Progress Update Reports (to be included as necessary)

Primary School Meals Contract

The update to the Committee follows the former Audit and Scrutiny Committee's "Call to Account" on Universal Free School Meals held on 16/10/14, the Committee's subsequent report to Cabinet dated 22/10/14 setting out its findings and conclusions and the Cabinet's action plan to address the matters dated 25/02/15.

Following consultation with schools and engagement with local suppliers a new multi supplier framework will be put in place to start on 01/08/18. The framework will be divided into nine geographical lots that will allow local suppliers to bid for specific areas which they are able to supply. The framework will be awarded during January 2018 and this will give schools plenty of time to carry out further competition for suppliers to be in place by the end of May ready for September 2018.

The current Primary School Meal Contract with Chartwells has been extended for two years – for schools who wished to extend (daily meal numbers on this contract will reduce from approx. 12,000 to 7,000).

Scrutiny Review - Planning & Scoping Document

What is the Purpose of the Review? • *Specify exactly which Outcome(s) the review is examining?* • *Also being clear what the review is not looking at?* • *What is the Scrutiny Review seeking to achieve?* • *Where possible refer to VFM issues of service cost, service performance and/or customer satisfaction.*	*The council acts as corporate parents to those children who are looked after (LAC) through a variety of arrangements. Specifically this review is looking at those children and young people who are in residential placements and in-house and independent foster placements. This statutory responsibility covers Children's protection from harm, their wellbeing and achievement* *The corporate plan states children and vulnerable adults are safe wherever they are and those who are the care of the county council are there for protection from harm from others and themselves, neglect or because of their disability. These are our most vulnerable children.* *The review will focus on outcomes for looked after children who have a foster or residential placement. It will also focus on the costs of care in order to scrutinise where budget pressures are that are affecting the councils financial position.*
What are the Criteria for Selection? • *Why has this particular topic been considered to be a priority issue for scrutiny?* • *Which of the principle criteria promoted by the Centre for Public Scrutiny does it satisfy?*	*This topic has been selected as it involves our most vulnerable children and young people which account for a considerable cost pressure in the children services budget. The review needs to understand the reasons why budget issues remain, even when overall the numbers of looked after children are falling. The review will also need to consider the impact of unaccompanied asylum seeking children on the overall resources available. Included in the review will be the cost over and above that of the placement such as social work time and additional services such as the virtual school.* *This topic is of strategic importance to the council both in financial and reputational terms. The work that we do with and for children and young people has a significant impact on their outcomes. As such it is a suitable topic for review. The other scrutiny committees will have an interest in this review and should be seen as participants in the review process.* *The review, when focused as acting as a critical friend on the work and processes around the issues that impact on the council's role as corporate parents will add value.*

What are the Indicators of Success? • *What factors / outcomes will demonstrate that this Scrutiny Review has been a success?*	*The process of the review will provide the committee with information about current pressures and practice in relation to LAC. As a council and like many in the country the issue of demand for statutory children services is rising as is the complexity of those children who come to our attention.* *We will look to bring an evidence summary of what good looks like in relation to LAC. This will allow elected members to measure how well we are performing against the new corporate parenting principles as ,laid out in recent legislation. These are:* • *To act in the best interests, promote the physical and mental health and well-being, of those children and young people* • *To encourage those children and young people to express their views, wishes and feelings* • *To take into account the views, wishes and feelings of those children and young people* • *To help those children and young people gain access to, and make the best use of, services provided by the local authority and its relevant partners* • *To promote high aspirations, and seek to secure the best outcomes, for those children and young people* • *For those children and young people to be safe, and for stability in their home lives, relationships and education or work* • *To prepare those children and young people for adulthood and independent* *Success factors will include the confidence that the review will have that the above principles are being met through our work with and for LAC. This process will also enable the committee to examine the reasons for and profile of our LAC population. The Association of Children services have undertaken research into the national picture of looked after children and the following is an expert from that report.* *'Neglect remains the biggest category of abuse (52.9%) of all children starting to be looked after. The recent large increase in the proportion of children starting to be looked after in the category Absent Parenting, to 12.6%, largely relates to the increase in numbers of unaccompanied asylum seeking children (UASC). This is also reflected in the changing age profile of children starting to be looked after, and whilst 28.8% of all children becoming looked after are 10-15 years old, the proportion is diminishing and there is an increase in the older age groups'.* *The support of the committee in providing feedback to the service areas involved- as to their present work to reduce the need for care and bring children and young people where appropriate out of care*

What Methodology / Approach is to be followed? • *What types of enquiry will be used to gather evidence?* • *Following a structured and proportionate review process, which is likely to involve the active consideration of evidence, direct representation(s), a review of financial, performance and risk data to arrive at an objective opinion against some Key Lines of Enquiry.*	*The proposed methodology would through an enquiry day.* *The day would include the current numbers, profile and cost of Dorset's LAC population. This will be compared to national and statistical neighbour reported numbers to enable some benchmarking to take place. This will include trends and baselines to identify the causes and forces that are at play.* *A presentation of what good looks like in terms of the evidence base will be undertaken and insight can be provided into how well Dorset meets these evidential criteria.* *In order to gather additional insight a journey of a life through the care system will be provided. This will include presentation by social workers with additional input into the services that wrap around LAC such as the virtual school and Child and Adolescent Mental Health.* *We would also like to provide real world experience by inviting a care leaver to describe their experience of care from their perspective.* *By triangulating a range of evidence, such as the above, the committee will be able to shape a range of challenge questions for the team supporting the enquiry day. This can test our arrangements both from comparison with other areas, what good looks like, the interventions that lead to care proceedings and the experience of a care leavers.* *Finally the day will provide an assessment of the way in which the elected members and staff are complying with the corporate parenting principles detailed above.*
What specific resources & budget requirements are there? • *What support is required for the review exercise?* – *specialist staff* – *any external support* – *site visits* – *consultation* – *research*	*Specialist internal and external staff will be required for this review, particularly for the insight aspect of a journey through care.* *We will require support to plan and implement the day some coming from Children Services and some from Democratic Services.* *We may have to offer expenses for care leavers to attend.*
Are any Corporate Risks associated with this Review? • *Identify any weaknesses and barriers to success*	*There are corporate risk associated with finance and reputation around our looked after children population. This work can only reinforce the importance that members place on our corporate parenting duties*

Who will receive the review conclusions and any resultant recommendations?	*All committees and cabinet. The information will be shared with staff and partners*
What is the Review Timescale? • *Identify key meeting dates and any deadlines for reports or decisions.*	*It is proposed that enquiry day is held in the autumn to allow for sufficient planning with a target of November.*
Who will lead the Review Exercise? • *Identify a nominated:* *- Elected Member* *- Lead Officer*	*Elected member to be identified.* *Lead Officers will be Vanessa Glenn and Patrick Myers*
Media Interest / Publicity • *Communications Plan* • *Do we need to publicise the review to encourage community involvement?* • *What sort of media coverage do we want? (e.g. Fliers, leaflets, radio broadcast, press release, etc.)*	*The review will of course be of interest to a wide audience particularly since recent reporting has highlighted some issues and risks associated with LAC.* *Elected Member to be identified and lead officer will be Vanessa Glenn.* *Michael Carhart-Harris communications contact.*
Completed by: Date:	*Patrick Myers- Assistant Director Children's Services.* *15th August 2017*
Approved by Scrutiny Committee Date:	

SWAP
SOUTH WEST AUDIT PARTNERSHIP
Delivering Audit Excellence

Dorset County Council

Report of Internal Audit Activity

Plan Progress 2017/18 – August 2017

Agenda Item 6

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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Summary

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

As part of our plan progress reports, we will provide an ongoing opinion to support the end of year annual opinion.

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.

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

Appendix A & B provide a summary of all 2017/18 internal audit work underway, including any areas of high risk identified by audit.

Appendix C provides a summary of Authority progress in mitigating areas of high risk previously identified by internal audit.

Internal Audit Work Programme

The schedule provided at Appendix A contains the status of all Quarter 1 and Quarter 2 audits as agreed in the 2017/18 Internal Audit Plan. 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.

To assist the Committee in its important monitoring and oversight role, findings that have been identified in our 2017/18 work which are considered to represent significant corporate risks to the Council, are separately summarised in Appendix B. These items will remain on our progress reports 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.

As above, in those cases where Significant Risks have previously been identified in service or cross-cutting Authority reviews, a summary of the key audit findings, agreed management actions, along with the current position of implementation, have been summarised in Appendix C.

Internal Audit Plan Progress 2016/2017

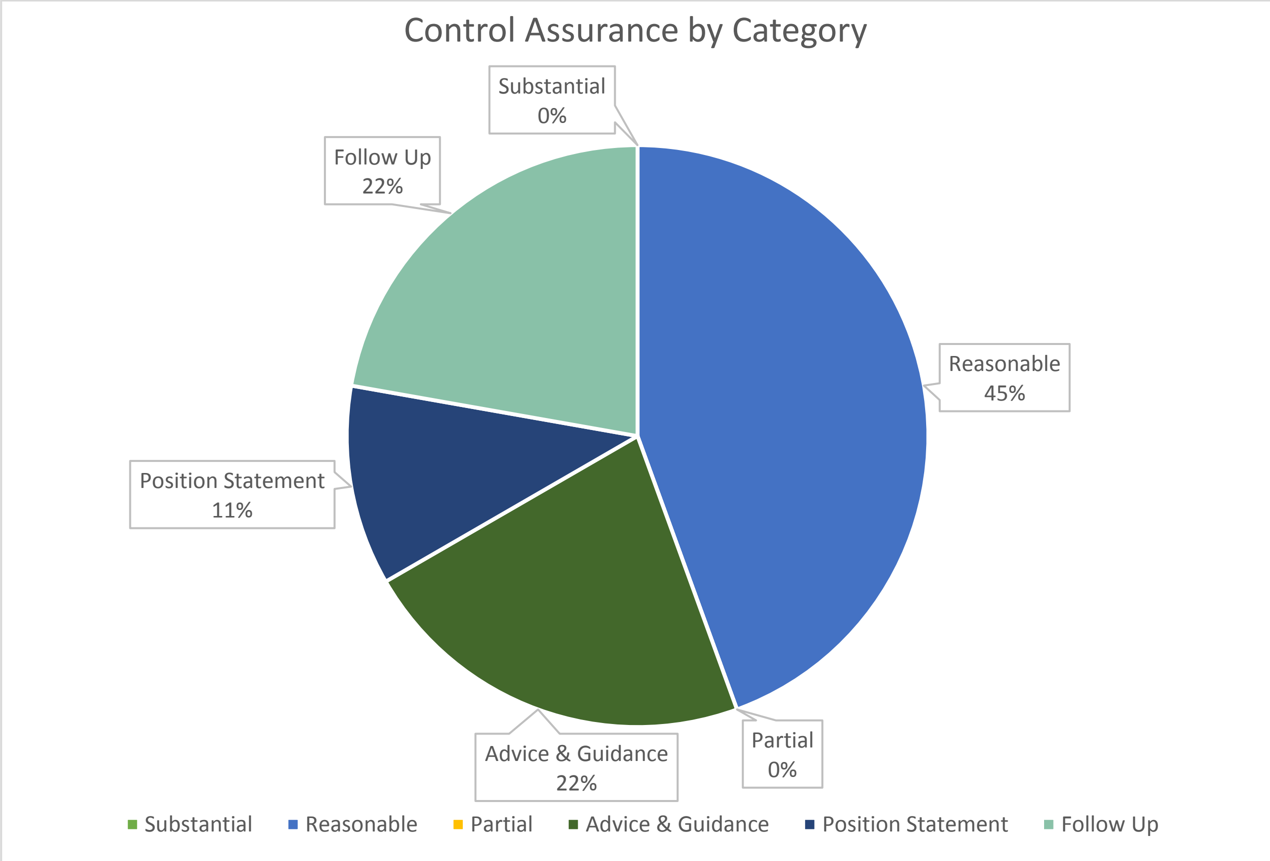
SWAP Performance - Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a "Control Assurance", a summary of the assurance levels is as follows:

- **Substantial – Well controlled and risks well managed.**
- **Reasonable – Adequately controlled and risks reasonably well managed.**
- **Partial –Systems require control improvements and some key risks are not well managed.**
- **None – Inadequately controlled and risks are not well managed.**

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.



Approved Changes

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

Approved changes to the Audit Plan

Since the approval of the annual internal audit plan there have been some changes. These have 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 from the original 2017/18 audit plan

- Pooled budgets
- Readiness for Highways infrastructure Asset change

Audits subsituted to replace the reviews above

- Accounts payable – procedures for changes to supplier bank account details
- Covert surveillance procedures

Audits deferred

- Multi-Agency Safeguarding Hub – deferred from Quarter 2 to Quarter 4 at request of the Assistant Director, Care and Protection
- Corporate Working Groups – deferred from Quarter 1 to Quarter 4 at the request of Programme Director - LGR

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 21 Councils and public-sector Authorities. 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 2017/18 year (as at 31 August 2017) are as follows;

Performance Target	Average Performance
Audit Plan – Percentage Progress Final, Draft and Discussion Document Fieldwork completed awaiting report In progress Yet to complete	 13% 2% 15% 70%
Draft Reports Issued within 5 working days Issued within 10 working days	63% 75% (Average Days of 5)
Final Reports Issued within 10 working days of discussion of draft report	86% (Average Days of 8)
Quality of Audit Work Customer Satisfaction Questionnaire	81%

"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.

- Whilst undertaking a recent review of Trading Standards, we were also able to provide an opinion on the completeness of a guidance document prepared in response to a recommendation resulting from a Food Standards Agency inspection.

- We receive fraud notifications from our partners and we regularly share this information to help increase awareness of current fraud activity.

- As a result of a fraudulent request to change bank details for a supplier, we provided advice and guidance to strengthen controls around changing supplier bank account details. This also included review of revised advice and guidance to the business on such procedures.

- We have shared a best practice guidance document from the Home Office on Covert Surveillance with the Council's Data Protection Officer.

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Internal Audit Work Plan

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation				
						5	4	3	2	1
2016/17 Work										
Governance	Tricuro Governance Arrangements	4	Draft							
Operational	Outcomes Based Accountability	4	Fieldwork							
2017/18 Work at Report Stage										
Follow up	Children in Care	1	Final	N/A		-	-	-	-	-
Operational	Trading Standards	1	Final	Reasonable		-	-	6	-	-
Operational	Animal Health & Welfare	1	Final	Reasonable		-	-	2	-	-
Operational	Schools IT Controls	1	Final	Reasonable		-	2	2	-	-
Follow up	Ethical Governance	1	Final	N/A		-	-	-	-	-
Operational	Mosaic - Data Migration Readiness	1	Final	Position Statement		-	-	-	-	-
Operational	Agency Staff - DWP	1	Final	Reasonable		-	1	9	-	-
Grant Certification	Careers and Enterprise Grant	1	Final	Advice & Guidance		-	-	-	-	-
Grant Certification	Dorset Growth Hub	1	Final	Advice & Guidance		-	-	-	-	-
Operational	Planned Use of School Balances	1	Draft							
IT Audit	Resilience of ICT Infrastructure – Service Continuity Plan Arrangements	1	Draft							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation 5	4	3	2	1
Follow Up	Debt Management	1	Draft							
Follow Up	Safer Recruitment	1	Draft							
IT Audit	ICT Contract Management	1	Draft							
Operational	Budget Management - Children's	1	Discussion Document							
2017/18 Work in Progress										
Operational	Deprivation of Assets Adult and Community Services	1	In Progress							
Follow up	Use of Consultants	1	In Progress							
Follow up	Direct Payments - Children’s	1	In Progress							
Operational	Use and Control of Credit Notes	2	In Progress							
Operational	Learning Disability Services	2	In Progress							
Operational	Education of Looked After Children	2	In Progress							
Operational	Dedicated Schools Grant	2	In Progress							
Governance	Accounts Payable Fraud Investigation	2	In Progress							
Follow up	Intermediaries Legislation / IR35	2	In Progress							
Operational	Business Continuity	2	In Progress							
Operational	VAT	2	In Progress							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation				
						5	4	3	2	1
Follow up	Better Care Fund	2	In Progress							
Follow up	Section 17 Payments	2	In Progress							
Follow up	Towards Adulthood – transition from Children's to Adults	2	In Progress							
Follow up	SEN - Decision Making	2	In Progress							
Follow up	Agency Staff	2	In Progress							
Operational	Early Years Funding	2	Not Started							
Operational	Contract Monitoring Arrangements - Children's	2	Not Started							
Operational	Commercial Contract Management	2	Not Started							
Governance	Pathways to Independence	2	Not Started							

Schedule of significant risks identified from Internal Audit work in 2017/2018

Name of Audit	Risk Identified	Weaknesses Found	Recommendations and Agreed Management Action		Agreed Date of Action
In the 2017/18 final audit reports issued to date, there have been no Significant Risks identified in our work.					

Summary of progress in mitigating previously reported Significant Risks

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
Debt Management	There are inadequate debt recovery procedures for Children's Services Debts. 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. At the time of the audit the value of aged credit that had been outstanding for over 365 days stood at £404,037.00.	All actions were planned to be completed by the end of March 2017.	**A current follow up review is at draft report stage, however, indications are that there are no residual significant concerns.**
Safer Recruitment	There is no effective control to ensure that a DBS check is undertaken in every appropriate instance prior to employment commencing. Without a signed contract being in place prior to service delivery the Authority will not be able to enforce the DBS requirement contained within the contract. 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.	All actions were planned to be completed by the end of April 2017.	**A follow up review is at draft report stage and we will report progress on implementation of our recommendations within our next update.**

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
Budget Management	Budgets are not always 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. There was previously a lack of clarity around the roles and responsibilities of Committees for scrutinising budgets (since the audit fieldwork roles and responsibilities have now been clarified). Senior Management are not always providing evidence that budgets are being effectively scrutinised, with actions taken and officers held to account.	All actions were planned to be completed by the end of April 2017.	**It was considered appropriate to allow senior management a reasonable period of time to implement our recommendations. As a result, a follow up review is programmed but has not been completed as yet.** **We have however undertaken a further budget management audit of Children's Services which is now at report stage. We will be able to provide more detail of our findings within our next update report.**
Use of External Advisors	There is limited strategic oversight of the use of external advisors at a corporate level. Inaccurate coding of external advisor spend, resulting in the figures reported to Members containing potential inaccuracies and/ or overstatements. Officers in some areas are unaware of key guidance and best practice principles in relation to the use of external advisors. Consideration of using alternatives to external advisors at the outset of work is not always being undertaken (or at least evidenced).	All actions were planned to be completed by end of January 2017.	**We are undertaking a follow up review currently and will report progress on implementation of our recommendations within our next update.**

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
Income Generation	Lack of financial tools to enable effective cost and management accounting. Lack of training and guidance to ensure managers develop commercial awareness. Project management processes are not employed to manage the implementation of the Commercial Board's objectives.	All actions were due to be completed by end of October 2016.	**CLT agreed to absorb the work of the Commercial Board into the One Council Group and to change focus onto commercial business as usual rather than developing services for income generation. As a result, the specific audit recommendations arising from this review have not been implemented, but used to inform future activity where appropriate.**
Ethical Governance	The audit included a review of the embeddedness of ethical governance for both members and staff. Issues were identified regarding the following for staff: • Declaration of Interests • Gifts and Hospitality • Training	The majority of recommendations were expected to be implemented by 31 Dec 2015, with the rest to follow April 2016. 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. A follow up audit was undertaken in August 2016. It was found that the vast majority of agreed actions were still outstanding along with the associated risks, with the dates of implementation expected to be early 2017.	**A further follow up audit, undertaken in July 2017 has found that all key actions agreed have been completed and there are no residual significant concerns.**

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Audit & Governance Committee

Dorset County Council

Date of Meeting	20 September 2017
Lead Officer Richard Bates – Chief Financial Officer	
Subject of Report	**Budget monitoring report**
Executive Summary	This report provides members of the Audit & Governance Committee with the second, formal report of the year on the anticipated outturn for 2017/18. The information contained in the report is based on the August projections (produced early in September 2017). This is the sixth forecasting exercise of the year, so there is also some analysis of the movements in the forecast so far this year. This report also incorporates debt management information which members asked to be brought to Committee more frequently than in the past but without the need for a separate report.
Impact Assessment:	Equalities Impact Assessment: This high level update does not involve a change in strategy, however, the information produced as a result of the forecasting process may trigger a review of policy and/or strategy for managing within the available budget. If this happens, the impact of specific proposals on equality groups will be considered.
	Use of Evidence: This report draws on information from the Authority's accounting systems and other financial records. It also relies on datasets maintained within the County Council's services which are used to predict possible future demand for and costs of services.
	Budget: The report provides an update on the County Council's financial performance and budget position for 2017/18. It also

	considers how this might impact on the budget round for 2018/19 and the following years of the MTFP currently in development.
	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: HIGH Residual Risk HIGH
	Other Implications:
Recommendation	The Committee is asked to consider the contents of this report and: (i) note the Directors' latest estimates included in the forecast of outturn and the reasons causing us to diverge from the balanced budget agreed by the Council in February; (ii) note the latest projections for savings from the Forward Together programme; (iii) comment on the strategies, policies and tactics set out in this report that are intended to tackle the in-year overspend and establish a firm planning position from which to develop the base budget strategy for 2018/19 and beyond; (iv) put forward any other plans it wishes to be taken into account in addressing the current year's performance; (v) understand the risks and impact of the current forecast on the County Council's general fund and on the development of the MTFP (vi) note the continuing challenges - and progress - on the debt position since the last report.
Reason for Recommendation	It is important for Members to understand the causes underpinning the forecast overspend and consider the adequacy of the responses. Delivery of Forward Together savings is critical to the financial position of the County Council but there are pressures in the current year's forecast which mean additional measures on top of the original programme are being explored. Dealing with the current year's forecast overspend is critical to the understanding of the base position upon which we will be developing the budget strategy for 2018/19 and the MTFP for ensuing years.
Appendices	1. CPMI summary August 2017/18 2. Forward Together programme savings 2017/18

Background Papers	MFTP update report to Cabinet 28th June 2017
Officer Contact	Name: Jim McManus, Chief Accountant Tel: 01305 221235 Email: j.mcmanus@dorsetcc.gov.uk

1. Background

1.1 Audit & Governance Committee is the County Council's principal body for overview and scrutiny of financial arrangements, performance and position. Whilst other Overview and Scrutiny Committees might receive financial information incidentally, the Authority's overall, financial reporting is channelled through the Audit & Governance Committee.

