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Agenda

Dorset County Council

Meeting:	Audit and Governance Committee
Time:	10.00 am
Date:	29 June 2018
Venue:	Committee Room 2, County Hall, Colliton Park, Dorchester, Dorset DT1 1XJ

David Harris (Chairman)	Clare Sutton	Richard Biggs
Cherry Brooks	Ray Bryan	Andrew Cattaway
Colin Jamieson	Steven Lugg	William Trite
x1 Vacancy		

Notes:

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- **Public Participation**

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  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 26 June 2018, and statements by midday the day before the meeting.

Debbie Ward
Chief Executive

Date of Publication:
Thursday, 21 June 2018

Contact: Denise Hunt, Senior Democratic Services Officer
County Hall, Dorchester, DT1 1XJ
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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 - 10

To confirm and sign the minutes of the meeting held on 12 March 2018.

4. **Public Participation**

(a) Public Speaking

(b) Petitions

5. **Points from the Chairman**

To receive a verbal update from the Chairman of the Committee.

6. **Terms of Reference** 11 - 12

To note the Terms of Reference for the Committee.

7. **Progress on Matters Raised at Previous Meetings** 13 - 16

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.

8. **Internal Audit Annual Opinion Report 2017-18** 17 - 34

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

9. **Report of Internal Audit Activity Plan Progress 2018/19 - June 2018** 35 - 44

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

10. **Statement of Accounts and Outturn 2017-18** 45 - 180

To receive a presentation by the Chief Accountant and consider a report by the Chief Financial Officer (attached).

11. **External Audit Report 2017-18**

To consider a report by KPMG, the Council's External Auditor (report to follow).

12. **Financial Management Report** 181 - 194

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

13. **Monitoring Corporate Plan Outcomes: Summary of Issues being Addressed by the Overview and Scrutiny Committees - July 2018** 195 - 202

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

14. **Work Programme** 203 - 206

To consider the Committee's current work programme.

15. **Questions from County Councillors**

To answer any questions received in writing by the Chief Executive by not later than 10.00am on 26 June 2018.

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Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ on Monday, 12 March 2018

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

Members Attending:
Deborah Croney attended as the Cabinet Member for Economy, Education, Learning and Skills.

Officers Attending: John Alexander (Senior Assurance Manager - Performance), Rupert Bamberger (Audit Manager - South West Audit Partnership), Marc Eyre (Senior Assurance Manager (Governance, Risk and Special Projects), Darren Gilbert (Director - KPMG), Richard Ironside (Finance Manager), Nick Jarman (Interim Director for Children's Services), Mark Taylor (Group Manager - Governance and Assurance), Sally White (Principal Auditor - South West Audit Partnership) 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 **Friday, 29 June 2018**.)

Apologies for Absence
18 Apologies for absence were received from Stephen Lugg and Andrew Cattaway.

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

Minutes
20 The minutes of the meeting held on 19 January 2018 were confirmed and signed.

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

There were no public statements 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 this meeting.

Points from the Chairman
22 The Chairman announced that a meeting had taken place with the Chairman of the Local Enterprise Partnership (LEP) that had also been attended by Councillors Ray Bryan and Cherry Brooks. The purpose of the meeting had been to ensure that the LEP understood the role of the Committee in scrutinising the LEP. The discussion had been positive with an emphasis on putting in place firm scrutiny foundations for the two unitary authorities as a result of local government reorganisation (LGR).

Members asked about oversight of the LEP during the next 12 months and were advised that this could be achieved by looking at the actions arising from an audit of the LEP undertaken by the South West Audit Partnership (SWAP). This audit had identified a significant number of gaps in governance, not all of which had been addressed. It was also suggested that this area was considered by the Shadow Authority as part of the joint scrutiny arrangements.

Of particular concern to members was the fact that Dorset had secured the second lowest amount of funding from the LEP in the South West region. It was therefore hoped that a change to a unitary model of local government would increase understanding and secure a greater proportion of funding in future.

Resolved

1. That information provided at the meeting with the LEP is circulated to the Committee for information; and
2. That the SWAP audit report of the LEP is circulated to the Committee

Progress on Matters Raised at Previous Meetings

23 The Committee considered a report containing outstanding actions since the last meeting on 19 January 2018.

It was confirmed that no further progress had been made regarding the scrutiny of Looked after Children. Members were informed that there would be a presentation to the Overview and Scrutiny Management Board at its April meeting regarding a proposed Inquiry Day in June in order to avoid any duplication with the work of the Corporate Parenting Board.

Resolved

That the scoping document for the Scrutiny Review of Looked After Children is shared with the Director of Children's Services.