1.2 The Committee considers budget monitoring reports each time it meets so it can effectively scrutinize financial affairs and ensure the organisation is making good progress with its budget and longer-term financial planning. The Committee is also concerned with ensuring that the County Council is managing the current year's budget effectively and efficiently and that there are continuing arrangements to secure value for money.

1.3 Work has already started on financial planning for 2018/19 and beyond and it is important to understand the impact of the current year's performance on that work. Development of the budget strategy is principally driven through Cabinet but it is also important for the work of the Audit & Scrutiny Committee for Members to be kept informed of progress and risks.

2. Forecast of outturn for 2017/18

2.1 The latest forecast of outturn for the Authority, (August, AP5), indicates an overspend of £6.2m, a reduction of £1.6m below the July forecast. A breakdown is shown in the table below.

				Of which	
Directorate	**Net Budget**	**Forecast Outturn**	**Forecast (Overspend)/ Underspend**	**Forward Together**	**Base budget**
	£k	**£k**	**£k**	**£k**	**£k**
Adult & Community Services	132,985	134,679	(1,694)	(651)	(1,043)
Children's Services	58,053	64,445	(6,393)	(300)	(6,093)
Environment & Economy	34,364	34,725	(361)	(489)	128
Partnerships	19,002	18,273	729	0	729
Chief Executive's Dept	10,736	10,664	72	0	72
Total Service Budgets	255,139	262,786	(7,647)	(1,440)	(6,207)
Central/Corporate Budgets	(254,032)	(255,432)	1,400	0	1,400
Whole Authority	1,107	7,354	(6,247)	(1,440)	(4,807)

2.2 August's is the sixth forecasting exercise of the year. A brief history of this year's forecasting exercises is set out in the table, below. It is pleasing to see that action being taken is bringing the budget back towards balance.

	AP0	April	May	June	July	August
	£k	£k	£k	£k	£k	£k
Children's Services	(4,000)	(5,750)	(7,080)	(7,356)	(7,850)	(6,393)
Adult & Community	(2,100)	(2,100)	(2,500)	(2,187)	(1,722)	(1,694)
Environment & Economy	(1,570)	(720)	(486)	(261)	(221)	(361)
Dorset Waste partnership	23	170	165	435	616	729
Public Health	0	0	0	0	0	0
Chief Executive's	0	0	0	(58)	(40)	72
Other/corporate	0	0	400	247	1,400	1,400
	(7,647)	(8,400)	(9,501)	(9,179)	(7,817)	(6,247)

2.3 However, the principal cost pressures continue to be in relation to looked-after children, SEN transport and user-driven adult social care costs. Further information can be also found in the CPMI area of Sharepoint which is updated with refreshed forecast information in the first week of every month, following the conclusion of the forecasting process.

2.4 The following paragraphs set out the main reasons for variances from budget being predicted along with action being taken in Directorates to manage the financial performance.

Children's Services

Children in Care

2.5 The stated plan for Children's Services is to reduce the number of children in care to around 400 by the end of 2017. When the budget plans were proposed the number of children in care had stabilised at 500, and was expected to steadily decrease, due to slowed growth in terms of children entering care and favourable demographics. As at the end of August there were 447 children in care including children with a disability.

2.6 Greater analysis of the make-up of children in care is showing that lower cost placements have been replaced by higher cost placements with Independent Sector Fostering Agencies and Independent Sector Residential Care Providers. At the end of August there were 149 children in these placements (against a budgeted level of 53) and it is estimated that the cost of this cohort of children will overspend the budget by £7.0M in 2017/18. These placements are under review and alternative (lower cost) placement options or price reductions are being sort. Work on the fostering strategy commenced in May with the aim of recruiting, retaining and training foster carers to increase capacity of the in-house service and reduce the need to purchase high cost placements from the Independent Sector. The positive impact of this will not start to show until the end of 2017/18.

Agency Social Work

2.7 The use of agency staff continues to put pressure on the Care & Protection budget with an overspend of £677k currently forecast. During August there were 31 agency workers employed, 18 covering vacancies, 9 covering maternity/sickness and 4 dealing with demand pressures within the 0-12 and fostering teams. Recruitment of new social workers is on-going.

SEN Transport

2.8 SEN Transport is forecast to overspend by £1.0m. A major retender took place in the summer and it is hoped that this will result in significant savings. However, with demand still growing the challenge will be to maintain spending at current levels whilst transporting more children. A review of passenger assistants, could result in further savings, but it is too early to say whether these savings will be delivered. The Extended Rights to Free Travel budget has been realigned to this area, contributing an additional £0.22m. Work is currently being undertaken around EHCP growth, and the impact that this has on various budgets, including SEN Transport.

Allocation of one-off funding

2.9 The medium term financial plan (MTFP) had already recognized that the Children in care budget would require one off funding of £1.0m in 2017/18 to manage the transition down to 400 children in care.

2.10 A further £1.4m of one-off funding has been identified and allocated against the Children's Services budget area to mitigate the continuing overspend. This brings the Children's Services overspend down to £6.4m as at the end of August.

Dedicated Schools Grant

2.11 There are huge pressures on the DSG budget which is currently projecting a £3.4m overspend. The HNB overspent by £5.8m overspend in 2016-17, with specific pressure points being:

- Number of children with an EHCP/statement continuing to grow (April 2016 = 1,594 April 2017 = 1,846; July 2017 = 1,913).
- Change in legislation and guidance in Children and Families Act 2014.
- Revised needs category of social, emotional and mental health.
- All post-16s in FE colleges now require EHCPs to be funded for the first time via HNB.
- New pressure through to 25.

2.12 These pressures are contributing to overspends against certain budget areas, including specialist, post-16 institutes, LAC educational placement contributions, special and mainstream school top ups.

2.13 New funding mechanisms are currently being calculated to balance various budgets within the HNB and placement reviews are also in progress. However, it is very difficult to move children once a placement has been arranged. New process arrangements should control the number of independent, non-maintained school placements. Plans will need to be developed, with schools, to find new ways of operating within available funding in addition to clawing back the deficit incurred.

Adult & Community Services

2.14 £1.7m forecast overspend. There are £5.6m of savings attributable to the Adult Care Service User budgets. £4.2m relates to reviews of packages of care, the letting of the Dorset Care contract and improving brokerage function, £1m additional income and £400k relating to improved use of technology.

2.15 There is still some slippage in the programme of reviews due to logistics and complexity of the cases being reviewed. There is also further risk around the Care contract, that does not come into force until December 2017 and how much impact that can have on the cost of care in such a short space of time. There is also a delay in achieving the income target of £1m. It is for these reasons that it is felt prudent to assume a high level of risk associated to these savings.

Environment & Economy

2.16 The Directorate as a whole is forecasting an overspend of £361k. This is due mainly to risks still remaining around a number of proposed Forward Together savings, offset to some degree by forecast underspends on business as usual in some service areas. Comments about specific services within the Directorate are shown below.

2.17 The Economy, Planning and Transport Service is forecasting a £59k underspend reflecting savings coming to fruition now as part of a two year savings plan.

2.18 The Dorset Travel forecast overspend of £233k now allows for the provision of the Bridport to Yeovil interurban route. This will continue but requires a de minimis payment in year one of £40k while the new operator develops the ‘One School One Operator’ approach in the West of Dorset. Other savings identified will be realised in the second half of the financial year when new contracts have been awarded and the fleet review with Adults and Children's is developed. Although the recent Dorset Travel tender process has had a successful outcome in securing planned savings, there is still a risk (£150k) around Dynamic purchasing related travel savings.

2.19 The Business Support Unit is currently showing a £79k overspend. This is due to a Forward Together Savings Target of £100k and additional savings required less savings made from the Business Improvement Team. A restructure is proposed to reduce these costs and the forecast overspend is a part-year effect.

2.20 The Coast & Countryside Service started the financial year needing to make savings of £194k to achieve a balanced position. A further £36k was added in-year as a share of the Director's office savings, making a total savings to be identified target of £230k. A planned mini-restructure of Greenspace Management services to move the grounds maintenance function into the successful practical landscape service, and to better balance income and expenditure, was completed on 1st July. In addition, significant savings in the rural verge management contract have been secured through re-procurement. The Service is now reporting a forecast overspend of £85k. It is anticipated that the savings target will continue to fall as the service becomes increasingly confident of income generation predictions and in-year contingencies unlikely to be spent but it is too early to forecast these yet. In addition, unpredictable weather in the autumn and winter can lead to unforeseen expenditure.

2.21 The Estates and Assets budget, which includes County Buildings, is carrying a structural deficit in County Buildings of £85k. This is anticipated to be offset by vacant posts currently being held within the team and strong income generation forecasts meaning that the overall budget is forecasting a small overspend. The ‘Way We Work’ property savings target is forecasting an under recovery of savings of £164k. This is principally due to the inability to dispose of Monkton Park due to the Cabinet's resolution on 7th June to retain the property and Children's Services desire to retain the Horizons building in Weymouth as a contact centre. There has been some slippage in the disposals programme too, albeit these sales are still progressing. Therefore the overall forecast overspend is £199k.

2.22 Building & Construction are now forecasting a £3k underspend. This has been achieved by reviewing all budgets and making savings where possible, reassessing income forecasts, revising workload capacity, reconsidering vacancy management and the need for agency staff. This will need to be an ongoing process due to the volatility of the capital programme which will have an impact on future forecasts.

2.23 The forecast underspend for Network Management is now £111k. However there is still a concern in relation to the Parking Service, which currently has projected income relating to the rollout of ‘Pay and Display’ across Dorset towns and levels of income are very weather-dependent. There is nonetheless a good degree of confidence that the forecast will be realised. The visitor parking income has proven to be slightly over the anticipated figure which is encouraging.

2.24 Network Development are forecasting a small underspend of £9k. The confidence in this forecast will increase through the remainder of the year as more data becomes available.

2.25 Network Operations are currently forecasting to be on budget at the end of 2017/18.

2.26 Fleet Services are forecasting an underspend of £5k which is due to an increase in fee income from external clients.

2.27 Emergency Planning (forecast £6k underspent) are operating with a member of staff short for the early part of this year. The income forecast currently predicts a reduction in income recovery from an external source in this financial year. It will not be until later in the year that a clear picture will emerge regarding this funding source.

2.28 The Director’s Office is forecasting a £7k overspend which is due to additional training costs for the service. However the budget is expected to balance by the end of the year.

2.29 The ICT service has largely addressed a £977k budget deficit in 2017/18, including £445k of planned savings. Mitigations have included some one-off elements because of delays in delivery of savings such as reductions in network costs. The projected underspend has been reduced as a result of these delays and a decision to increase capacity in Dorset Direct to improve call wait times. The service is heavily reliant on capital cost recovery for project work and the outturn projection assumes this to be on target. Monitoring indicates a projected shortfall of £287k, itself reduced through management of vacancies. Work is underway to refine the income projection and identify further mitigations. This pressure is such that it is unlikely that the projected underspend of £49k will be realised.

Partnerships

2.30 Dorset Waste Partnership is forecasting an underspend of £1,134k, DCC's share (64.32%) of this being £729k. The main variances are i) Inflation in excess of budget (£189k) is likely to have an adverse impact on Waste Disposal Contracts; ii) Favourable waste disposal tonnages, including the beneficial effects of additional tonnages to NES, result in an overall saving (£624k); iii) Recyclate costs – an updated calculation based on average prices over a period of time has again shown a favourable forecast of expenditure per tonne, whereas the budget was set at a higher figure. This results in a potential saving of £611k including glass and non-DMR materials. However, this is linked to the commodities market and therefore carries a high degree of risk and cannot be called a 'certain' saving at this stage; iv) Additional temporary resources, varying from budget by £22k, are required to support enforcement cases including fly tipping and abandoned vehicles; v) Commercial waste income is buoyant; vi) There are some initial concerns, based on limited data, that container income may not achieve the budgeted amount, giving an adverse variance of £65k and vii) vacancies in the transport section are likely to result in an underspend of £50k.

2.31 Public Health – The Public Health grant was reduced by 2.5% for 2017/18 and currently stands at £34.288m across Dorset. The service is predicted to spend to budget in 2017/18.

Chief Executive's

2.32 There are minor variances across a number of services which total a forecast underspend of £72k for the department. The most significant underspends being Partnerships (£23k), Financial Services (£22k) and Cabinet budgets (£45k) offset, to a slight degree, by very minor forecast overspends on a number of services.

Central/Corporate budgets

2.33 Central budgets continue to show an underspend due to net savings on capital financing costs and anticipation of capitalisation of some of our restructuring costs in line with Govt capitalisation flexibilities for 2016 to 2019.

3 Forward Together

3.1 The FT programme continues to be monitored by the FT Board and the financial implications of the programme are also reported through CPMI. CPMI includes overspends (and underspends) against the agreed base budget as well as the impact of Forward Together shortfalls and this is analysed in the graphs, below, and in the CPMI summary at Appendix 1.

3.2 Of the current overspend being forecast, £1.4m of this is due to shortfall against Forward Together savings while the remainder is attributable to other, core budget pressures which Directors are currently formulating plans to deal with. The total savings target from the Forward Together programme for 2017/18 is £18.3m. The charts in Appendix 2 set out the latest forecasts around these savings.

3.3 Delivering the Forward Together savings is critical to the financial performance for the year and to our future viability. The 2016/17 overspend left the balance on the general fund at £12.3m – above the lower end of our operating range (£10m) but without capacity to absorb an overspend of the magnitude currently being forecast.

3.4 As well as additional plans for savings, it is becoming clear, even at this early stage of the year, that the Children's Services Directorate will simply not be able to meet the budget or savings targets this year. An additional £1.4m has been released from one-off funds this month to support this situation while work is in hand to focus on other savings measures and longer-term plans to bring the budget into balance.

4 Actions to dealing with the overspend

4.1 Since the July report to Committee, significant efforts have gone into turnaround strategies and other plans to reduce in-year spend and tackle base budget issues. However, it is also becoming clear that during the current MTFP/budget round, additional funding will need to go into Children's Services. This is likely to be a further base budget increase plus some additional, temporary funding. We are currently working through projections for key overspend areas to build a clearer understanding of the extra funds needed in the Directorate.

4.2 As well as these specific measures, officers reviewing other financial policies, principles and procedures. Whilst the organisation has collectively retained much of the tighter discipline it adopted in 2016/17 around areas such as vacancy management, it might be necessary to go further with some of these measures as the year progresses.

5 Debt information

5.1 After the July 2017 meeting, Members asked to be kept informed, more frequently but in less detail, about debt management performance. The most recent performance information is therefore set out in the paragraphs and tables, below.

5.2 The overall debt position as at 31st August was £6.8m, which represents a reduction of £0.5m from 30th June. The following table shows the comparable debt profile by age.

Financial year	**Less than 30 Days**	**30 - 60 Days**	**60 - 90 Days**	**90 Days - 1 Year**	**Over 1 Year**	**Total**
2016-17	*9,565*	*604*	*475*	*1,423*	*1,595*	***13,662***
	71%	*4%*	*3%*	*10%*	*12%*	
2017-18	2,185	741	1,036	1,765	1,623	**7,350**
(as at 30/06)	30%	10%	14%	24%	22%	
2017-18	2,402	701	442	1,961	1,336	**6,842**
(as at 31/08)	35%	10%	6%	29%	20%	

5.3 The following table shows the debt position by directorate. A detailed version is generated monthly which is published on Sharepoint and included within the CPMI process. Group Finance Managers and their teams are routinely supporting Budget Holders to manage debt and to encourage and support prepayment whenever possible.

Directorate	< 30 Days	30–60 Days	60–90 Days	90 Days – 1 Year	> 1 Year	Total
Adult & Community Services	1,674	334	127	1,182	1,104	4,421
Children's Services	165	52	28	587	79	911
Economy & Environment	219	126	158	117	32	652
Chief Executives	70	64	41	23	2	200
Partnerships	50	40	4	5	44	143
Other	225	85	83	47	75	515
Total	**2,402**	**701**	**442**	**1,961**	**1,336**	**6,842**

5.4 The bad debt provision will be reviewed at the end of September, in line with our new policy and service budgets will be charged accordingly. The current balance on the provision is £1.3m, based on transition to 100% provision for all debts over six months old. Using August data, the provision would be £2.0m on the full 100% over six months basis.

5.5 As at the end of August, £44k had been written off, of which £32k had been fully provided for. Of the £12k where a provision did not exist, the majority were recent transactions (not in scope at the time of running the provision process) and it has been deemed uneconomical to pursue via Money Claims online, as per policy.

Directorate	2016/17 Write Off	2017/18 Write Off
Adult & Community Services	310	27
Children's Services	50	9
DWP	26	4
Environment and the Economy	28	1
Chief Executive's Department	57	3
Total	**471**	**44**

5.6 Monthly, formal reviews of debt continue and we have resource dedicated to debt with the ambition of full recovery, however this is not always possible.

6 Summary

6.1 There continue to be significant challenges in the current year as well as the years ahead. It is rewarding to see that some of the early measures that have been taken are starting to impact upon the current year's forecast. That gives us a degree of comfort over the platform on which we are currently developing the budget strategy for 2018/19 and beyond.

6.2 A greater level of assurance in these areas will mean we can focus our efforts more specifically on the sustained challenges in Children's Services. A significant amount of work is currently in progress to model and forecast demand and action plans over the MTFP period so we can ensure the base budget is refined to fund what must be delivered and that and transitional costs can also be resourced without compromising other corporate plan priorities.

Richard Bates

Chief Financial Officer
September 2017

Budget Monitoring Report

Appendix 1 – CPMI August 2017/18

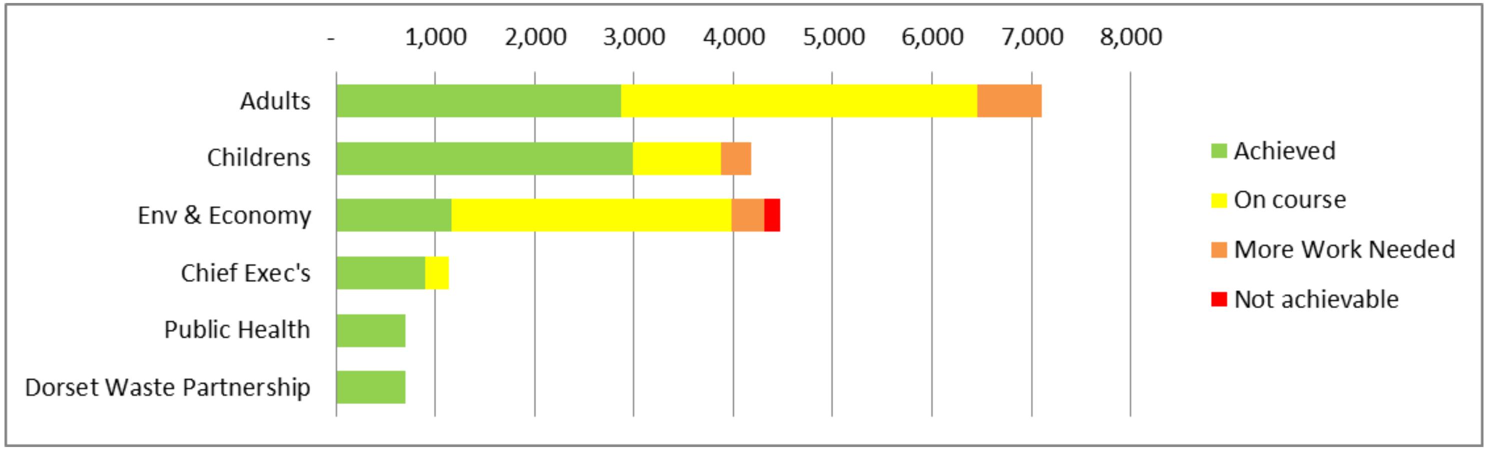
Cost Centre Management Budget Monitoring Summary	Responsible Officer	Year 2017-18 'Above Line' Net Budget Only £000's	Forecast £000's	June Projected Under/(Over) Spend £000's	July Projected Under/(Over) Spend £000's	August Projected Under/(Over) Spend £000's	August Forward Together Projected Under/(Over) Spend £000's	August Other Projected Under/(Over) Spend £000's
Children's Services Directorate								
Childrens Service Budget								
Care & Protection	Vanessa Glenn	33,145	40,973	(7,052)	(7,635)	(7,829)	0	(7,829)
Design & Development	Patrick Myers	10,487	10,291	27	192	196	0	196
Director's Services	Sara Tough	1,347	1,488	(150)	(130)	(140)	(150)	10
Prevention & Partnerships (DCC)	Jay Mercer	13,074	14,093	(1,181)	(1,277)	(1,019)	(150)	(869)
Application of Contingency/Control Node	Richard Bates	0	(2,399)	1,000	1,000	2,399	0	2,399
Total Children's Services Budgets (DCC)		58,053	64,445	(7,356)	(7,850)	(6,393)	(300)	(6,093)
Prevention & Partnerships (DSG)	Jay Mercer	44,866	48,234	(2,662)	(2,944)	(3,368)	0	(3,368)
P&P DSG Funding	Jay Mercer	(44,867)	(44,867)	0	113	0	0	0
Directors Services (DSG)	Sara Tough	400	398	(10)	(10)	2	0	2
Directors Services DSG Services	Sara Tough	(400)	(400)	0	0	0	0	0
DSG Services	Jay Mercer	(1,106)	(1,080)	0	(26)	(26)	0	(26)
Total Children's Services Budgets (DSG)		(1,107)	2,284	(2,672)	(2,867)	(3,392)	0	(3,392)
DSG Adjustment		0	0	0	0	0	0	0
Children's Services (DCC + DSG) Total		56,945	66,730	(10,028)	(10,717)	(9,784)	(300)	(9,484)
Adult & Community Services Directorate								
Adult Care Service User Related	Harry Capron	68,915	71,003	(2,390)	(1,480)	(2,088)	(651)	(1,437)
Adult Care	Harry Capron	14,749	14,507	(373)	(197)	242	0	242
Commissioning and Safeguarding	Diana Balsom/Sally Wernick	32,809	32,725	87	79	84	0	84
Early Help & Communities	Paul Leivers	9,045	9,107	(383)	(92)	(62)	0	(62)
Director's Office	Helen Coombes	7,467	7,338	873	(31)	129	0	129
Adult & Community Services total		132,985	134,679	(2,187)	(1,722)	(1,694)	(651)	(1,043)
Environment and the Economy Directorate								
Economy, Planning & Transport	Maxine Bodell	2,241	2,182	58	64	59	0	59
Dorset Travel	Chris Hook	14,282	14,514	0	(40)	(233)	(190)	(43)
Business support Unit	Jan Hill	284	362	(132)	(130)	(79)	(61)	(18)
Coast & Countryside	Phil Sterling	2,745	2,830	(110)	(86)	(85)	(36)	(49)
Estates & Assets	Peter Scarlett	(1,470)	(1,271)	(189)	(147)	(199)	(164)	(34)
Buildings & Construction	David Roe	138	135	(226)	(211)	3	0	3
Pooled R&M	David Roe	137	137	0	0	0	0	0
Network Management	Simon Gledhill	1,161	1,050	177	171	111	0	111
Network Development	Tim Norman	1,040	1,031	39	34	9	0	9
Network Operations	Martin Hill	3,966	3,966	(11)	(4)	(0)	0	(0)
Fleet Services	Sean Adams	(143)	(147)	(5)	(6)	5	0	5
Emergency Planning	Simon Parker	214	208	6	6	6	0	6
Director's Office	Mike Harries	828	835	59	60	(7)	0	(7)
Streetlighting PFI	Tim Norman	3,862	3,862	0	0	0	0	0
ICT	Richard Pascoe	5,080	5,031	72	66	49	(38)	86
Environment and the Economy Directorate Total		34,364	34,725	(261)	(221)	(361)	(489)	128

Budget Monitoring Report

		Year 2017-18		June	July	August	August Forward Together	August Other
Cost Centre Management Budget Monitoring Summary	**Responsible Officer**	**'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**	**Projected Under/(Over) Spend £000's**	**Projected Under/(Over) Spend £000's**
Chief Executives								
Chief Executives Office	Debbie Ward	275	280	(4)	(4)	(5)	0	(5)
Partnerships	Karen Andrews	189	166	(0)	17	23	0	23
Communications	Karen Andrews	223	223	0	(3)	0	0	0
Policy and Research	Karen Andrews	440	440	(13)	2	0	0	0
Commercial Services	Karen Andrews	388	389	0	(0)	(1)	0	(1)
Governance and Assurance	Mark Taylor	657	660	(3)	(3)	(3)	0	(3)
Legal & Democratic Services	Jonathan Mair	2,748	2,758	(3)	(3)	(10)	0	(10)
Financial Services	Richard Bates	1,869	1,848	32	40	22	0	22
Human Resources	Sheralyn Huntingford	1,209	1,209	0	0	0	0	0
Cabinet	Richard Bates	2,736	2,691	(66)	(86)	45	0	45
Chief Executives Total		10,736	10,664	(58)	(40)	72	0	72
Partnerships								
Dorset Waste Partnership	Karyn Punchard	19,702	18,973	435	616	729	0	729
Public Health	David Phillips	(700)	(700)	0	0	0	0	0
Partnerships Total		19,002	18,273	435	616	729	0	729
Central Finance								
General Funding	Richard Bates	(19,406)	(19,406)	**0**	0	0	0	0
Capital Financing	Richard Bates	24,630	24,230	250	400	400	0	400
R&M	Richard Bates	1,287	1,287	0	0	0	0	0
Contingency	Richard Bates	2,912	1,912	(3)	1,000	1,000	0	1,000
Precepts/Levy	Richard Bates	677	677	0	0	0	0	0
Central Finance	Richard Bates	(264,132)	(264,132)	0	0	0	0	0
Control Node	Richard Bates	0	0	0	0		0	0
Central Finance Total		(254,032)	(255,432)	247	1,400	1,400	0	1,400
Total Above Line Budgets		**0**	**9,639**	**(11,851)**	**(10,684)**	**(9,639)**	**(1,440)**	**(8,199)**
Excluding DSG Budgets		**1,107**	**7,354**	**(9,179)**	**(7,817)**	**(6,247)**	**(1,440)**	**(4,807)**

Appendix 2 – Forward Together Programme savings 2017/18

2017/18 Savings measure	£000's		Assessment of Savings achievement Achieved £000's	On course £000's	More Work Needed £000's	Not achievable £000's
Adults	7,110		2,868	3,591	651	-
Childrens	4,179		2,990	889	300	-
Env & Economy	4,473		1,156	2,828	325	164
Chief Exec's	1,132		897	235	-	-
Public Health	700		700	-	-	-
Dorset Waste Partnership	700		700	-	-	-
Summary - All Savings 2017/18	**18,294**		**9,311**	**7,543**	**1,276**	**164**



Audit and Governance Committee

Dorset County Council

Date of Meeting	20 September 2017
Officer	Chief Financial Officer
Subject of Report	**Treasury Management and Prudential Code Review 2016/17**
Executive Summary	At the meeting of the Cabinet on 11 February 2016 members approved the Treasury Management Strategy Statement and Prudential Indicators for 2016-17. At this meeting, Cabinet 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. This report is the year-end review of actual performance against the strategy, and 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, and compliance with the Prudential Code. This report also includes responses to any Key Lines of Enquiry (KLOEs) raised by Members.
Impact Assessment: *Please refer to the protocol for writing reports.*	Equalities Impact Assessment: N/A
	Use of Evidence: CIPFA 2016/17 benchmarking

	Budget: All treasury management budget implications are reported as part of the Corporate Budget outturn report, alongside the Asset Management reports that include the progress of the capital programme.
	Risk Assessment: 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. Current Risk: HIGH Residual Risk MEDIUM
	Other Implications: N/A
Recommendation	That the Committee: 1. Note and comment upon the report.
Reason for Recommendation	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.
Appendices	Appendix 1 – Prudential Indicators Appendix 2 – Borrowing as at 31 March 2017 Appendix 3 – Investment Balances as at 31 March 2017
Background Papers	Treasury Management Annual Strategy 2016/17 Capita: Independent Economic Analysis Capital Programme Budget and Monitoring report 2016/17
Report Originator and Contact	Name: David Wilkes Tel: 01305 224119 Email: D.Wilkes@dorsetcc.gov.uk

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 treasury management review of activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.5. During 2016/17 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Cabinet 11 February 2016)
- A mid-year (minimum) treasury update report (Audit and Scrutiny 20 January 2017)
- An annual review following the end of the year describing the activity compared to the strategy (this report).

1.6. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for 2016/17 for treasury activities, and highlights compliance with the Council's policies previously agreed by members.

1.7. The report provides commentary of the overall performance of the treasury management activities of the Council, and all of the prudential indicators are summarised in Appendix 1.

2. Key Lines of Enquiry (KLOE)

2.1. At the last meeting of the Audit and Governance Committee, Members were invited to raise any Key Lines of Enquiry (KLOE) they would wish to inform future reports. The KLOEs subsequently received are set out below together with summary responses:

2.2. Even though short term borrowing was not at a high rate of interest how does it not add to our revenue costs as there is still some interest to be paid?

All external borrowing has a cost to the Council, however since the financial crisis of 2008 there has been a significant divergence between the cost of borrowing for the shorter term and for the longer term as set out in paragraph 7.5, chart 1. Paragraph 7.9 gives an indication of the current difference in costs between borrowing for one year and for 25 years. Although interest on borrowing does have a revenue budget impact, we also have a budget for that interest based on our predictions of borrowing in each year.

2.3. Can we have a summary of the overall borrowing position again with some detail in how we intend to pay off the debts as well as the interest?

A schedule of all borrowing as at 31 March 2017 is included in Appendix 2. Paragraphs 6.4 to 6.6 describe how the Council's underlying borrowing requirement may be reduced, and paragraph 7.13 describes how the maturity structure of the Council's borrowing is managed to allow for the orderly repayment of debt.

2.4. It might also be helpful to see the arguments for and against using capital receipts from sales to reduce our debt or further invest in new capital projects.

The decision to include any new project in the capital programme is subject to approval of the business case for that investment, with all such business cases reviewed by the Managing Our Assets Group (MOAG), chaired by the Chief Financial Officer. This provides robust governance around the options to apply capital receipts to reduce the Council's underlying borrowing requirement or to reinvest in capital assets. Please note also that Cabinet has agreed up to £5m to support the revenue costs of transformation between 2016/17 and 2018/19 from the flexible use of capital receipts.

3. Treasury Management Advisers

3.1 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; and
- Credit ratings-market information service comprising the three main credit rating agencies.

3.2 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.

4. The Economy and Interest Rates

4.1. Part of Capita's service is to assist the Council to formulate a view on interest rates. 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.

4.2. However, at its meeting 4 August 2016 the Monetary Policy Committee (MPC) cut the Bank Rate from 0.50% to 0.25% in order to counteract what it forecast to be a sharp slowdown in growth resulting from the UK's decision to leave the EU. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

4.3. In the second half of 2016, the UK economy out-performed the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of 1.8%, very nearly the fastest rate of growth of any of the G7 countries. Also inflation has risen rapidly primarily due to the effects of the sharp devaluation of sterling after the referendum.

4.4. In February 2017, the latest CPI inflation figure had risen to 2.3%, above the MPC's inflation target of 2%. However, the MPC's view was that it would 'look through' near term supply side driven inflation caused by sterling's devaluation and not raise Bank Rate, despite forecasting that inflation would reach nearly 3% during 2017 and 2018. This outlook is dependent on domestically generated inflation (i.e. wage inflation) continuing to remain subdued despite the fact that unemployment is at historically very low levels and remains on a downward trend. Market expectations for the first increase in Bank Rate moved forward to quarter 3 2018 by the end of March 2017 in response to increasing concerns around inflation.

4.5 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	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	0.50	0.50	0.75	0.75
3 month LIBID	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	0.50	0.60	0.70	0.80	0.90	1.00
12 month LIBID	0.60	0.60	0.70	0.70	0.80	0.80	0.90	1.00	1.10	1.20	1.30	1.40
5 Yr PWLB	1.30	1.40	1.50	1.60	1.70	1.70	1.80	1.80	1.90	1.90	2.00	2.00
10 Yr PWLB	1.90	2.10	2.20	2.30	2.30	2.40	2.40	2.50	2.50	2.60	2.60	2.70
25 Yr PWLB	2.60	2.80	2.90	2.90	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.30
50 Yr PWLB	2.40	2.60	2.70	2.70	2.80	2.80	2.90	2.90	3.00	3.00	3.10	3.10

5. Capital Expenditure and Financing

5.1. The Council's capital expenditure on long-term assets may either be:

- 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.

5.2. Capital expenditure is 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 2015/16, the budget for 2016/17 and outturn for 2016/17 are summarised in Table 1 below. Actual capital spend for 2016/17 was approximately £12M lower than budget due to slippage in the capital programme.

Table 1 Capital Expenditure 2015/16 – 2016/17

Prudential Indicator 1	**2015/16 actual £'000**	**2016/17 budget £'000**	**2016/17 actual £000**
Capital Expenditure	87,958	81,756	69,022

6. The Council's Overall Borrowing Need

6.1. The Council was debt free until 2002, when the Government changed the way in which it helped councils to fund their capital spend by replacing capital grants with 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.

6.2. 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, and is therefore a gauge of the Council's indebtedness. The CFR results from the Council's capital activity and the resources that have been used to pay for it. It represents the 2016/17 unfinanced capital expenditure and prior year's net unfinanced capital which has not yet been paid for by revenue or other resources.

6.3. Part of the Council's treasury management activity is to address the funding requirements for this borrowing need. The treasury management team organises the Council's cash position to ensure that there is sufficient cash available to meet the capital plans and the resulting cash flow requirements. This may be sourced through borrowing from 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.

6.4. The Council's underlying borrowing need, and therefore the CFR, cannot increase indefinitely. Statutory controls are in place to ensure that the cost of capital assets are broadly charged to revenue over the life of those assets. The Council is required to make an annual charge to revenue called the Minimum Revenue Provision (MRP) which is effectively a reduction of the borrowing need.

6.5. It is important to note 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 through agreement of the annual Treasury Management Strategy Statement.

6.6. 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.

6.7. 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. Table 2 shows the actual CFR for 2015/16 and 2016/17. The CFR ended 2016/17 at £336.3m, £10.1m more than the 2015/16 level of £326.2m.

Table 2 CFR Actual 2015/16 and 2016/17

Capital Financing Requirement Prudential Indicator 2	**2015/16 Actual £'000**	**2016/17 Actual £'000**
Underlying Borrowing Requirement b/f	**292,845**	**287,313**
Capital Expenditure	87,958	69,022
Revenue Contributions	-4,942	-2,429
Capital Receipts applied	-6,083	-3,764
Grants	-72,050	-38,028
Reserves Applied	-1,611	0
Minimum Revenue Provision	-12,023	-16,674
Other Adjustments	3,219	3,329
Underlying Need to Borrow	**287,313**	**298,769**
Other Long Term Liabilities	38,933	37,574
Capital Financing Requirement	**326,246**	**336,343**

7. Borrowing Outturn for 2016/17

7.1. Actual borrowing activity is constrained by the prudential indicators for the CFR, the operational boundary and the authorised limit.

7.2. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council's external borrowing should not, except in the short term, exceed the CFR for 2016/17 plus the expected changes in the CFR for the current and next two financial years from financing the capital programme. This essentially means that the Council is not borrowing to support its revenue expenditure. This indicator allows the Council some flexibility over the timing of the borrowing so, if interest rates are favourable, for example, it can borrow in advance of its immediate cash need. The Council has complied with this prudential indicator.

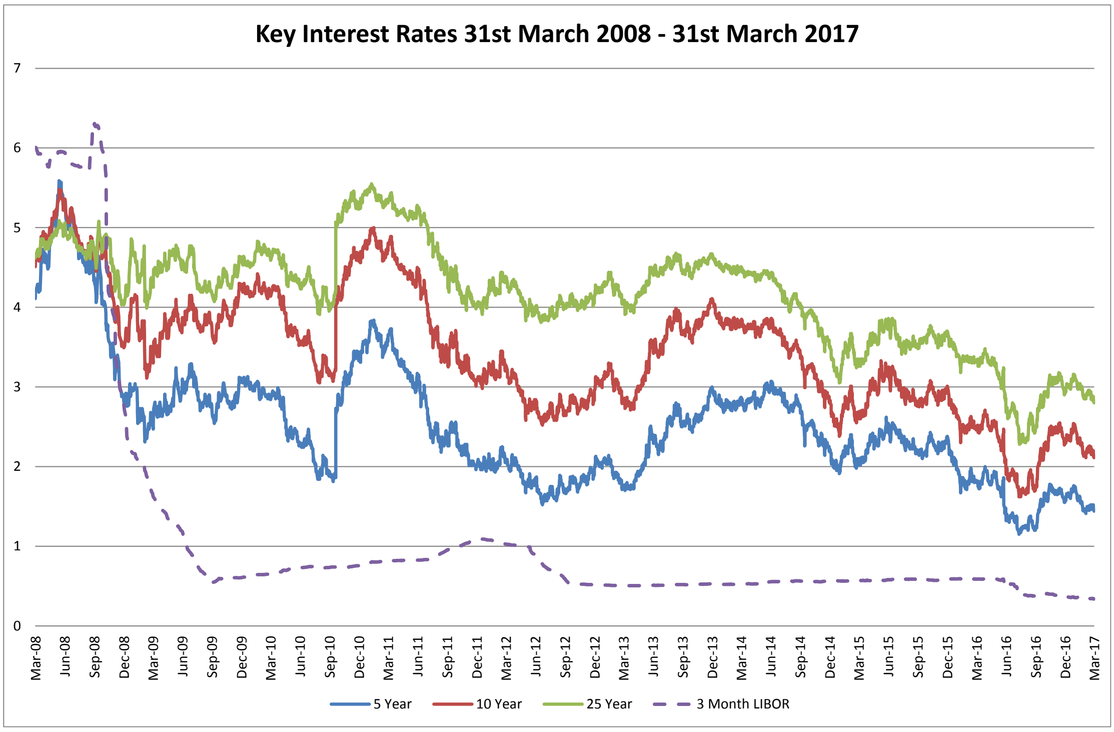
7.3. The operational boundary is the limit beyond which external debt is not normally expected to exceed, based on the CFR plus an allowance for short term borrowing that might be required for cash flow purposes or unexpected calls on capital resources. The authorised limit is based on the operational boundary but includes a margin to allow for unusual or unpredicted demands on cash. The Council has complied with these prudential indicators.

7.4. The treasury management strategy over the past few years has been to postpone borrowing and reduce investment balances. 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 was 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.

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

Chart 1



7.6. 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 required, at a similar rate to that 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, the gap between borrowing costs and investment returns has increased markedly. Borrowing costs over 25 years are currently in the region of 2.6% compared to the 3 month LIBOR rate of about 0.30%. On a typical borrowing tranche of £10m, this difference would amount to a carrying cost of £230k per annum, until it is spent.

7.7. For this reason the Council has adopted a strategy of delaying long term borrowing until cash is actually needed. 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.

7.8. The Council has a target of maintaining an under borrowed position of around £100m, this however has to be matched with assessing the long term costs of borrowing. The under borrowing position as at 31 March 2017 was £85m.

7.9. In 2016/17 long term borrowing increased by £28.9m, as set out in the table below. The additional borrowing was all from other local authorities for approximately 12 months, at rates ranging from 0.48% to 0.70%. As an indication of the impact on revenue costs, the annual interest on one year borrowing of £10m at 0.50% from another local authority is £50k, compared to £260k on a 25 year loan from the PWLB at 2.60%.

Table 3 - Changes in Borrowing 2016/17

	Description	**Rate**	**Outstanding**
Borrowing as at 31/03/16		**3.98%**	**£184,341,150**
New Borrowing			
Loan 40	London Borough of Islington	0.65%	£5,000,000
Loan 41	Leicester City Council	0.70%	£10,000,000
Loan 42	Leicester City Council	0.52%	£5,000,000
Loan 43	Guildford Borough Council	0.48%	£5,000,000
Loan 44	PCC for West Midlands	0.50%	£5,000,000
Loan 45	Oxfordshire County Council	0.50%	£5,000,000
Repayments			
Loan 2	PWLB annuity	4.70%	-£805,301
Loan 3	PWLB annuity	4.65%	-£14,527
Loan 34	LEP	0.00%	-£240,000
Loan 40	London Borough of Islington	0.65%	-£5,000,000
Borrowing as at 31/03/17		**3.51%**	**£213,281,322**
Net Increase / (Decrease)			**£28,940,172**

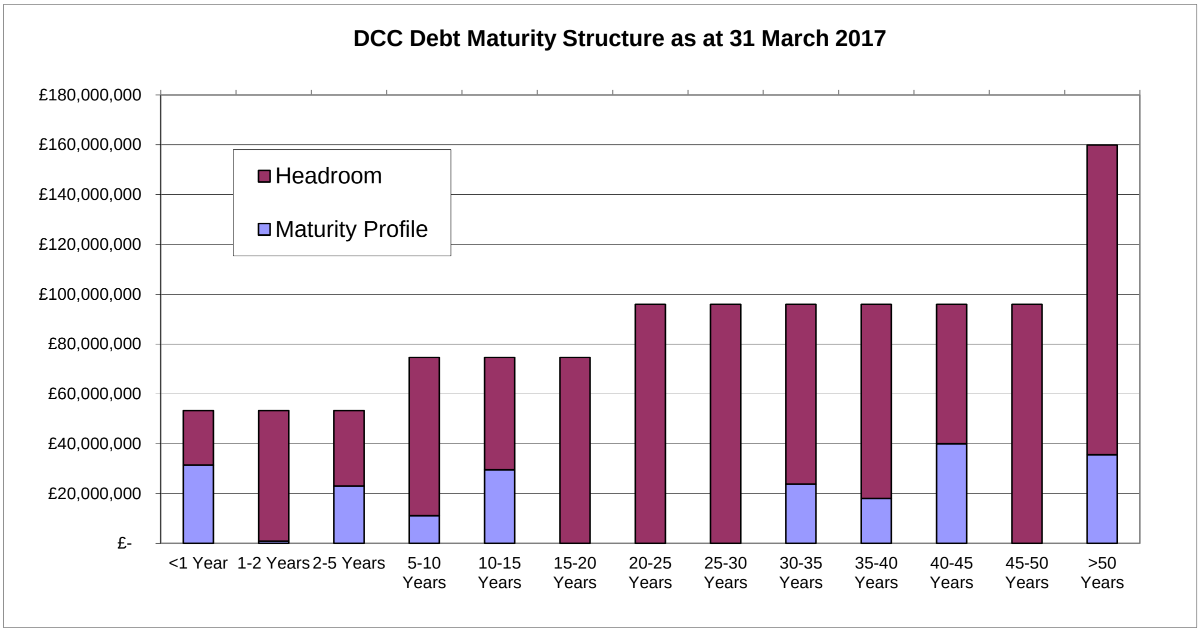
7.10. A schedule of all borrowing at 31 March 2017 is shown in Appendix 2. The Council's borrowing includes £95.1M of 'Lender Option Borrower Option' (LOBO) loans. Generally the interest rate on a LOBO is fixed for an initial period of a number of years, after which the lender has the option to change the rate at contractually defined periods such as six monthly, annually, two yearly etc. If the borrower does not agree to the change in interest rate, then they may repay the loan without penalty.

7.11. The Council has only taken out such loans when the rates offered were significantly lower than the prevailing rate for a loan for the same duration from the PWLB or other market sources. In addition, some of the loans have been taken out on a forward basis ahead of need to mitigate the risk of changes in interest rates without incurring a 'cost of carry' i.e. where borrowed funds are invested ahead of need for very low return. This ability to agree borrowing in advance is not a facility available from the PWLB.

7.12. The main risk of a LOBO loan is that the lender will only exercise their option to increase rates when rates generally available are higher, although the borrower will have benefited from lower rates for a number of years. In order to mitigate the risk of rising interest rates, the Council continually monitors market expectations of interest rate rises and its overall borrowing requirements. In addition the debt portfolio is structured so that not too much debt matures (or hits a lender option date) at the same time.

7.13. The maturity structure of the Council's borrowing remained within the prudential limits for 2016/17. The maturity limits are in place 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.

Chart 2



8. Investment Outturn for 2016/17

8.1. 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.

8.2. 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 4 shows the investment balances at the start of the year, the maximum, minimum and average balances held during the year and the investment balances at the end of the year for 2015/16 and for 2016/17.

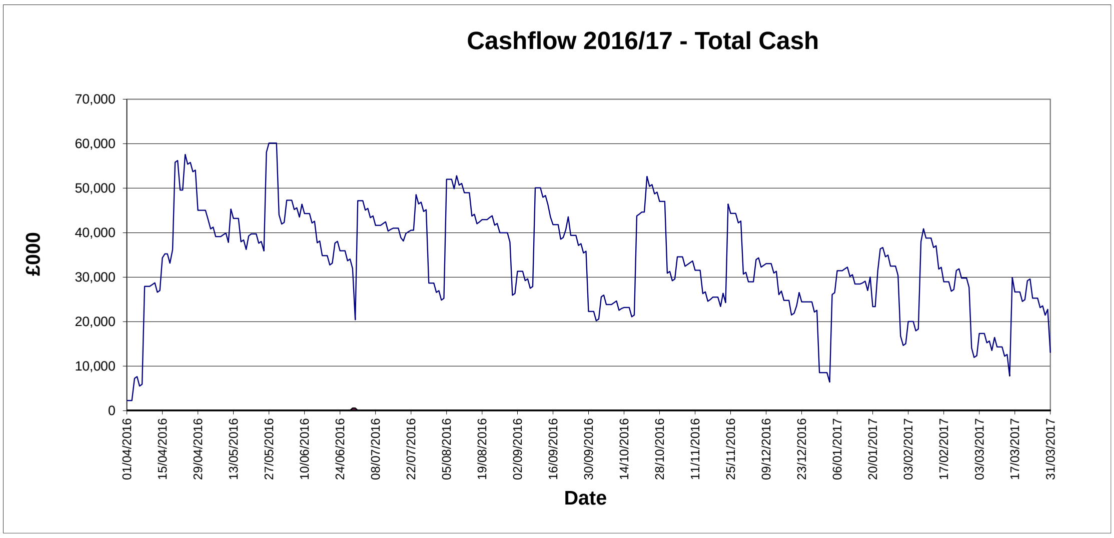
8.3. Interest earned during the year was £78k a reduction of £320k on the previous financial year. This was due to a combination of the decrease in balances held and lower rates of interest available in the market, which saw the return fall from 0.75% in 2015/16 to 0.42% in 2016/17. For comparative purposes the 7 day LIBID rate, a widely used benchmark for returns on liquid cash, averaged 0.21% over 2016/17.

Table 4 – Analysis of Investments

	Actual 2015/16	Actual 2016/17
	£000	£000
Investments as at 1 April	**56,620**	**12,738**
Maximum cash balance	124,244	55,683
Minimum cash balance	12,738	874
Average cash balances	52,992	18,735
Investments as at 31 March	**12,738**	**15,664**
Investment Income	398	78
Average Return	**0.75%**	**0.42%**

8.4 Historically balances available for investment tended to be higher at the start of the financial year as government grants were received, and reduced 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 3 below shows the actual cash and investment balances for the financial year.

Chart 3



9. Update on Loans to Icelandic Banks

9.1. On 21 May 2015 the administrator of Heritable bank paid the fifteenth interim payment to all unsecured creditors in August 2015. The total amount returned to Dorset County Council to date is £13,011,391 or 98% of the claim for £13,276,929 registered with the administrators. It is anticipated that one further small repayment may be received which would complete 100% of the claim.

10. Treasury Management Performance

10.1. Treasury Management in a large organisation is an inherently risky area, with annual cash turnover generated from its day to day operations at Dorset County Council in the region of £1,500m gross. The treasury management function is therefore highly regulated and subject to scrutiny.

10.2. A measure taken to assess the performance of the treasury management function is to take part in benchmarking with other local authorities. The Council takes part in the annual CIPFA benchmarking exercise, the last one of which involved 35, mainly large local authorities and provides an insight into the relative performance of Dorset County Council's treasury function.

10.3. The headline results of the 2016/17 CIPFA benchmarking exercise were as follows:

- DCC had above average net budget requirement at £300m (av. £251m);
- The capital programme was below average at £69m (£104m);
- The CFR was below average at £336m (£375m);
- Total borrowing was below average at £213m (£354m)
- Use of internal financing was above average at £85m (£73m);
- Investment balances were less than average at £16m (£138m);
- The interest earned was 0.42% against an average return of 0.85%;
- Interest paid on borrowing was 3.76% against the average of 4.06%.

11. Risk Management

11.1. Return on investments must be assessed against the level of risk taken by the Council. Since the Icelandic banking crisis, most 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.

11.2. 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 Plc, HSBC Bank Plc, Lloyds Banking Group Plc and Royal Bank of Scotland Plc).

11.3. The investments held as at 31 March 2017 are listed in Appendix 3, alongside the analysis of the investments in terms of counterparty, credit ratings, sovereigns and maturity profiles.

Richard Bates
Chief Financial Officer
September 2017

Prudential and Treasury Indicators

		2014/15 actual £'000	2015/16 actual £'000	2016/17 budget £'000	2016/17 actual £'000
PI 1	**Capital Expenditure**	**80,774**	**87,958**	**81,756**	**69,022**
	Financed in Year	60,538	87,958	62,037	57,566
	Unfinanced capital spend	20,236	0	19,719	11,456
PI 2	**Capital Financing Requirement - made up of**	**334,887**	**326,246**	**352,691**	**336,343**
	Long Term Borrowing	292,845	287,313	317,893	298,769
	Other Long Term Liabilities	42,042	38,933	34,798	37,574
PI 3	**Ratio of financing costs to net revenue stream**	8.02%	8.21%	7.83%	7.27%
PI 4	**Incremental impact of capital investment decisions**	**£ p**	**£ p**	**£ p**	**£ p**
	Increase in council tax (band D) per annum	2.15	0.00	10.39	6.04
PI 5	**External Debt**	**£'000**	**£'000**	**£'000**	**£'000**
	Gross Debt	215,124	184,341	204,341	213,282
	Investments	56,620	12,738	13,106	15,664
	Net Debt	158,504	171,603	191,235	197,618
	Long Term Borrowing Requirement	292,845	287,313	317,893	298,769
	Under borrowing	77,721	102,972	113,552	85,487

		2015/16 limit £'000	2015/16 actual £'000	2016/17 limit £'000	2016/17 actual £'000	2016/17 headroom £'000
PI 6	**Operational Boundary for external debt -**					
	borrowing	335,000	184,341	335,000	213,282	121,718
	other long term liabilities	40,000	38,933	40,000	37,574	2,426
	TOTAL	**375,000**	**223,274**	**375,000**	**250,856**	**124,144**
PI 7	**Authorised Limit for external debt -**					
	borrowing	355,000	184,341	355,000	213,282	141,718
	other long term liabilities	42,000	38,933	42,000	37,574	4,426
	TOTAL	**397,000**	**223,274**	**397,000**	**250,856**	**146,144**
PI 8	**Upper limit for fixed interest rate exposure**					
	Net interest re fixed rate borrowing / (investments)	11,000	7,100	12,000	7,404	4,596
PI 9	**Upper limit for variable rate exposure**					
	Net interest re variable rate borrowing / (investments)	2,000	66	2,000	0	2,000

PI 10	**Maturity structure of fixed rate borrowing**	**upper limit**	**Actual as at 31/3/16**		**upper limit**	**Actual as at 31/3/17**
	< 12 Months	15%	0%	**< 12 Months**	25%	15%
	1 to 2 Years	15%	1%	**1 to 2 Years**	25%	0%
	2 to 5 Years	25%	12%	**2 to 5 Years**	25%	11%
	5 to 10 Years	35%	7%	**5 to 10 Years**	35%	5%
	10 to 15 Years	35%	16%	**10 to 15 Years**	35%	14%
	15 to 20 Years	35%	0%	**15 to 20 Years**	35%	0%
	20 to 25 Years	45%	0%	**20 to 25 Years**	45%	0%
	25 to 30 Years	45%	0%	**25 to 30 Years**	45%	0%
	30 to 35 Years	45%	5%	**30 to 35 Years**	45%	11%
	35 to 40 Years	45%	18%	**35 to 40 Years**	45%	8%
	40 to 45 Years	45%	22%	**40 to 45 Years**	45%	19%
	45 to 50 Years	45%	0%	**45 to 50 Years**	45%	0%
	>50 Years	75%	19%	**>50 Years**	75%	17%

		2015/16 Limit £'000	2015/16 Max Reached £'000	2016/17 Limit £'000	2016/17 Current £'000	2016/17 Headroom £'000
PI 11	**Limit for investments > 1 year**	30,000	3,000	20,000	0	20,000

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Appendix 2

Borrowing as at 31 March 2017

DCC Ref	Lender	Loan Type	Drawdown Date	Term (years)	Maturity Date	Amount Drawdown	Amount Outstanding	Rate
Loan 2	PWLB	Annuity	25/07/2003	20	25/03/2023	14,185,506	5,702,829	4.70%
Loan 3	PWLB	Annuity	21/12/2004	20	25/03/2023	256,144	102,692	4.65%
Loan 10	PWLB	Maturity	01/03/2006	45.5	25/03/2051	8,815,800	8,815,800	3.95%
Loan 11	PWLB	Maturity	09/10/2006	45.5	25/03/2052	15,000,000	15,000,000	4.10%
Loan 12	PWLB	Maturity	02/08/2007	45.5	25/09/2052	8,000,000	8,000,000	4.55%
Loan 13	Barclays	LOBO	30/07/2007	70	30/07/2077	15,600,000	15,600,000	4.80%
Loan 14	PWLB	Maturity	23/08/2007	46.5	25/09/2053	10,000,000	10,000,000	4.45%
Loan 24	RBS	LOBO	25/09/2011	48	25/11/2059	15,000,000	15,000,000	4.39%
Loan 26	RBS	LOBO	04/10/2010	68	24/04/2078	10,000,000	10,000,000	4.20%
Loan 27	RBS	LOBO	04/10/2010	69	31/03/2079	10,000,000	10,000,000	4.14%
Loan 28	PWLB	Maturity	07/09/2010	15	25/02/2025	10,000,000	10,000,000	3.74%
Loan 29	PWLB	Maturity	07/09/2010	20	25/03/2030	10,000,000	10,000,000	3.98%
Loan 30	PWLB	Maturity	03/11/2011	10	25/03/2021	20,000,000	20,000,000	3.30%
Loan 31	Siemens	LOBO	25/09/2012	15	25/09/2027	10,000,000	10,000,000	3.19%
Loan 32	Siemens	LOBO	25/09/2013	15	25/09/2028	9,500,000	9,500,000	2.80%
Loan 34	Dorset LEP	Maturity	31/03/2013	5	31/03/2018	800,000	560,000	0.00%
Loan 35	BAE Systems	LOBO	31/12/2013	45	31/12/2058	2,500,000	2,500,000	4.03%
Loan 36	BAE Systems	LOBO	25/03/2014	45	31/12/2058	7,500,000	7,500,000	4.03%
Loan 37	BAE Systems	LOBO	31/03/2014	45	31/12/2059	3,000,000	3,000,000	4.00%
Loan 38	BAE Systems	LOBO	31/12/2014	45	31/12/2059	12,000,000	12,000,000	4.00%
Loan 41	Leicester City Council	Maturity	05/04/2016	1	05/04/2017	10,000,000	10,000,000	0.70%
Loan 42	Leicester City Council	Maturity	19/01/2017	1	18/01/2018	5,000,000	5,000,000	0.52%
Loan 43	Guildford Borough Council	Maturity	31/01/2017	1	31/01/2018	5,000,000	5,000,000	0.48%
Loan 44	PCC for West Midlands	Maturity	28/02/2017	1	27/02/2018	5,000,000	5,000,000	0.50%
Loan 45	Oxfordshire County Council	Maturity	19/01/2017	1	09/01/2018	5,000,000	5,000,000	0.50%
Total / Weighted Average Rate						**222,157,450**	**213,281,322**	**3.51%**
PWLB - Total / Weighted Average Rate						**96,257,450**	**87,621,322**	**3.97%**
LOBOs - Total / Weighted Average Rate						**95,100,000**	**95,100,000**	**4.03%**
Other - Total / Weighted Average Rate						**560,000**	**560,000**	**0.00%**

Lender Option Borrower Option (LOBO) Agreement Details

Loan 13	If 6 month LIBOR is between 4.50% and 6.50%, 4.45% interest is paid, if outside this range 4.80% is paid.
	First lender option 30/07/17, then every 6 months - if the borrower does not agree, can repay without penalty.
Loan 24	Rate fixed until 25/09/16 then 5 yearly lender option - if the borrower does not agree, can repay without penalty.
Loan 26	Rate fixed until 24/04/11 then 2 yearly lender option - if the borrower does not agree, can repay without penalty.
Loan 27	Rate fixed until 31/03/17 then 2 yearly lender option - if the borrower does not agree, can repay without penalty.
Loan 31-32	Rate fixed first 5 years then 5 yearly lender option - if the borrower does not agree, can repay without penalty.
Loan 35-36	Rate fixed until 31/12/2016, then annual lender option - if the borrower does not agree, can repay without penalty.
Loan 37-38	Rate fixed until 31/12/2024, then annual lender option - if the borrower does not agree, can repay without penalty.

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Cash and Investments as at 31 March 2017

Counterparty	Start Date	Maturity	Amount £'000	Rate %	Long Term Rating at Start Date	Current Counterparty Rating	Sovereign
Loans:							
Icelandic Banks							
Heritable Bank	19/05/2008	18/05/2009	4,000	6.20	n/a	n/a	Iceland
Heritable Bank	04/08/2008	31/10/2008	4,500	5.80	n/a	n/a	Iceland
Heritable Bank	21/08/2008	30/01/2009	4,600	5.97	n/a	n/a	Iceland
Icelandic Monies Returned			-13,010				n/a
Call Accounts							
NatWest Bank	31/03/2017	01/04/2017	974	0.001	BBB+	BBB+	UK
Money Market Funds							
BNP Paribas MMF	31/03/2017	01/04/2017	7,300	0.31	AAA	AAA	UK
Standard Life MMF	31/03/2017	01/04/2017	7,300	0.28	AAA	AAA	UK
Total Cash and Investments			**15,664**				
Weighted Average Yield			0.28%				

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Audit and Governance Committee

Dorset County Council

Date of Meeting	20 September 2017
<u>Cabinet member(s)</u> Tony Ferrari - Cabinet Member for Community and Resources Daryl Turner - Cabinet Member for Natural and Built Environment <u>Local Members</u> All members (local members affected have been consulted/engaged separately) <u>Lead Officer(s)</u> Richard Bates - Chief Financial Officer Mike Harries - Corporate Director for Environment and Economy	
Subject of Report	**Quarterly Asset Management Report**
Executive Summary	This report is a quarterly report which was considered by the Cabinet on 6th September 2017. It sets out key issues relating to the various asset classes of Property, Highways, ICT, Fleet and Waste and is brought to Audit and Governance Committee for its information. A more specific report on the asset rationalisation programme will be brought to the next meeting. Some of the key items to note within the report are as follows: • An update on the Asset Management Plan key performance indicators is provided (Para 2.1) • Approval is sought to transfer the painting *The Dorset Yeoman at Agagia, 26th Feb. 1916* by Elizabeth Southerden Thompson, Lady Butler, to the Keep Military Museum, Dorchester (Para 3.1) • An update on Monkton Park and a recommendation to retain the site for the time being is made (Para 4.1) • An update on the Youth Centre transfers is provided (Para 4.2) • Proposals for Bovington Park are outlined (Para 4.3) • The proposed disposal of the former Bere Regis School site is outlined (Para 4.4) • A Business Case to support investment from 2017 - 2022 in Dorset Innovation Park, which would require a financial loan from the County Council is outlined (Para 4.5) • The proposed disposal of 8 Glyde Path Road is outlined (Para 4.6)

	• Proposals to renew the Surface Treatment Framework are outlined (Para 5.1) • Other emerging issues to note are included in the report • Details of the County Council's capital programme are provided (Para 8.1)
Impact Assessment:	Equalities Impact Assessment: The most recent equalities impact assessment was undertaken on the Asset Management Plan and identified the need to ensure that the interests and needs of the six equality groups are addressed at service level as part of the service asset management planning process, including consultation with users.
	Use of Evidence: The Asset Management Plan makes use of the following sources of evidence: • The Corporate Plan and Community Strategy • Medium Term Financial Strategy • Outcomes from a Members Seminar on 25 September 2014 • Periodic public consultation • Local and National property performance data • Service (property) asset management plans • Highways asset management planning data • Corporate IT strategy
	Budget: If all the recommendations in the report are approved there will remain a capital sum of £0.1m unallocated up to the end of 2019-20.
	Risk Assessment: Specific project risk registers are in place. None of the recommendations relate to or create high or medium risks. 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
Recommendations	It is recommended that the Audit and Governance Committee: 1. Notes this report as received by the Cabinet on 6th September 2017 and the minutes pursuant thereto; 2. Notes and comments on any aspect of this report; 3. Notes the position with the asset reduction and rationalisation strategy (as detailed in section 2 herein).
Reason for Recommendation	A well-managed Council ensures that the best use is made of its assets in terms of optimising service benefit, minimising environmental impact and maximising financial return.

Appendices	Appendix 1 Financial Summary and Capital Control Totals Appendix 2 Monkton Park Business Case Appendix 3 Bovington School Site Plan Appendix 4 Bovington Children's Service Business Case Appendix 5 Bere Regis Site Plan Appendix 6 Dorset Innovation Park Business Case Appendix 7 Glyde Path Road Site plan Appendix 8 Progress against Asset Management Plan KPIs
Background Papers	The Property Asset Management Plan 2015-18 The Highways Asset Management Plan (Vol. 1/Vol. 2)
Officer Contact	Name: Peter Scarlett, Estate & Assets Service Manager Tel: (01305) 221940 Email: p.scarlett@dorsetcc.gov.uk Name: Tony Diaz, Senior Finance Manager Tel: (01305) 224950 Email: t.diaz@dorsetcc.gov.uk

1. Background

1.1 This report provides an update on key issues relating to various assets, including progress in property asset reduction and rationalisation. It also seeks approval for a number of transactions and project matters.

1.2 This report covers all the County Council's asset classes: Property, Highways, ICT, Fleet and Waste (via DWP).

2. Assets/Whole authority performance

2.1 Asset Management Plan Key Performance Indicators

2.1.1 The Asset Management Plan (AMP) sets out the key property priorities and strategies of the County Council over a three year period. There are 10 performance indicators detailed within the AMP which detail the progress that the County Council is making in delivering those priorities. Progress against the KPIs detailed in the summary document attached to this report under Appendix 8.

2.1.2 Some highlights are that the County Council has disposed of 24.6% of its non-schools property estate over the past 7 years. It has generated revenue savings of £633,000 over 2 years from the disposal of properties and capital receipts in excess of £9.0m over the same period. One of the County Council's key property objectives is to roll out flexible working across its office estate, enabling it to reduce the number of offices that it occupies from 28 down to 8. It has vacated 26% of its office space over the past 2 years and plans are on course to generate revenue savings of £850,000 per annum from its office estate alone.

2.2 The Community Offer for Living and Learning

2.2.1 A report was brought to the Cabinet in July setting out the background of this programme and providing an update on progress. A further report on this programme will be brought to the Cabinet at the end of this month.

3. General Asset Management

3.1 Transfer of Oil Painting of The Dorset Yeoman at Agagia, 26th Feb. 1916 by Elizabeth Southerden Thompson, Lady Butler

3.1.1 In late 1916, Colonel J.R.P. Goodden, a former commander of the Queen's Own Dorset Yeomanry and leader of Dorset County Council, proposed the idea of a painting of one of the regiment's battles as a memento of their First World War service. Elizabeth Southerden Thompson Butler, a world-famous battle artist of the late 19th and early 20th century, was commissioned to undertake the work and in 1918 it was given to Dorset County Council to be hung in the Shire Hall. The picture now normally hangs in the Members' Room at Dorset County Council offices

3.1.2 To facilitate greater public access and an appropriate context, it is now proposed to transfer the painting to the Keep Military Museum. There are two options:

1) A full transfer of legal title, which would essentially constitute a gift from DCC to the museum. The transfer would be contingent on the Keep Museum operating within the Acquisitions and Disposals framework which comprises part of the Arts Council Accreditation standard for museums and galleries. This means that the painting is retained in perpetuity for public benefit and in the event of the museum becoming defunct, the policy requires the ethical distribution of collections, precluding financially motivated

sale and a requirement to seek a non-financial transfer to other accredited museum collections with relevant holdings (e.g. Dorset County Museum, National Army Museum).

2) A ten year loan agreement, again governed by Arts Council Museum Accreditation standards, to ensure judicious care of the item, within recommended temperature, humidity and security conditions. Terms and conditions of loans are relatively standardised within the museums profession and an agreement between DCC and the Keep could be drawn up on this basis.

3.1.3 The Keep Museum will incur some costs in relation to moving, displaying and insuring the artwork. The Museums Advisor will support a grant application to facilitate this.

3.1.4 It is recommended that the Cabinet approves the transfer of legal title of *The Dorset Yeoman at Agagia, 26th Feb. 1916* by Elizabeth Southerden Thompson, Lady Butler, to the Keep Military Museum, Dorchester under the terms of Arts Council England's Accreditation standard and the Museum's existing Acquisition & Disposal Policy **(Recommendation i)**.

4. Dorset Property Asset Management

4.1 Update on Monkton Park

4.1.1 In June the Cabinet considered a report on the disposal of Monkton Park and a proposed sale and leaseback to Dorset Development Partnership. After a detailed debate, it was concluded that the whole of Monkton Park, including the Learning Centre (located in the Old Rectory building) subject to its re-location, should be declared surplus and for a report to be submitted to the Cabinet in September 2017 setting out the options for the site.

4.1.2 Monkton Park is situated two miles south of Dorchester town centre, accessed directly off the A354. It comprises a site area of 2.45 ha (6.11 acres). At the present time the site comprises a selection of buildings which are used by several different parties.

4.1.3 The main body of the site (comprising 1.845 ha) is used by Children's Services and the Youth Offending Team (YOT) (this service is now pan-Dorset and is managed through Bournemouth Borough Council) predominately as offices. It is intended that these buildings will be vacated by September 2018.

4.1.4 There is a standalone building, Marvin House, at the east of the site (comprising 0.066 ha) which is leased to Dorset Health Care University NHS Foundation Trust (DHUFT) on a 25 year lease at a peppercorn rent (as DHUFT funded the restoration of the building) expiring in 2036. The service provided from there is CAMHS Swifts service which is for young people with learning disability. The tenant has indicated that it would be willing to move from the building if suitable alternative accommodation can be provided on a rent free basis.

4.1.5 The final element of the site is the Learning Centre (comprising 0.54 ha). Although the buildings that the Learning Centre occupies are old and no longer fit for purpose it would not be straight forward to relocate this function away from the site. The County Council has reviewed its existing assets in the locality and it has nothing that would be a suitable replacement. It would therefore need to acquire either a site and build a new facility on it, or an existing building which could be adapted. A conservative estimate of the costs of re-providing this facility off site is £1.5 to £2.0m including site acquisition costs. As the Learning Centre serves pupils from the West Dorset and Dorchester areas, Children's Services have specified that the building would need to be either in Dorchester, or the town's immediate locality. An additional complication is that the Learning Centre is classified as a maintained school so if the County Council was to move it beyond its immediate locality it would have to undertake a consultation exercise on the proposals.

4.1.6 In response to a request for services to put forward alternative options for the site, Children's Services have put forward a business case to use the site for the provision of a Social Emotional and Mental Health (SEMH) special school as none of the special schools in Dorset cater for children whose primary need is SEMH (a summary business case is attached under Appendix 2). The summary business case explains that at the end of March 2017, 72 children with SEMH were accessing their education outside of Dorset. This is obviously not in the best interest of the child and is generally a more expensive option. The current average cost of a placement outside Dorset is £56,000 (based on 2016/17 figures), where the average local authority rate for a special school place is £19,800. Therefore local authority places cost £36,200 less than those outside the county.

4.1.7 In the first year the expectation is that at least 15 children would require a place at the new school across all age groups. The forecast is for 7 of these children to be returning from an existing out of county provision, and a further 8 children would be new admissions. Therefore the saving for the local authority would be £253,400 across a full financial year (7 places x £36,200). The 8 new admissions would also avoid the need to pay higher costs of £56,000 per place, and would instead cost the local authority £19,800 per place, avoiding additional costs of £289,600 across a full financial year (8 places x £36,200) This cost avoidance figure would increase as the school gets fully established, with a maximum of 40 children being placed there across all year groups after 3 to 4 years.

4.1.8 It has been highlighted in the business case that there is a real lack of alternative sites in Dorset to meet the needs of these children and if this site is not made available there is a real risk that the County Council would not be able to place these children in the county and instead continue to transport them to alternative counties. If the site (or an alternative site) is made available for the provision of an SEMH special school the intention is for an appropriate Multi Academy Trust (MAT) partner to bid for capital funding under the next 'wave' of Free School applications.

4.1.9 Assuming that the site was to become operational by 2020, the value of the saving would be £253,400 in the first year, with additional savings probable in future years as other pupils return from schools outside Dorset. In addition there would be the avoidance of extra costs as children could be educated in Dorset instead of in more expensive provision outside the county. The additional cost avoidance figure would be £1,448,000 per year when the school was at capacity (40 pupils x £36,200), which over a 25 year term equates to a net present value £18,400,000.

4.1.10 The alternative option of disposing of the site through Dorset Development Partnership has been assessed on the same terms. The net present value of that transaction by comparison is assessed as £2,125,000.

4.1.11 Once a suitable partner has been found and a successful capital investment bid has been developed with the ESFA, it is recommended that the County Council uses a proportion of the Monkton Park site for a new SEMH special school. Alternatively this function could be provided from an alternative site that meets the ESFA's criteria. Although sites with good transport links in accessible locations are hard to come by, the surplus land at Bovington Park (see item 4.3 of this report) may also be suitable, and this business case could apply equally to that site. The Monkton Park site could also provide an alternative location for Dorchester Learning Centre, as there is still a significant demand for places and alternative options are limited and would be costly.

4.1.12 If the new SEMH School and the Learning Centre were to remain at Monkton Park, they would require all the space on the site, and there would need to be a more detailed feasibility to ensure that the needs of all children could be met appropriately, and within DfE guidelines. But if only one of these provisions were to be placed at Monkton Park, the rest of the site could be released for an alternative use, or for a capital receipt.

4.1.13 The Cabinet is requested to approve the retention of Monkton Park to explore options for utilisation of the site, including the potential of providing an SEMH Special School and the re-provision of the Learning Centre on the site. Further work will be undertaken to identify a Multi Academy Trust (MAT) partner to bid for capital funding under the next 'wave' of Free School applications and a further report will be brought to the Cabinet at an appropriate time **(Recommendation ii)**.

4.2 Youth Service – Update on the Asset Transfers

4.2.1 In May 2016 Cabinet agreed to transfer a number of youth centre premises to local community bodies. Of the 22 Centres which DCC operated:

- 5 have now been transferred to local community groups, either by long leasehold or freehold transfer;
- 6 are in solicitors hands and are close to being completed;
- 3 have been retained for other DCC use, all with a continuing use for local youth provision;
- 4 are now or in the process of being used by schools, 3 of which will have continuing youth provision in due course;
- 2 centres have closed;
- 2 remain under discussion with the local community groups. It is proposed that a deadline of 1st December 2017 is set for the completion of the transfers of these 2 outstanding centres.

4.2.2 The matter will be brought back to the Cabinet in December for a further decision if any transfer remains outstanding at that time.

4.3 Proposed disposal of Bovington Park

4.3.1 Bovington Park was declared surplus to the County Council's requirements approximately 18 months ago, but the County Council has been unable to dispose of the site up until now as it was waiting for Section 77 consent from the Secretary of State for Education and the former owners, the MoD, were unwilling to negotiate on the lifting of a restrictive covenant limiting the site's use to educational purposes. These two items have now been resolved and the County Council has sought expressions of interest for the site. Two proposals for the acquisition of the site have been submitted, by The Bovington Tank Museum and The Delta Education Trust.

4.3.2 The Delta Education Trust has put forward a proposal to acquire the main 10 acre site, which incorporates the existing former Bovington Middle School building (hatched blue on the plan attached as Appendix 3), for the development of a free school to provide for children with autistic spectrum conditions and related anxiety and speech and language needs. The school would serve up to 100 children in Bournemouth, Poole and Dorset, and all three councils have identified a gap in provision in this area, with pupils having to travel long distances to schools out of the area.

4.3.3 Delta have their funding in place for the proposed development. Their proposal is for DCC to grant Delta a 125 year lease at a peppercorn rent (similar to the interest granted to other academies). The wider financial and educational benefits to Dorset County Council and justification for a disposal at nil value are set out in the business case attached as Appendix 4. If the proposed lease to Delta is agreed it would pick up the risk on demolition costs.

4.3.4 The Tank Museum has also made an offer for the 10 acre site. The bid is on the basis that the buildings are demolished and they have accounted for the potential cost of that demolition in their proposal. They have offered £250,000 for the building with DCC taking on the responsibility for the demolition, or £57,000 with the Tank Museum taking on the responsibility for demolition (subject to survey). The Museum has sought initial quotes for demolition with the lowest estimate at £193,000.

4.3.5 The planning restrictions with this site, the high holding costs and potential demolition costs associated with the existing buildings impact significantly on the prospects for generating a significant sum for the sale. The whole site has been valued at amenity value of £15,000 per acre, giving a total a value in the order of £260,000. Although the Tank Museum has offered a net sum of £57,000 for the 10 acre site it is thought that the true value of this part of the site is in the order of £150,000, which would be foregone if the proposed lease to Delta Education Trust is granted. The loss of such a capital receipt needs to be considered in conjunction with the cost savings and educational benefits derived from DCC commissioning the services of Delta Education Trust, which are conservatively estimated to save the County Council £253,000 and avoid additional costs of £289,600 in the first year, with additional cost avoidance of approximately £1,629,000 for each full year thereafter by educating children in a Dorset school.

4.3.6 It is therefore recommended that the Cabinet approves the use of the County Council's general powers of competence to permit it to grant a 125 year lease of the 10 acre site comprising the former Bovington Middle School site to the Delta Education Trust for the provision of a school for children with Special Educational Needs and Disabilities and otherwise on terms to be agreed by the Corporate Director for Environment and Economy **(Recommendation iii)**.

4.3.7 The Delta Trust does not require the residue land comprising former sports pitches to the west of the site (hatched red on the plan attached as Appendix 3) which comprises circa 7.2 acres. The Tank Museum has separately offered £108,300 for this site. The initial intention would be for the Tank Museum to utilise the land for overflow car parking for their regular events during the summer. Out of season they have indicated a willingness to facilitate Wool Football Club with their desire to utilise the land. The proposed acquisition would assist with the Tank Museum's further growth plans consolidating the 70% growth in visitor numbers seen over the past 10 years.

4.3.8 Whilst a disposal of this land to the Tank Museum of future expansion would undoubtedly benefit the local economy, it has been recognised that this site would be a very good alternative location to Monkton Park for the provision of an SEMH special school. The site has good transport links and is located close to the centre of the county, as demonstrated by the Delta Trust's desire to locate its school there. There would undoubtedly be synergies that could derive from having these two schools located side by side.

4.3.8 It is therefore proposed that the County Council retains the 7 acre playing field site for the time being whilst it explores the opportunities to procure a partner to construct and operate an SEMH school within the county (as set out in para 4.1.8). This could either be on this site, or at Monkton Park. If this site proves not to be suitable for an SEMH school, the County Council could dispose of the land to the Tank Museum.

4.3.9 It is recommended that the County Council retains the 7 acre playing field site at Bovington Park whilst it explores further options **(Recommendation iii)**.

4.4 Proposed Disposal of Former Bere Regis School

4.4.1 The former Bere Regis Primary School became surplus upon the opening of the replacement school in January 2017. Since then officers have been engaged in discussions with the Parish Council over to the future use of the site.

4.4.2 The Parish Council has declared its existing Village Hall no longer fit for purpose and has identified three sites for potential relocation. The former Bere Regis Primary School site is one of the potential locations although not the preferred option which lies on land adjacent to the entrance road to the new school.

4.4.3 A master plan has been prepared for the potential redevelopment of the former School site which proposes a residential redevelopment of the site encompassing 22 units (incorporating affordable housing in line with PDC policy at 40%). Redevelopment would be subject to planning consent for the site, part of which sits outside the settlement boundary. The Parish Council, whilst supportive of the proposals in principle, would like the County Council to set aside part of the site for the possible provision of a new village hall whilst they explore the viability of the three options that they have identified.

4.4.4 Recent comparable evidence suggests that the value of the site with outline consent for the scheme envisaged above (excluding a village hall) would be in the order of £750,000 - £800,000 (after demolition costs).

4.4.5 The master planners have interpreted that the Parish Council's aspirations for the village hall would potentially lead to a loss of 6-8 units from the scheme. It is assessed that there would be a value degradation of circa £220,000 - £290,000 if the required land (highlighted edged red and brown on the plan appended to this report at Appendix 5) is withheld at this stage from any potential sale. Splitting the site may also affect marketability as prospective purchasers might be concerned because of the uncertainty relative to the retained land.

4.4.6 Given that the site is not the Parish Council's preferred location for its replacement village hall, and that setting aside land for any such facility would lead to a diminution in the capital receipt that the County Council would obtain and potentially delay the disposal, it is felt that the County Council should proceed to dispose of the whole site. At the same time the County Council should work with the Parish Council as far as it is able to support its aspiration to re-provide the village hall in its preferred location adjacent to the private road to the new school. It is therefore recommended that the Cabinet approves the disposal of the whole of former Bere Regis Primary School site on terms to be agreed by the Corporate Director for Environment and Economy **(Recommendation iv).**

4.5 Dorset Innovation Park – Business Case to support investment from 2017 – 2022

4.5.1 Dorset County Council acquired Dorset Innovation Park in March 2017 and are seeking approval to secure a capital investment programme funded by way of prudential borrowing from the Public Works Loan Board or the use of credit balances. The County Council is represented on the EZ Management Board by Cllr Croney.

4.5.2 The summary Business Case (attached under Appendix 6) substantially outlines the case which is driven by investment requirements in Years 1-5 identified by the consultants who submitted the EZ Implementation Plan to DCLG in March 2017. The investment requirements have subsequently been analysed by officers and split in accordance with the respective interests in the Enterprise Zone. Dorset LEP has identified expenditure projects of £2,592,000 over the first five years. It is proposed that 50% of the resource, £1,296,000, is made available and funded through retained business rates from the Park (Loan 1). This element includes the cost of the delivery of the Local Development Order to simplify the planning process for faster development delivery in due course. The potential refurbishment of Chesil House is also in the budget, subject to further detailed feasibility appraisals. It is proposed that the remaining 50% of the EZ Strategic Capital expenditure not covered by this Business Case, together with the revenue expenditure required (i.e. for interest payments, EZ Manager and marketing costs) is met from money which Dorset LEP holds in the Growing Places Fund (however this is a decision for DLEP Board, not for the Cabinet).

4.5.3 Separately the landowners (Dorset County Council and Purbeck District Council) have identified other works highlighted within the Implementation Plan related to infrastructure improvements on the Park to prepare and facilitate early plot sales. Loan 2 highlighted in the attached business plan is for £980,000 (including 20% contingency) being Dorset County Council's proportion (i.e. 5/6th) of the landowners' capital expenditure. The other 1/6th contribution is being sought from Purbeck District Council, which owns a 1/6th proportion of the Innovation Park. In respect of Loan 2, it is proposed that the landowners' capital receipts from the plot sales at Dorset Innovation Park are initially ring-fenced towards the repayment of this loan.

4.5.4 It is projected that Loan 1, with repayments funded by ring fenced retained business rates, will be redeemed in Year 10. Loan 2 is projected to be repaid in Year 3 by way of ring-fenced capital receipts from land sales.

4.5.5 Dorset Innovation Park requires the significant investment identified in the Implementation Plan and in the Business Case. If the investment highlighted for the first five years is not funded there is a greater risk to the investors that existing businesses on the park may relocate elsewhere thereby defeating the rationale of the public sector acquiring the park to protect and promote wider employment generation in Dorset. Furthermore, if existing businesses re-locate the landowners will incur greater costs from empty property rates and contributions to the estate service charge whilst losing existing revenue streams.

4.5.6 The Cabinet is requested to approve resources of £2,276,000 (including a 20% contingency) to fund loans 1 and 2 are made available as a loan for up to a ten year period through Forward Funding from the County Council by way of either prudential borrowing from the Public Works Loan Board or the use of credit balances **(Recommendation v).**

4.6 **Proposed Disposal Sale of 8 Glyde Path Road, Dorchester**

4.6.1 8 Glyde Path Rd is a detached Grade II listed house that has been occupied for many years by the Manager of the Colliton Club. In 2014 the Club's premises and the house were transferred out of County Council control to the Colliton Club Management Committee under two separate leases. (A location plan is attached under Appendix 7).

4.6.2 The property has now been returned to the Council with vacant possession and following consultation with local members the initial views of Dorchester Town Council have been sought to ascertain if it might be of interest to their key worker housing Community Land Trust. However because of the potential constraints on redevelopment/refurbishment due to its listed nature it is unlikely to be of interest.

4.6.3 PMG has confirmed that there are no Dorset County Council services with an interest in retaining this property and both local members have confirmed that they would have no objection to any such disposal. So it is proposed that the property is declared surplus and placed on the open market as soon as possible.

4.6.4 The Cabinet is requested to approve the disposal of 8 Glyde Path Road, Dorchester on terms to be agreed by the Corporate Director for Environment and Economy **(Recommendation vi).**

4.7 Schools Basic Need Programme, use of delegated authority – to note

4.7.1 The Cabinet previously approved authority to the Director for Children's Services, after consultation with the Cabinet Member for Children's Services and the Modernising Schools Programme Board, to approve individual projects within the Schools Basic Need Programme budget proceeding through gateways of the Capital Project Delivery Protocol.

4.7.2 There were a number of recommendations which were due to be considered by the MSP Board at their meeting on 16th May 2017, which were required to enable a major extension project to commence, and complete within the agreed timescale, and to keep the modular classroom works planned for this summer on programme. Due to the Local Government elections this meeting was subsequently cancelled as member appointments had yet to be made to Boards. It was therefore necessary for the Director to exercise the delegated authority to agree the following decisions to allow the projects to proceed on programme:

4.7.3 To agree an increase in the budget allocation for the Sherborne Abbey VC CE Primary School extension project by a further £435,000 to enable the project to proceed.

4.7.4 To approve 'Commit to Construct' (Project delivery Gateway 6) for the extension of Sherborne Abbey VC CE Primary School to 2FE.

4.7.5 To agree an increase in the budget allocation to £700,000 for a new modular building at Shaftesbury Primary School.

4.7.6 To agree an increase in the budget allocation to £427,000 for a new modular building at St Michael's CE Middle School, Colehill.

4.7.7 To agree an increase in the budget allocation to £547,000 for a new modular building at Mudeford Junior School, Christchurch.

4.7.8 All of the above works will be completed within the current MSP capital works budget allocation, and will not create any additional financial pressure.

5. Highways Asset Management

5.1 Surface Treatment Framework

5.1.1 The existing Premium Surface Dressing and Micro-asphalt 4 year framework expires on 13th October 2017 and the Carriageway Surface Retexturing Framework expires on 6th July 2018. Due to the similarities with these currently separate framework contracts, the relatively close expiry dates and the similar range of suppliers who are likely to be interested in these opportunities, the Highways Operations team wishes to roll the two frameworks into a single framework which would cover all surface treatments (including some extra treatments not currently covered by any framework).

5.1.2 There is an on-going and increasing need to carry out these types of highway surface treatments in line with Highways' established asset management strategy. The aggregated value of this 4 year multi lot, multi supplier framework is £8m which is to be funded through existing budgets. The new framework will be collaborative with Bournemouth Borough Council and the Borough of Poole Council and will be hosted by (and the procurement process lead by) Dorset County Council. In addition, it will also be accessible to other South West Authorities.

5.1.3 The contract process is at scoping stage and it is recommended that the Cabinet approves that upon completion of the scoping work, a new Surface Treatment Framework is procured and let **(Recommendation vii).**

5.2 West Stafford Bypass Flooding Improvements scheme – to note

5.2.1 Due to the urgency to resolve the issue of the frequent flooding of West Stafford Bypass, a phased approach for the delivery of measures was developed. Phase 1 works were completed in April 2017 and have been successful in preventing a reoccurrence of the highway flooding problem so far. Phase 2, the installation of retention ponds in the adjacent fields, will be instigated if Phase 1 begins to fail in the future.

5.2.2 As the County Council was negotiating to acquire some agricultural land for the construction and maintenance of the earth bunds for Phase 1, it has taken the opportunity to acquire sufficient land area for the future Phase 2 retention ponds. The farmer will continue to farm this area until if/when it will be required for the scheme. PMG has approved the acquisition and the Cabinet is requested to note that this scheme is progressing.

5.3 Update on the A350/C13 scheme – to note

5.3.1 The A350/C13 Route Management Scheme between Blandford and Shaftesbury is funded by the Department for Transport (DfT) through the National Productivity Investment Fund to the amount of £2.42m and the funding constraints require implementation of the scheme during this financial year. The scheme will address areas of congestion and conflict to ensure that drivers travel appropriately through the various communities including Fontmell Magna, Melbury Abbas, Iwerne Minster and Stourpaine.

5.3.2 The scheme includes restructuring, resurfacing and drainage work along various sections of both the A350 and C13. In addition there are a number of traffic management proposals which will require Traffic Regulation Orders (TRO's) to change speed limits, adjust village gateways and to ban certain movements (at the Gore Clump junction to Compton Abbas Airfield and the Pitts Lane junction in Cann). There is currently an advisory signed route for HGV's suggesting they travel south on the C13 and north on the A350. Local concerns about this have been raised through the public consultation process and representations made by local community groups and Parish Councils along both the A350 and C13. Consultation is also being undertaken with the emergency services and the results should be known at the beginning of September.

5.3.3 It is anticipated that a Cabinet Resolution will be required in Autumn 2017 on issues surrounding the implementation of a permanently signed route for HGV's on the A350/C13 corridors.

6. Fleet Asset Management

6.1 Vehicle Replacement Programme 2017/18 - to note

6.1.1 The vehicle replacement programme has 15 Dorset Travel vehicles to be replaced this financial year. As part of the Council wide review of transport there is a review in Adult Services to understand their future transport requirements. These vehicles will not be replaced until the overall position is resolved.

7. ICT Asset Management

Significant emerging issues – to note

7.1 ICT capacity to manage and maintain its operational services

7.1.1 ICT & Customer Services have addressed budget pressures in 2017-18 of £977,000 in excess of the budget control total (gross budget £8.2m/net budget £4.97m). In 2018-19 there is a further £791,000 budget pressure. Capacity has reduced in each of the last 3 years, and will need to do so again in 2017-18 to address this cost pressure.

7.1.3 The impact of this on ICT's ability to deliver will inevitably be focused around improving the efficiency of core operational delivery at the expense of supporting wider transformational work. The risk of this capacity reduction has been raised with Cabinet members and CLT and has been acknowledged.

7.1.5 A position statement is being developed which will articulate ICT's capacity to deliver across operations, maintenance projects and transformational projects set against the reduced financial allocations it now has for projects and operational support.

7.1.6 This position statement will help officers and members to have a clear understanding of what ICT can and cannot do, irrespective of whether there can be more investment in ICT. However investment would only be part of the answer alongside ongoing improvement of operational efficiency.

7.2 Cyber-risk and ICT continuity

7.2.1 The County Council has experienced a number of cyber-attacks and continuity incidents over recent weeks. Cyber risk remains at a High Level and is flagged on the corporate risk register. ICT staff are currently trialling some new toolsets with NHS partner authorities that may help detect intrusion more easily and quickly – although this will require investment. The outcomes of this review will be presented to Resilience Group and the Information Strategy Group for commissioning where appropriate. ICT is refreshing it continuity approaches and its risk monitoring such that it can provide better assurance that the risks are being effectively managed.

7.2.2 All staff and members have been asked to complete the on-line cyber security training by the end of August to help mitigate the risk.

8. Waste Asset Management

8.1 No Items to report this quarter.

9. Financial Performance

9.1 Financial Summary and Capital Control Totals

9.1.1 The overall financial position is summarised in Appendix 1. Over the next three years the total sum available is £ 0.1m up to the end of 2019-20.

9.2 Executive Summary of Approved Projects, including significant changes

9.2.1 Details of the approved schemes are set out in the schedule situated on Dorset For You, accessed via the following link: https://www.dorsetforyou.gov.uk/dorset-property/asset-management-plan

9.2.2 The Cabinet is requested to approve the overall revised capital expenditure estimate and cash flows as summarised in Appendix 1 **(Recommendation viii)**.

Richard Bates
Chief Financial Officer

Mike Harries
Corporate Director for Environment and Economy

September 2017

DIRECTORATE	2017-18 £'000	2018-19 £'000	2019-20 £'000
CHILDRENS	22,767	15,671	5,243
ENVIRONMENT	41,604	16,575	14,580
ADULT & COMMUNITY	1,397	3,853	3,600
CABINET / WHOLE AUTHORITY	15,367	5,227	1,893
DORSET WASTE PARTNERSHIP	2,829	3,875	4,732
CAPITAL FLEET REPLACEMENTS	1,539	1,053	510
CAPITAL R & M	6,037	5,967	5,967
TOTAL	91,540	52,221	36,525
Anticipated Slippage	(20,000)	7,500	7,500
Contingency re Risk Items	2,279	0	0
(Overcommitted) / Remaining flexibility (to meet target)	103	0	0
Gross Predicted Capital Spend	73,922	59,721	44,025

Summary Business Case regarding the future use of Monkton Park
Cabinet - Quarterly Asset Management Report - September 2017

Context
Currently there are a significant number of children with Special Educational Needs and Disabilities (SEND) who are in various types of care and education placements, inside and outside of the county of Dorset. Better outcomes for children are normally achieved when they are close to their family, community, and support networks. Dorset County Council (DCC) is currently engaging with a number of Multi Academy Trusts (MATs) in order to bring additional capacity to Dorset, particularly for children with Autistic Spectrum Disorder /Condition (ASD / ASC) and children whose primary need is Social Emotional and Mental Health (SEMH).

A successful bid by the Delta Academy Trust for a school for children with ASC / ASD has led the Education and Skills funding Agency (ESFA) to search for a suitable site/property across Dorset, Poole and Bournemouth. This search has only identified one suitable site so far; Bovington Park in Dorset. It is apparent, from this search and other property searches carried out by Dorset County Council for alternative school sites that appropriate places are hard to find.

Demand
Children's Services have already identified the need for a SEMH special school in Dorset, as none of our special schools in Dorset cater for children whose primary need is SEMH. We have engaged with a number of Multi Academy Trusts (MATs) to develop a bid, to the ESFA, for capital investment.

At the end of March 2017, 72 children with SEMH were accessing their education outside of Dorset. This is obviously not in the best interest of the child and is generally a more expensive option. With the rise in the number of children with Education Health and Care Plans (EHCPs) and Statements of Educational Need (SEN), there is further demand expected (see **Appendix A**) over the coming years, and DCC must meet its statutory duty to provide appropriate education for all children in Dorset. This could also release some capacity at Learning Centres, who could then make places available for other children currently waiting to attend their provision with SEMH needs, avoiding the need for further Out of County places.

Financial Implications
The current average cost of a placement outside Dorset is £56,000 (based on 2016/17), where the average local authority rate for a special school place is £19,800. Therefore local authority places cost £36,200 less than those outside the county. The intention is for an appropriate Multi Academy Trust (MAT) partner to bid for capital funding under the next 'wave' of Free Schools. This would allow DCC to start placing children at the proposed SEMH free school, which could be located at Monkton Park, from September 2019 or 2020, reducing the financial demands on the local authority.

In the first year the expectation is that at least 15 children would require a place at the new school across all age groups. The forecast is for 7 of these children to be returning from an existing out of county provision, and a further 8 children would be new admissions. Therefore the saving for the local authority would be £253,400 across a full financial year (7 places x £36,200). The 8 new admissions would also avoid the need to pay higher costs of £56,000 per place, and would instead cost the local authority £19,800 per place, avoiding additional costs of £289,600 across a full financial year (8 places x £36,200) This cost avoidance figure would increase as the school gets fully established, with a maximum of 40 children being placed there across all year groups after 3 to 4 years. The full year effect of avoiding expensive costs once the school is educating 40 children would be £1,448,000 per year.

Risks
If the Monkton Park site is not made available for a new SEMH special school, there would be a real lack of alternative sites to meet the needs of these children as detailed above in respect of the recent search by the ESFA. This would mean that Dorset would still not be able to place

these children in the county and instead continue to transport them to alternative counties for their education therefore costs would not reduce as outlined above.

There is still a demand for places at the Dorchester Learning Centre, and if this provision was not to be delivered from Monkton Park, consideration would need to be given as to an alternative site, and how this would be paid for. There is the potential to keep this provision on the site with the SEMH special school if no alternative site can be identified.

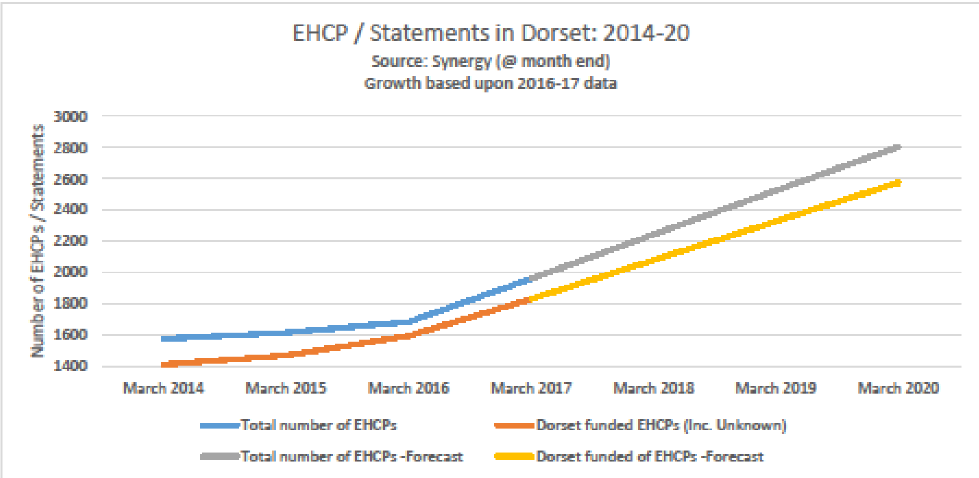
Recommendation

Once a suitable partner has been found and a successful capital investment bid has been developed with the ESFA, Children's Services recommend that DCC use a proportion of the Monkton Park site for a new SEMH special school. The site area could also provide an alternative location for Dorchester Learning Centre, as there is still a significant demand for places as detailed above.

If the new SEMH school and the Learning Centre were to remain at Monkton Park, they would require all the space on the site, and there would need to be a more detailed feasibility to ensure that the needs of all children could be met appropriately, and within DfE guidelines.
If only one of these provisions were to be placed at Monkton Park, the rest of the site could be released for alternative use, or for a capital receipt (Please see site plan below).

Appendix A

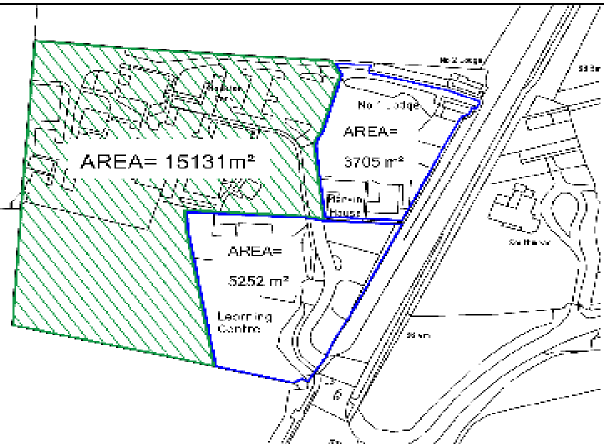
	March 2014	March 2015	March 2016	March 2017	March 2018	March 2019	March 2020
Total number of EHCPs	1578	1618	1686	1962			
Dorset funded EHCPs (Inc. Unknown)	1414	1472	1597	1832			
Total number of EHCPs -Forecast				1962	2246	2526	2806
Dorset funded of EHCPs -Forecast				1832	2081	2329	2577



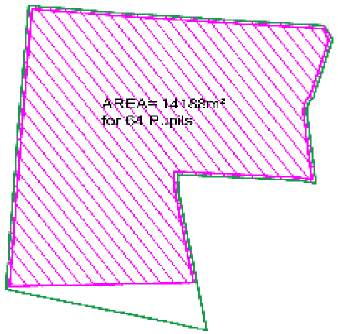
This graph is based upon an extrapolation of the 2016-17 data.

QAMR 06 Sept 2017 Monkton Park Site Plan

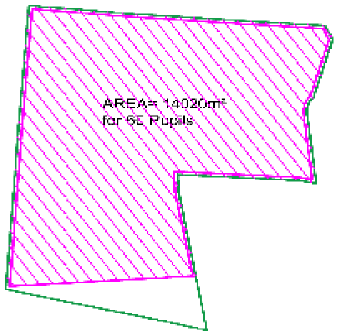
A3



SPECIAL SCHOOLS WITH FORMAL TEAM GAMES
Min Areas



SPECIAL SCHOOLS WITH FORMAL TEAM GAMES
Min Areas



Notes and Revisions 17

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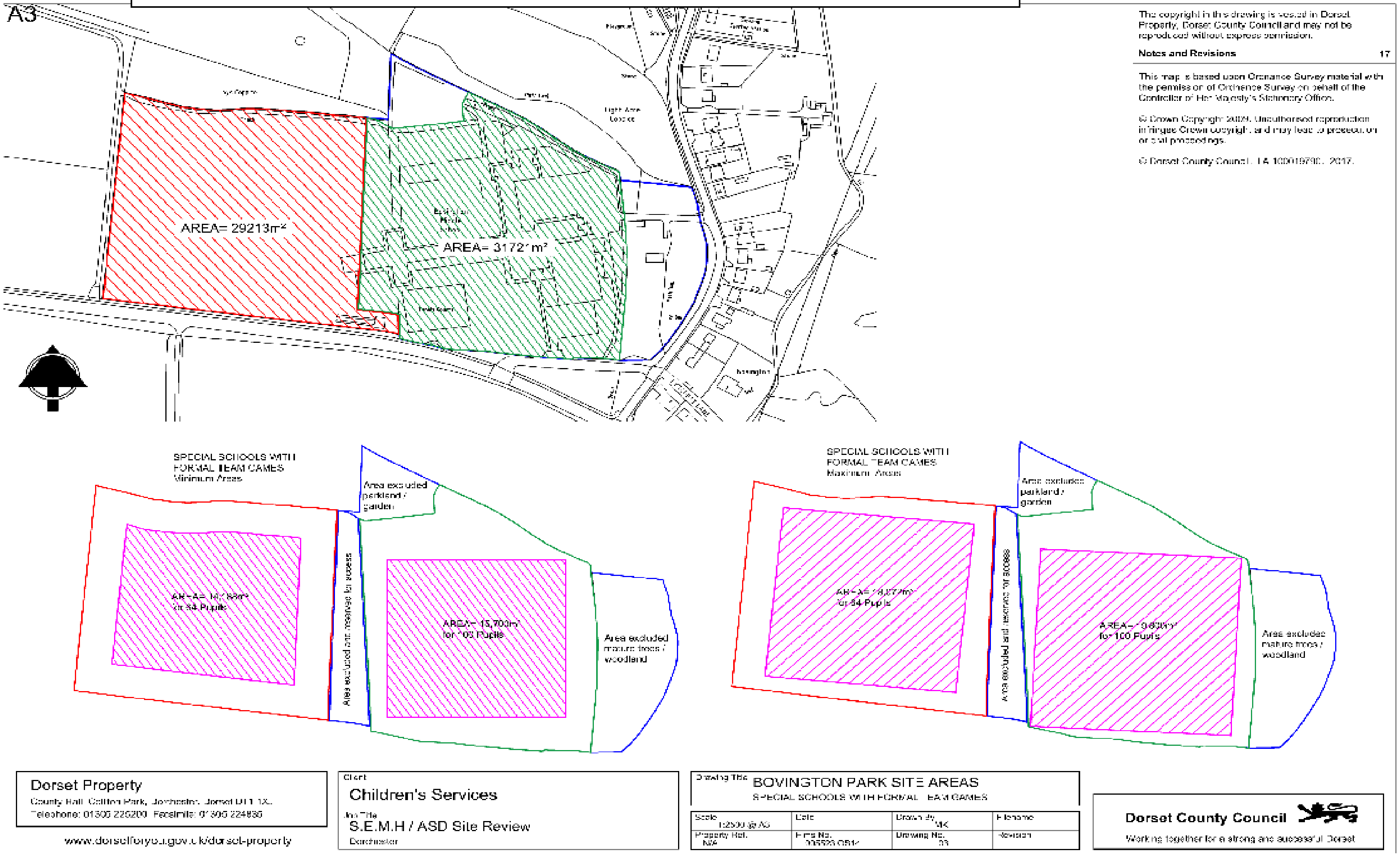
Client: Children's Services
Job Title: S.E.M.H / ASD Site Review
Dorchester

Drawing Title: MONKTON PARK SITE AREA
SPECIAL SCHOOLS WITH FORMAL TEAM GAMES

Scale	Date	Drawn By	Filename
1:2000 @ A3		MK	
Property Ref.	**Files No.**	**Drawing No.**	**Revision**
N/A	005523 OS14	01	

Dorset County Council
Working together for a strong and successful Dorset

QAMR 06 Sept 2017 Bovington Park Site Plan



Summary Business Case in support of leasing Bovington Park to the Delta Academy Cabinet - Quarterly Asset Management Report - September 2017

Context
Currently there are a significant number of children with Special Educational Needs and Disabilities (SEND) who are in various types of care and education placements, inside and outside of the county of Dorset. Better outcomes for children are normally achieved when they are close to their family, community, and support networks. Dorset County Council (DCC) is currently engaging with a number of Multi Academy Trusts (MAT's) in order to bring additional capacity to Dorset, particularly for children with Autistic Spectrum Disorder/Condition (ASD / ASC), and children whose primary need is Social Emotional and Mental Health (SEMH).

The Delta Academy has made a successful bid to the Education, Schools Funding Agency (ESFA) for capital funding to build a new free school in Dorset, Poole or Bournemouth for at least 60 children with ASD/ASC. Their preferred site, after significant research, is Bovington Park in Dorset for a new school, and they have already been in discussions with Dorset Property regarding an acquisition. The current proposition is to lease the site to the Delta Academy Trust on a 125 year lease, as we do with other academies, and the ESFA will build a new school on the site, catering for children aged 10 to 19.

Demand
DCC has significant demand for this type of provision, and currently educate over 70 children with ASD/ASC outside Dorset. With the rise in the number of children with Education Health and Care Plans (EHCP's) and Statements of Educational Need (SEN), there is further demand expected over the coming years, and DCC must meet it's statutory duty to provide appropriate education for all children in Dorset.

Financial Implications
The average cost of a placement outside Dorset for a pupil with ASD/ASC is £56,000, where the average local authority rate for a special school place is £19,800. Therefore local authority places cost £36,200 less than those outside the county. The intention would be to start placing children at the new free school in Bovington from the opening of the school in September 2019, reducing the financial demands on the local authority.

In the first year the expectation is that at least 15 children would require a place at the new school across all age groups. The forecast is for 7 of these children to be returning from an existing out of county provision, and a further 8 children would be new admissions. Therefore the saving for the local authority would be £253,400 across a full financial year (7 places x £36,200). The 8 new admissions would also avoid the need to pay higher costs of £56,000 per place, and would instead cost the local authority £19,800 per place, avoiding additional costs of £289,600 across a full financial year (8 places x £36,200) This cost avoidance figure would increase as the school gets fully established, with a maximum of 45 children being placed there across all year groups after 3 to 4 years. The full year effect of avoiding expensive costs once the school is educating 45 children would be £1,629,000.

Risks
If this site is not made available, the ESFA will continue to look for alternative sites that would support the needs of Dorset, Poole and Bournemouth children, and with no other alternative sites in Dorset, the expectation would be a school in Poole or Bournemouth. This would mean that Dorset would not be able to place as many children in the school due to travelling distances, and therefore costs would not reduce as outlined. Dorset would still need to identify another partner to build an ASD/ASC school in Dorset, on an alternative site to meet the needs of Dorset children in addition to the need for an SEMH school. If there is any further delay in the ESFA identifying an appropriate site, the school will not be able to open in September 2019, and this will create additional pressure on capacity and costs within the system.

Recommendation

Children's Services recommend that DCC support the leasing of Bovington Park to the Delta Academy Trust, in order for them to build a new free school to meet the needs of Dorset children with ASD/ASC, allowing these children to stay closer to their families, communities and support networks. This would also reduce the SEN placement costs to the local authority.

QAMR 06 Sept 2017 Bere Regis School Community Hall Plan

Dorset Innovation Park – Summary Business Case **September 2017**

Executive Summary	• Dorset County Council, together with Purbeck District Council and Dorset Local Enterprise Partnership, has made a significant financial and reputational investment in purchasing the freehold of what is now Dorset Innovation Park, a Government designated Enterprise Zone (EZ). • As an Enterprise Zone there are financial incentives available to business moving onto, or expanding on, Dorset Innovation Park. • The successful development of Dorset Innovation Park would contribute to the achievement of corporate objectives, principally through the creation of some 2,000 new jobs, and provide a positive financial return for the Council. • To realise the full potential of the EZ a programme of works is required.
Recommendation	It is recommended that resources of £2,276,000 (including a 20% contingency) for a ten year period are made available through Forward Funding from Dorset County Council by way of either prudential borrowing from the Public Works Loan Board or the use of credit balances. This funding is to cover the Year 1-5 essential strategic expenditure required for the development of Dorset Innovation Park EZ. This forward funding is to be split into 2 loans: • Loan 1: £1,296,000 (including 20% contingency) for 50% of Dorset LEP's EZ Strategic capital expenditure, funded through retained business rates, with repayment forecast in Year 10. The remainder of the funding is expected to come from the Growing Places Fund. • Loan 2: £980,000 (including 20% contingency) by Dorset County Council for it's proportion (i.e. $5/6^{th}$) of the landowners' capital expenditure. Repayment of this loan is forecast for Year 3. In respect of Loan 2, it is requested that the landowners' capital receipts from the plot sales at Dorset Innovation Park are initially ring-fenced towards the costs of bringing forward future plots. In view of the inter-related nature of the two parts of this projects, it has been decided to submit this as one Business Case, however each party will pay their own interest costs.

Purpose
The purpose of this Summary Business Case is to support Forward Funding, such as borrowing, in order to bring forward the development of the Dorset Innovation Park EZ. The Full Business Case is available to Members on request from Helen Heanes or David Walsh. The Forward Funding is to be repaid from retained Non Domestic Business Rates (NDBR) in respect of year's 1-5 Strategic EZ capital expenditure by Dorset Local Enterprise Partnership (LEP) and plot sales in respect of the landowner's capital expenditure.

Fit with Dorset County Council's Corporate Priorities
This proposal contributes to the prosperous and healthy priorities.
For the Economy Service, one of the key objectives in the Service Plan for 2017/18 is to "Contribute to successful delivery and operation of Dorset Innovation Park". The aim of Dorset Innovation Park EZ is to "stimulate business growth by becoming a catalyst for enhanced economic growth through the creation of highly skilled jobs, the unblocking of employment land, and the encouragement of investment into the area"; with critical success factors of: safeguarding

highly skilled employment in advanced engineering, manufacturing and defence jobs; attracting and creating new advanced engineering and manufacturing, defence, marine, energy and cyber security jobs to Dorset, and; Net zero additional revenue cost implications for DCC

Background

- On 1 November 2015 Dorset Green Technology Park was awarded EZ status for 25 years as part of the government's Wave 2 of EZ's. EZ status came into effect on 1 April 2017 at the same time as the name change to Dorset Innovation Park. Formal launch of the EZ is planned for late autumn.
- On 31 March 2017 DCC, purchased Dorset Innovation Park from the Homes & Communities Agency for £500,000. This was funded by DCC £250,000, PDC £50,000 and Dorset LEP £200,000 grant (repayable if the site is sold in the first 5 years). A partnership agreement is being put in place between DCC and PDC to reflect PDC's 1/6th stake in the site. Originally Dorset LEP was to be a joint owner, however their Board's view was that it was not in the interests of Dorset LEP to become a landowner.
- The biggest employers on the site are Atlas Elektronik UK, QinetiQ, OptaSense and Nuvia. Other employers include Rite Advice, Anetwork and Weatherford Labs. The safeguarding and developing of high skilled employment in Dorset in advanced engineering, manufacturing and defence technologies is the primary reason for the establishment of the EZ and for DCC and PDC purchasing the freehold of the site.

Governance

The EZ Governance structure adopts a three tiered approach. The key decision and information flow is from the Dorset Innovation Park EZ Project Group which develops, works up and implements the Master Plan and Implementation Plan, to the Dorset Innovation Park EZ Management Board which makes the decisions. The EZ Management Board contains Member representation from the Local Authorities, Dorset LEP, the landowner and the EZ tenants. The decisions of the Dorset Innovation Park EZ Management Board are ratified by the Dorset LEP Board. Through this structure the EZ Management Board makes the decisions on how the retained business rates are to be used

Current Operation

- At Dorset Innovation Park, the quadrant workspace scheme, involving £1.2m infrastructure funded through DCC & PDC, is nearing completion. New entrance signs reflecting the name change have been ordered and new road signs and sign "patches" have been installed. On-site signage is still required.
- Dorset Innovation Park EZ has been identified as the priority site to benefit from investment to provide Ultrafast broadband, which is being procured through DCC Superfast Dorset team, making use of £2m grant funding from BDUK's Ultrafast Fund for the SW and £2m grant from Dorset LEP's Growing Places Fund. Delivery is currently planned for 2018.
- Records provided at the time of the site purchase show a small deficit on site operating costs and service charges of approx. £60,000 pa. This is shared 1/6th PDC and 5/6th DCC and is attributable to low levels of occupancy of Chesil House. Works required at Chesil House includes replacing windows, providing fully accessible facilities including disabled toilets, revised door widths, creating meeting rooms and catering facilities.

Developing the Plan

- With an EZ, the business rates from the site for a 25 year period are retained for re-investment in the site. In the majority of instances Forward Funding or Prudential Borrowing are used to fund the upfront infrastructure and EZ development costs, with the borrowing and interest then repaid from future business rate income.
- Dorset LEP employed the consultants Ward Williams Associates (WWA) to develop the Master Plan and Implementation Plan for the EZ. A shortened version of the Implementation Plan was submitted to Government by 31 March 2017 in accordance with the EZ Government Memorandum of Understanding (MoU) requirements.

- The detailed Master Plan and Implementation Plan were considered and approved by the Dorset Innovation Park EZ Management Board on 10 May 2017 and then subsequently by Dorset LEP Board on 23 May 2017. A high level Financial Plan to support the Implementation Plan was also agreed which forms the basis of this Business Case.
- As the plot sales progress the landowners are to get the capital receipts from the plot sales. The price being negotiated for plots on average across the entire sites is currently £679,525 per hectare for a long lease-hold. Significant interest is already being shown by one company to purchase a plot close to the entrance of Dorset Innovation Park. The Financial Plan was put together on the basis of at least 1 plot sale per year, with a slower scenario of 1 plot sale every 2 years. The slower scenario is the basis upon which this Business Case and repayment profiles has been complied.

Non Domestic Business Rates (NDBR) model

- The Business Case and Financial Model for the development of the Dorset Innovation Park EZ is based on the retention of Non Domestic Business Rates (NDBR) attributable to the EZ over a 25 year period, starting from 1 April 2017. For Dorset Innovation Park the baseline for business rate income is £263,396 p.a. as at 2017.
- As an incentive for early investment in the site a business taking new or additional space at Dorset Innovation Park during the first 5 years of the EZ's operation (i.e. from 1 April 2017) may be eligible for 5 years relief on the payment of NDBR up to a total of £275,000. Under the government's preferred EZ model, the business rates which are foregone through the granting of a 5 year rate relief holiday are repaid to the collecting authority by central government through the Department for Communities & Local Government (DCLG), as per the Government's MoU.
- The business rates are retained by Dorset LEP formally but held by PDC on Dorset LEP's behalf and not redistributed, but invested locally to support the EZ, as per the local MoU for the EZ. DCLG re-credits PDC for the NDBR for new or expanding tenants who are eligible for reduced business rates. The business rate pot is then available to repay any Forward Funding of costs for the EZ.
- At its June 2017 meeting the EZ Management Board approved the 1-5 year investment plan and for the business rates, as a first priority to be used to repay the Forward Funding.
- Quarterly reporting on the amount of business rates received and the amount invested in the site is to be made by Dorset LEP to DCLG.

Future Plans

- The Implementation Plan sets out the works needed to achieve the Master Plan over the 25 year life of the EZ. This shows a front-loading of the work in the early years of the EZ. The intention is to target the essential works which need to be undertaken by the landowners and by the LEP in the first 5 years to get a successful EZ up and running.

Loan 1: Dorset LEP- 50% of Strategic EZ Capital Expenditure, years 1 to 5 (where year 1 is financial year 2017/18); Projects funded through retained business rates			
Works item	**Timing**	**Amount**	**50%**
Gatehouse- temporary visitor centre	Year 1	£10,000	£5,000
Landscape enhancements	Years 1-2	£85,000	£42,500
Signage and wayfinding on site	Year 2	£25,000	£12,500
Redevelop existing Gatehouse	Year 3	£90,000	£45,000
Local Development Order (LDO) n	Years 1-2	£350,000	£175,000
New footpaths & cycle-ways	Years 2-3	£100,000	£50,000
Chesil House refurbishment	Years 1-3	£1,500,000	£750,000
Contingency (20% of project costs)		£432,000	£216,000
Total		**£2,592,000**	**£1,296,000**

- It is proposed that the remaining 50% of the EZ Strategic Capital expenditure not covered by this Business Case together with the revenue expenditure required (i.e. for interest payments, EZ Manager and marketing costs are met from money which Dorset LEP holds in the Growing Places Fund. This will be considered by Dorset LEP Board at their September meeting. Should DCC cease to be the Accountable Body to Dorset LEP, then Dorset LEP will be required to immediately repay Loan 1

Loan 2: Landowners Capital Works, years 1 to 5 (where year 1 is financial year 2017/18); funded through plot sales			
Works item	**Timing**	**Amount**	**83.3% (5/6ths)**
Road replacement and repair	Years 2-5	£300,000	£250,000
Upgrade current footpaths	Years 2-5	£50,000	£41,667
Service plot development (preparation of plots pre-sale @ £50,000 per plot)	Years 1-5	£350,000	£291,667
Foul and surface drainage repair	Years 2-5	£280,000	£233,333
Contingency (20% of project costs)		£196,000	£163,333
Total		£1,176,000	£980,000

- Works at Dorset Innovation Park anticipated for the years 6 to 25 of the Implementation Plan include strategic landscape development and ecological surveys to maintain LDO permissions; further plot development; footpaths and roads; possible amendments to security and fencing; and northern access road.

What is now required

- Following the approval and ratification of the Implementation Plan by Dorset LEP Board 6 options for delivery were investigated; the option to 'Undertake the first 5 years of planned works' was deemed the most appropriate as it enables the site to be developed in the short–term with a reasonable repayment period. Further business cases will be put together at a later date for expenditure relating to the 6 to -25 year period at a timing which better reflects this.
- The development of plots directly influences the growth in business rate income and thereby the ability and speed by which the EZ strategic cost can be repaid. The repayment profiles (shown diagrammatically) and the cashflow forecasts for both the EZ Strategic Capital projects (Loan 1) and the Landowners' capital works (Loan 2) are available at Annex 1. The landowners (in this case DCC only as PDC are securing their own funding for their 1/5th share of the costs) and Dorset LEP will each be responsible for paying their own interest costs., which has been calculated at 2.0% pa on the advice of DCC Investments team.
- For Loan 1 totalling £1,296,000 (i.e. EZ Strategic Capital expenditure funded through retained business rates), the modelling of plot sales forecasts that this Forward Funding will be repaid by Dorset LEP in Year 10 (i.e. 2026/27).
- For Loan 2, totalling £980,000 (i.e. DCC's 5/6th proportion of the Landowners capital expenditure of £1,176,000, funded through plot sales) the modelling of plot sales forecasts that this Forward Funding will be repaid in year 3 (i.e. 2019/20). However as expenditure takes place over the full 5 years, the capital receipts from the plot sales will need to be ring fenced in order for this profile to be achieved.
- For this reason it is recommended that for Loan 2 the capital receipts from the plot sales at Dorset Innovation Park are ring-fenced towards the expenditure required to bring forward future plots at Dorset Innovation Park.

For further information please contact:
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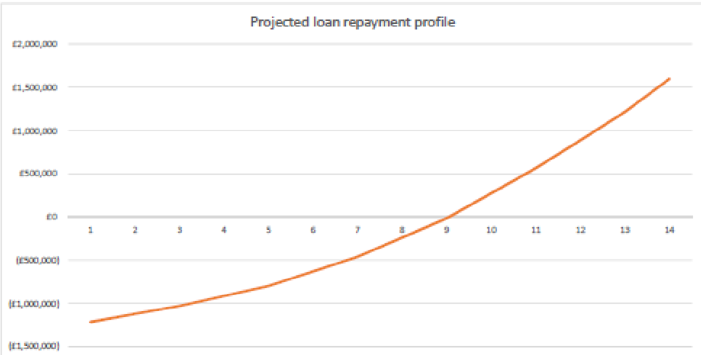
Loan 1: 50% EZ Strategic Capital Project Costs - Realistic Growth scenario

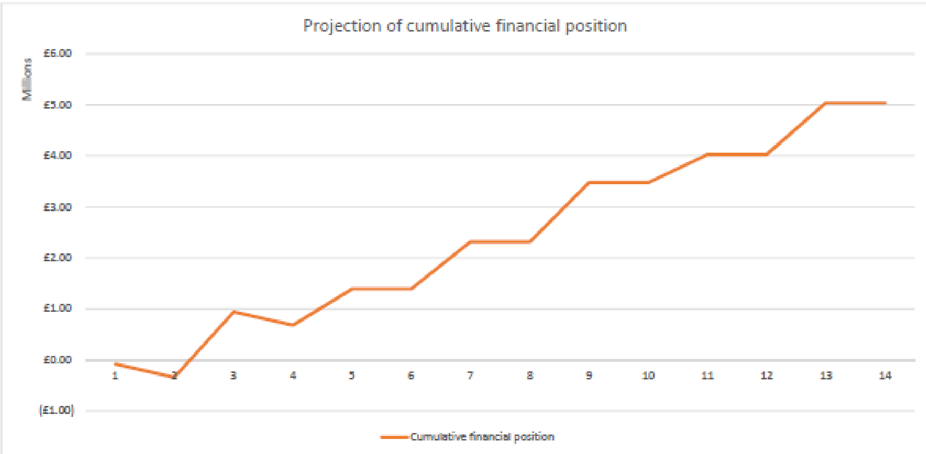
Plot sales happen every other year		1 2017/18	2 2018/19	3 2019/20	4 2020/21	5 2021/22	6 2022/23	7 2023/24	8 2024/25	9 2025/26	10 2026/27	11 2027/28	12 2028/29	13 2029/30	14 2030/31
Income															
Actual															
Total		**391,015**	**382,542**	**371,964**	**362,195**	**360,507**	**367,717**	**375,071**	**382,573**	**390,224**	**398,029**	**405,989**	**414,109**	**422,391**	**430,839**
Baseline business rate	263,396														
Remaining business rates		**127,619**	**119,146**	**108,568**	**98,799**	**97,111**	**104,321**	**111,675**	**119,177**	**126,828**	**134,633**	**142,593**	**150,713**	**158,995**	**167,443**
Predicted															
Business Rates Income															
Sub total		£ 35,925	£ 76,971	£ 73,068	£ 136,274	£ 136,274	£ 236,278	£ 236,278	£ 331,469	£ 331,469	£ 451,146	£ 451,146	£ 508,145	£ 508,145	£ 612,757
Less non payment and appeals	3%	£ 35,027	£ 75,046	£ 71,242	£ 132,867	£ 132,867	£ 230,371	£ 230,371	£ 323,182	£ 323,182	£ 439,868	£ 439,868	£ 495,442	£ 495,442	£ 597,438
Cumulative Total Business Rate income		£ -	£ 75,046	£ 146,288	£ 279,155	£ 412,022	£ 642,393	£ 872,763	£ 1,195,945	£ 1,519,127	£ 1,958,995	£ 2,398,863	£ 2,894,305	£ 3,389,747	£ 3,987,185
Annual Business Rate income		**£ 162,646**	**£ 194,193**	**£ 179,810**	**£ 231,666**	**£ 229,978**	**£ 334,691**	**£ 342,046**	**£ 442,359**	**£ 450,010**	**£ 574,500**	**£ 582,461**	**£ 646,155**	**£ 654,437**	**£ 764,881**
Cumulative retained business rate income		**£ 162,646**	**£ 356,838**	**£ 536,648**	**£ 768,314**	**£ 998,292**	**£ 1,332,983**	**£ 1,675,029**	**£ 2,117,388**	**£ 2,567,398**	**£ 3,141,898**	**£ 3,724,359**	**£ 4,370,514**	**£ 5,024,951**	**£ 5,789,832**
Costs															
Gatehouse temporary visitor centre	-10,000	-10,000.00													
Landscape enhancements	-85,000		-45,000.00	-40,000.00											
Signage and wayfinding	-25,000	-5,000.00	-20,000.00												
Redevelop existing gatehouse	-90,000			-90,000.00											
LDO site investigation & fees (inc Travel Plan)	-350,000	-50,000.00	-300,000.00												
New footpath and cycleways	-100,000		-10,000.00	-90,000.00											
Chesil House refurbishment	-1,500,000		-1,000,000.00	-500,000.00											
Sub-Total	**-2,160,000**	**-65,000**	**-1,375,000**	**-720,000**											
Contingency (20%)	-432,000	-13,000	-275,000	-144,000											
Total	-2,592,000	-78,000	-1,650,000	-864,000											
50% of Annual expenditure	**£ (1,296,000)**	**(£39,000)**	**(£825,000)**	**(£432,000)**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
Payment profiling including loan															
Cumulative Financial position of loan	£ (1,296,000)	(£1,296,000)	(£1,214,677)	(£1,117,581)	(£1,027,676)	(£911,843)	(£796,854)	(£629,508)	(£458,486)	(£237,306)	(£12,301)	£274,949	£566,179	£889,257	£1,216,475
50% of Business rate annual income		£ 81,323	£ 97,096	£ 89,905	£ 115,833	£ 114,989	£ 167,346	£ 171,023	£ 221,179	£ 225,005	£ 287,250	£ 291,230	£ 323,077	£ 327,218	£ 382,441
Cumulative Financial position with loan payments		(£1,214,677)	(£1,117,581)	(£1,027,676)	(£911,843)	(£796,854)	(£629,508)	(£458,486)	(£237,306)	(£12,301)	£274,949	£566,179	£889,257	£1,216,475	£1,598,916



	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Revenue - Borrowing Costs														
2% interest cost	(£25,920)	(£24,294)	(£22,352)	(£20,554)	(£18,237)	(£15,937)	(£12,590)	(£9,170)	(£4,746)	(£246)	£5,499	£11,324	£17,785	£24,330

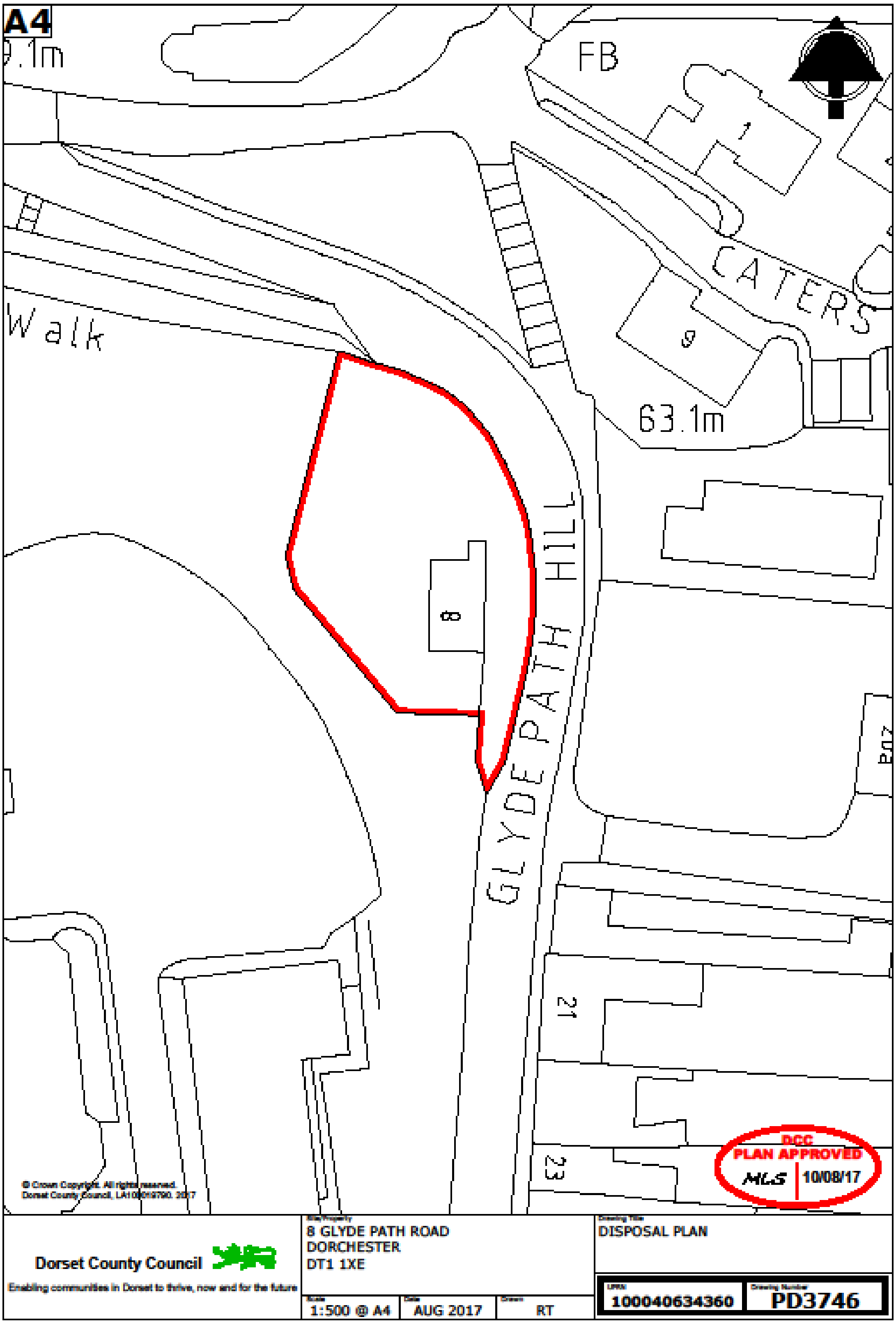
Loan 2: Landowners Capital Works
- Realistic Growth scenario

Plot sales happen every other year		1	2	3	4	5	6	7	8	9	10	11	12	13	14
		2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Income															
Predicted															
Plot sales (development sought)	sq m	0		24,300		14,702		13,995		17,596		8380		15381	
Plot Sales income															
Plot sales		£ -	£ -	£ 1,650,000	£ -	£ 998,284	£ -	£ 950,278	£ -	£ 1,194,790	£ -	£ 569,012	£ -	£ 1,044,389	£ -
Cost of sales to agents		£ -	£ -	£ 49,500	£ -	£ 29,949	£ -	£ 28,508	£ -	£ 35,844	£ -	£ 17,070	£ -	£ 31,332	£ -
Total income		£ -	£ -	£ 1,600,500	£ -	£ 968,335	£ -	£ 921,769	£ -	£ 1,158,946	£ -	£ 551,942	£ -	£ 1,013,057	£ -
Costs															
Road repairs and replacements	-300,000		-75000.00	-75000.00	-75000.00	-75000.00									
Upgrade current footpaths	-50,000			-50000.00											
Service Plot Developments	-350,000	-70,000.00	-70,000.00	-70,000.00	-70,000.00	-70,000.00									
Foul and surface drainage repair	-280,000		-70,000.00	-70,000.00	-70,000.00	-70,000.00									
Contingency (20%)	-196,000	-14,000.00	-43,000.00	-53,000.00	-43,000.00	-43,000.00									
Annual expenditure	**£ (1,176,000)**	**(£84,000)**	**(£258,000)**	**(£318,000)**	**(£258,000)**	**(£258,000)**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**	**£0**
DCC contribution	**£ (980,000)**														
PDC contribution	**£ (196,000)**														
Net Annual Financial Position		**(£84,000)**	**(£258,000)**	**£1,282,500**	**(£258,000)**	**£710,335**	**£0**	**£921,769**	**£0**	**£1,158,946**	**£0**	**£551,942**	**£0**	**£1,013,057**	**£0**
Cumulative Financial capital spend		**(£84,000)**	**(£342,000)**	**(£660,000)**	**£682,500**	**£424,500**	**£1,392,835**	**£1,392,835**	**£2,314,605**	**£2,314,605**	**£3,473,551**	**£3,473,551**	**£4,025,493**	**£4,025,493**	**£5,038,550**
Total income from sales in year		**£0**	**£0**	**£1,600,500**	**£0**	**£968,335**	**£0**	**£921,769**	**£0**	**£1,158,946**	**£0**	**£551,942**	**£0**	**£1,013,057**	**£0**
Cumulative financial position		(£84,000)	(£342,000)	£940,500	£682,500	£1,392,835	£1,392,835	£2,314,605	£2,314,605	£3,473,551	£3,473,551	£4,025,493	£4,025,493	£5,038,550	£5,038,550
Cumulative sales position		£0	£0	£1,600,500	£1,600,500	£2,568,835	£2,568,835	£3,490,605	£3,490,605	£4,649,551	£4,649,551	£5,201,493	£5,201,493	£6,214,550	£6,214,550



Revenue - Borrowing Costs		1	2	3	4	5	6	7	8	9	10	11	12	13	14
2% interest cost		(£1,680)	(£6,840)	(£13,200)	£13,650	£8,490	£27,857	£27,857	£46,292	£46,292	£69,471	£69,471	£80,510	£80,510	£100,771

QAMR 06 Sept 2017 8 Glyde Path Road Site Plan



Progress against Asset Management Plan KPIs

Appendix 8

Performance Indicators	Progress	Comment	RAG Status
To reduce the net floor area of the non-schools estate by 50% by March 2020	24.6% of the non-schools estate has been disposed of since April 2010.	This is up by 0.6% since March 2017 as a result of the disposal of a further 4 assets under the asset reduction strategy.	Amber
To accurately capture the gross property spend and to meet the Forward Together Property savings target to reduce the running costs of the non-schools estate by £1.7m by March 2020	To date the running costs of the non-schools estate has been reduced by £633,100 per annum.	The base figure for gross property spend on non-schools estate at the 2014/15 year end was reviewed due to the removal of Tricuro properties from the estate. The revised base figure is now £4.2m and the savings target has been adjusted accordingly.	Amber
To reduce the cost of required building maintenance from £103.00 m2 to £81.00 m2 by March 2018.	The cost of building maintenance wef 1April 2017 is £91 m2.	This target is updated annually. The programme to dispose of poor quality buildings is helping to reduce the maintenance backlog.	Green
To reduce the non schools buildings energy consumption per net floor area (kwh/m^2) by 10% by March 2018.	In March 2017 the non schools building energy consumption was 156.48 kWh/m2. This represents a decrease of 7.1%	Baseline: The non schools building energy consumption wef 1 April 2015 was 168.37 kWh/m2 - It is proposed that this target is updated annually.	Green
To reduce non-schools buildings CO^2 emissions per net floor area (tonnes CO^2 /m^2) by 10% by March 2018.	In March 2017 the non schools building CO2 emissions per net floor area was 0.0467 tonnes CO2/m2. This represents a decrease of 18.78%	Baseline: The non-schools buildings CO2 emissions per net floor area wef 1 April 2015 was 0.0575 tonnes CO2/m2 - It is proposed that this target is updated annually.	Green

To generate a minimum of £12.5m in capital receipts by March 2018	The County Council has generated capital receipts amounting to £9,193,000 since 1 April 2015.	It is forecast to generate £23.00m in capital receipts between 2015 and 2018.	Green
To increase the operational surplus of the County Farms Estate by 6% by March 2018	The operational surplus for 2016/17 was £586,348, an increase of 12.93% on the base figure.	The operational surplus generated by the County Farms Estate for 2014/15 (against which the uplift is measured) was £519,193.	Green
To reduce the net floor area of the office estate by at least 15,000 m2 by March 2020	To date, the County Council has disposed of 7,651 m2 of office accommodation, which equates to 17.67% of the floor area. A further 3,627m2 of space is currently on the market or under offer.	The net area of the County Council's office estate wef 1 April 2015 was 43,285 $m^{2.}$	Green
To reduce the average office floor space per office based employee to below 9m2 per employee by March 2018	Based on a recent assessment of staff numbers, the current occupancy level is 11.72 m2/fte.	The average floor space per employee has reduced (from 16.4m2 in 2015). The figure will fall further when surplus buildings have been disposed.	Amber
To deliver 95% of major construction contracts within +/- 5% of budget, which includes a 10% allowance for optimism bias	Three major building projects (>£500k) were completed in 2016/17. All three were within +5% of the original budget, which equates to 100% against the target going forward of 95%.	In overall budgetary terms the three projects were delivered with a £288k saving against their aggregated budget which represents just over a 1.5% saving on the total original budget. It is proposed that this target is updated annually.	Green

Audit and Governance Committee

Dorset County Council

Date of Meeting	20 September 2017
Officer	Head of Design & Development and Service Director - Economy
Subject of Report	**SEN Transport**
Executive Summary	This paper and supporting information provides insight into the work currently being undertaken to address the costs associated with getting Children with Special Educational Needs & Disabilities (SEND) to school and care. The paper also looks at the wider issues that will impact on the choices we will have to make about how we use the transport that we own and the transport that we commission. The paper and supporting information highlights the increasing demand for Education, Health and Care Plans which in turn can, but not always mean an increase in travel costs. There are real opportunities throughout a review with public sector partners to integrate more fully our transport needs which in turn could provide a more flexible and cost effective way of transporting children and young people with SEND.
Impact Assessment:	Equalities Impact Assessment: NO but any changes to policy will require EQIA's to be undertaken.
	Use of Evidence: We have used information from many sources to report on actual demand and future predictions both in terms of EHCP and where that translates into need for transport. We have reviewed best practice for other areas and through the activity indicated in the paper acted upon the learning that we made.

	Budget: The unit cost per traveller is decreasing but this is being offset by the increasing demand for travel. This in turn creates budgetary pressure. The projected overspend in the current financial year is £1.2 million subject to outturn of new contract.
	Risk Assessment: Current Risk: **HIGH**/ Residual Risk **HIGH** The report covers the current work to address some very complex reasons and issues for this budget pressure. There are both financial and reputational risks
	Other Implications: As arrangements change either in the short our medium term consideration such as sustainable routes to school will need to be considered (independent travel training). Some children with SEND are also looked after and we need to be mindful of the corporate parenting principles that are now contained in legislation
Recommendation	The committee notes the content of the report and supporting material and request further updates on the progress being made.
Reason for Recommendation	The committee will be able to fulfil its role in providing oversight and assurance of those things that present risk to the organisation.
Appendices	Presentation/Score Card
Background Papers	
Officer Contact	Name: Patrick Myers /Matthew Piles Tel: 710 8302/ Email: p.myers@dorsetcc.gov.uk

Report to Audit and Governance Committee

High Impact Area – SEN Travel

1. SEND:

1.1. Local authorities play a crucial and unique role as the shaper of places, taking a strategic position within the system as champions of children, young people and their parents. This involves shaping and supporting the diverse schools system to ensure the educational needs of all learners are met, while retaining specific responsibilities to ensure more vulnerable children, including those with SEND receive the support they need to reach their full potential.

1.2. Research by the Association of Directors of Children Services (ADCS)[1] has indicated the key issues which are driving demand and costs at a local level. A number of key themes have been identified:

- LAs are transporting an increasing number of children with SEND (partly because of the SEND reforms and the extension of support to young people aged up to 25), many of whom have highly complex needs (health and behaviour) so require individual transport, escorts and specialist vehicles.

- There is a shortage of local mainstream school places and specialist educational provision and as a result, LAs are required to transport children to educational facilities out of area. In addition, a lack of local foster care capacity is resulting in an increased number of out of area placements which require transport to school.

1.3. The geographical nature of some LAs means that a significant number of children live outside of the 'statutory' walking distance. This is coupled with a lack of public transport so LAs must provide other, more costly forms of transport.
All of these themes playout in the context of the current significant challenges around demand and cost. As of June 17 the totals being transported at a cost to the local authority are detailed below:

Type of Travel	Number	%
Multiple Travellers- taxi	649	73
Single Travellers-taxi	97	11
Personal Travel Budget	100	11
Petrol Wear and Tear	21	2
SEN Call Off	25	3

1.4. Demand and costs have for the last financial year resulted in a significant overspend and there are projections that this budget will overspend is likely for the current financial year. Work has been ongoing to challenge the mix of travel type, pushing further to increase the number Personal Travel Budgets taken up by parents. As a result actions have been taken or are planned to happen and these are summarised in the table (see paragraph 2.5).

[1] ADCS Home to School Transport

2. ADULT SERVICES:

2.1. It is a priority for Adult Services to achieve good value for money from all types of transport services, linked to anticipated changes in the way individuals choose to meet their needs. Discussions regarding the future commissioning and provision of day services, particularly those provided by Tricuro, have been taking place over recent months. By the end of September 2017 it is hoped that the 'vision' can be described and that this will enable potential demand for transport to be clarified. More people are expected to use their Personal Budgets creatively and to take them as a Direct Payment, which will result in changes to the way people buy day services and what they chose to purchase – with a more personalised approach and less emphasis on traditional forms of commissioned service. However, it is recognised that for some people (particularly those with complex needs) there will continue to be a need for high quality, trusted provision based in centres.

2.2. Adult Services need to achieve savings against their Social Care transport budget and support the proposed investment in resources to enable the re-scheduling of vehicles, whereby service users with different needs can be supported to travel together. In addition, the Directorate supports further investigation into options to introduce back-to-back SEN and Adult Services transport.

2.3. This support is based on feedback from Nottingham City Council, where this was successfully introduced in 2011, with the achievement of significant savings to both Children's and Adults Services. Detailed analysis of the logistics and impacts will need to be undertaken and proportional consultation with service users, carers and staff will be required at centres where changes to opening hours may be necessary.

2.4. The Directorate recommends that Dorset Travel seek additional feedback from Nottingham City Council Transport Team to ensure that the benefits and any potential pitfalls can be fully established, prior to any changes. The Directorate would also wish for any changes to be introduced on a phased basis, possibly via a pilot in a mutually agreed locality.

2.5. Activity and time lines for SEN and Adult projects.

Activity	Timeline	RAG Status
A review of Adults and Learning Disability to be implemented to allow redeployment of the Adult Fleet to SEND Travel	September 2017-December 2017	
Policy Reviews with particular reference to eligibility for travel assistance and personal assistance.	NOW but linked to the wider transport consultation this autumn	
Sufficiency project to reduce need for out of county placements (additional benefit on HNB pressure.	2018	
Passenger Assistant- linked to increasing volumes of PTB and eligibility criteria.	September 2017 – December 2017	

Alternative Provision – Data examination to assess potential for reducing cost for non-attendance.	Autumn 2017	
SEN post 16 two stage appeals process	NOW	
Acceleration of personal travel budget take up- linked to policy review	NOW	
Tender awards - aim to reduce value of contracts enabling improved overall budget management	September 2017	

3. DORSET TRAVEL

3.1. Dorset County Council has now awarded new contracts for supported public and schools transport services. The new contracts, which replace those which expired in July, cover seven core public transport routes and 13 secondary/upper schools (plus five middle schools). These have been awarded to four local bus companies:

- Go South Coast (Damory);
- First Hampshire and Dorset;
- South West Coaches; and,
- Vale Coaches.

3.2. The new contracts cover two elements of travel support provided by the council, which represent a significant step towards realising the council's Passenger Transport Strategy:

- a core network of seven public bus routes between Dorset's market towns that help support Dorset's economy by helping people travel to school, college, training or work; and
- 13 school contracts allocated on a 'one school, one operator' basis. This provides a more simple approach, allowing schools to develop working relationships with a single bus company.

3.3. The council's Cabinet agreed these changes last September, following a public consultation on the proposals between May and July 2016. There is a total of around 100 public transport routes in Dorset, of which 35 are currently supported by the county council – please see attachment for details of affected routes. About 70 per cent of existing public transport routes will continue to operate after July. These routes account for over 90 per cent of public transport usage in the County.

3.4. The county council is working with the operators to retain some currently subsidised routes on a commercially operated basis. We will keep you updated with progress as more certainty is gained about these services. The council is also working very closely with communities to advise on community transport alternatives.

3.5. The seven public transport routes between Dorset's market towns started on 24 July. These are:

- **Route 1 –** Blandford to Sherborne – South West Coaches (currently operated by Damory as Service X10)
- **Route 2 –** Shaftesbury to Gillingham – South West Coaches (currently operated by Damory as Services 59 and 158)
- **Route 3** – Blandford to Shaftesbury – South West Coaches (currently operated by Damory as Service X9)
- **Route 4 –** Sturminster Newton to Gillingham – South West Coaches (currently operated by Damory as Service 309)
- **Route 5** – Blandford to Dorchester – First Hampshire and Dorset (currently operated by Damory as Services X12 and 187)
- **Route 6** – Blandford to Salisbury – Go South Coast (currently operated by DCC as Service 20)
- **Route 7** – Sherborne to Dorchester – South West Coaches (currently operated by Damory as Service X11)

3.6. The new school transport contracts started in September. The council has been working closely with bus operators and schools to make any changes to services as smooth as possible. The following list gives the schools and operators on the 'one school, one operator' (OSOO) contracts.

First (Hampshire and Dorset)

- Beaminster School;
- Sir John Colfox School, Bridport; and,
- Woodroffe School, Lyme Regis.

Go South Coast (Damory)

- Allenbourn Middle School, Wimborne;
- The Blandford School;
- Dorchester Middle School;
- Ferndown Middle School;
- Ferndown Upper School;
- Lytchett Minster School;
- Purbeck School, Wareham.
- Queen Elizabeth's School, Wimborne;
- Shaftesbury Upper School;
- St. Michael's Middle School, Wimborne;
- The Thomas Hardye School, Dorchester; and,
- West Moors Middle School;

South West Coaches

- Gillingham School; and,
- Gryphon School, Sherborne.

Vale Coaches

- Sturminster Newton High School.

School Transport Update:

- Routes for September have been finalised.
- Discussions are taking place about route safety from overhanging trees.
- Service agreements have been sent to providers to establish service quality from day one.
- Smart cards and bus passes will be sent direct to pupils' homes.
- One school one operator system in place – conversations with schools have taken place to explain how this works.
- Operators will be managing the surplus seat allocation. Communication with applicants is planned.

Community Transport:

- 64 established community transport schemes in Dorset.
- Plus 20 trial schemes that have been introduced since April 2016.
- 91% of Dorset (by area) has access to a community transport scheme.
- More than 720 volunteer drivers.
- A community transport directory is available on the community transport webpage on www.dorsetforyou.com.
- Seed funding of up to £2,000 is available from POPP to set up a community car scheme. With a downloadable toolkit to help start-ups.

3.7. Working together with local members and town and parish councils a few schemes have started for a trial period over the summer holidays using a number of different bus operators. Social media and traditional media communications will be used to spread the message of encouraging independence.

4. Dorset CCG: Clinical Services Review

4.1. The Clinical Services Review is making good progress. Over 160 clinicians, including GPs, primary care teams, nurses, paramedics, mental health specialists and the clinical and medical directors and consultants from Dorset's three acute hospitals, have taken part in four working groups to discuss and develop models of care for the future pattern of NHS health services in Dorset.

4.2. As part of STP governance and delivery the CCG have agreed to create a Transport Reference Group to lead key work in identifying the opportunities to address access to care. It has been agreed that there are two initial requirements. The need to provide a robust review and assurance report for the CSR decision making process. And secondly a strategic plan for the pan-Dorset approach to 'movement' and access to services including NHS and Local Authority transport resources.

4.3. A holistic movement strategy that will be implemented from September. Likely to be in an incremental way. This strategy to cover everything from non-movement through to specialised transport under blue light to tertiary centres. It will cover how digital, new ways of working, the integration of the citizen, local communities, voluntary sector, third sector, public organisations and commercial organisations will address the balanced between do we need to move to what is the best person centred experience. Both are going to require a focused amount of effort and the agreement of partners to provide resource and expertise (the way DCC and CCG have).

5. Conclusion

5.1. There is a considerable amount of work going on and there are real opportunities to join up. What is clear is that through the utilisation of our own fleet, more SEN travellers on mainstream routes, and the use of commercial routes to move people around there is considerable scope to think differently about SEN transport. The desired increase in personal travel budgets needs to be managed carefully through targeting the right routes to achieve cost reductions, but it is clear from the analysis attached to this document that we can make considerable savings from this source.

Forward Together

Audit and Governance Committee
Work Programme

Forward Plan

Chairman: Cllr David Harris
Vice Chairman: Cllr Clare Sutton

Dorset County Council

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
19 January 2018 (10.00am)	1	**Budget Monitoring Report**	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	**Jim McManus** Chief Accountant
	2	**Report of Internal Audit Activity – Plan Progress 2017/18**	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)
	3	**Treasury Management Year to Date Update**	To consider the update on treasury management 2017-18.	**David Wilkes** Finance Manager (Treasury and Investments)
	4	**Corporate Plan: Outcomes Focussed Monitoring Report**	To consider and comment upon the monitoring report for the quarter and agree any future actions with regard to the issues raised.	**John Alexander** Policy and Performance Manager
	5	**Ironman 2017- Post Event Report**	To consider a report following the Ironman event held in September 2017.	**Cabinet Member –** Environment, Infrastructure and Highways **Andrew Martin** Service Director – Highways & Emergency Planning
	6	**Constitutional Changes** (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
12 March 2018 (10.00am)	1	**Budget Monitoring Report**	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	**Jim McManus** Chief Accountant
	2	**Internal Audit Plan**	To consider the Internal Audit Plan for the forthcoming year.	**Rupert Bamberger** Assistant Director South West Audit Partnership (SWAP)

Forward Together

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
	3	**Corporate Plan: Outcomes Focussed Monitoring Report**	To consider and comment upon the monitoring report for the quarter and agree any future actions with regard to the issues raised.	**John Alexander** Policy and Performance Manager
	4	**Annual Audit Letter**	This report summarises the key findings from the audit of Dorset County Council.	**Darren Gilbert** Director, KPMG
	5	**External Audit Plan**	To consider the External Audit Plan for the forthcoming year.	**Darren Gilbert** Director, KPMG
	6	**Draft Annual Governance Statement and Local Code of Corporate Governance**	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	**Constitutional Changes** (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
29 June 2018 (10.00am)	1	**Financial Management Report** (including Statement of Accounts)	To consider the Financial Management Report and Statement of Accounts for 2017/18 that has been reviewed by the Authority's external auditor, KPMG	**Jim McManus** Chief Accountant
	2	**Annual Internal Audit Report**	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 2017/18.	**Rupert Bamberger** Assistant Director South West Audit Partnership (SWAP)
	2	**External Audit Report 2017/18** (ISA 260 Report)	To consider the External Auditor's report to "Those charged with Governance".	**Darren Gilbert** Director, KPMG
25 July 2018 (10.00am)	1	**Corporate Plan: Outcomes Focussed Monitoring Report**	To consider and comment upon the monitoring report for the quarter and agree any future actions with regard to the issues raised.	**John Alexander** Policy and Performance Manager

Dorset County Council

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
	2	**Corporate Compliments and Complaints Annual Report**	To consider the Corporate Compliments and Complaints Annual Report 1 April 2017 to 31 March 2018.	**Julie Taylor** Senior Assurance Manager (Complaints)
	3	**External Funding Monitoring Report**	To consider measures of bidding performance and areas of interest in relation to external funding.	**Laura Cornette** Corporate Policy and Performance Officer
	4	**Constitutional Changes** (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
25 October 2018 (10.00am)	1	**Budget Monitoring Report**	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	**Jim McManus** Chief Accountant
	2	**Treasury Management and Prudential Code Review**	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	**Report of Internal Audit Activity – Plan Progress 2018/19**	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)
	4	**Constitutional Changes** (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				

Debbie Ward
Chief Executive
September 2017