Financial Management Report

24 The Committee considered a report by the Chief Financial Officer that provided an update on the anticipated outturn for 2017-18 based on the January projections. Members were updated on the February forecast that had shown a predicted overspend of £2.4m.

The Interim Director for Children's Services had been invited to attend the Committee meeting to inform members on activities taking place to reduce the overspend in Children's Services.

The Interim Director stated that a more realistic budget had been set for 2018-19 and he outlined some of the challenges and areas of risk including:-

- Increasing the recruitment of in-house foster carers to reduce the use of more expensive private provision, particularly for those children with the highest needs.
- Reducing the number of children coming into care by ensuring that social worker caseloads were manageable. Previous audits had shown inconsistency in practice due to high caseloads and the need to raise quality and consistency to a common high standard. It might also be necessary to reduce the number of local offices in order to concentrate areas of management expertise. A second recruitment campaign for social workers in January 2018 had resulted in the successful recruitment of 11 social workers (out of a total of 30 required) despite a very competitive market.
- Pressures on the high needs budget arising from a surge in demand of 24% following introduction of the Education and Health Care Plans (EHCP). It would be imperative to secure a balanced budget for 2018-19, a matter that would be discussed at the Schools Forum on Friday 16 March 2018.

Engagement with the Clinical Commissioning Group on this issue had not yet taken place as this would remove officers from the more pressing issues that needed to be addressed.

Members highlighted the need for the cost of living in Dorset to be addressed in this context.

The Cabinet Member for Economy, Education, Learning and Skills advised that key worker housing was a priority area with several ongoing strands of work, including a national scheme supported through the Homes and Communities Agency. This involved compiling a register of interest of people living and working in the area who could not afford to buy as a point of evidence for developers.

Members asked about the early intervention and prevention programme to reduce the level of children coming into care. It was confirmed that there was an overall downward trend and that the results of this programme should become evident from June 2018.

Noted

Annual Audit Letter 2016-17

25 The Committee considered a report by KPMG, the Council's external auditors.

The Director confirmed that the value for money (VFM) conclusions relating to Children's Services had been focussed on the systems and arrangements in place in order tackle the issues. An unqualified opinion had been issued on the value for money conclusion arising from the audit in 2016/17 and there were no critical issues.

Noted

Interim Audit 2017/18

26 The Committee considered a report by KPMG, the Council's external auditors concerning the 2017/18 audit. The outcomes of the audit would be reported in June 2018 in the "Report to those charged with Governance".

Members asked about the risk associated with a new authority and were informed that this would receive greater audit focus in the next financial year including explicit VFM work to track the process from a shadow authority and a parallel view on business as usual and transformation work.

Members asked about the lack of prioritisation of cyber security given the variety of devices that were used and could be potentially accessed. They were informed that it was the responsibility of external auditors to look at the elements that met the criteria in order to issue a safe opinion with testing on a sample basis and these were areas that would also be addressed as part of the internal audit process.

Noted

Draft Internal Audit Plan 2018-19

27 The Committee considered a report by the South West Audit Partnership (SWAP).

It was confirmed that specific audit work in relation to cyber security had been included in the 2018-19 plan and that this issue would also be raised at the next SWAP Board meeting. It was suggested that the Committee may wish to invite the ICT Manager to a future meeting to further inform members of the security framework.

It was noted that the Economic Growth Overview & Scrutiny Committee would be looking into the issue of broadband accessibility, particularly Superfast Broadband, for both residents and businesses.

A member asked whether the review of Dorset Waste Partnership under the Healthy Corporate Plan outcome could incorporate enforcement from a resident's viewpoint and it was agreed that this element could be incorporated in the audit.

Noted

Report in Internal Audit Activity - Plan Progress 2017/18

28 The Committee considered a progress report by the South West Audit Partnership (SWAP).

It was confirmed that follow up work in respect of the Safer Recruitment audit had shown that all of the high priority actions had been addressed. However, further work had been identified that would be closely monitored in conjunction with the Head of Organisational Development until such time as the situation had been resolved.

Members queried how the information for an external organisation, such as Tricuro, fed into this process and were informed that SWAP liaised with the Transformation Programme Lead for the Adult and Community Forward Together Programme who was the audit sponsor for this area.

The resilience of ICT during the recent bad weather would be included in the follow-up audit in Quarter 1 2018-19 and reported back to the Committee. It was noted that an issue had arisen due to the high number of people working remotely using devices that had not been connected to the network for some time and that actions could be taken to mitigate this happening in future.

Members asked about the future direction of SWAP in light of the recent decision in respect of LGR and noted that its services were currently used by the Dorset Councils Partnership and Dorset County Council, but not by Purbeck, Christchurch or East Dorset District Councils

Resolved

1. That the Chairman liaises with the Audit Sponsor for Tricuro to gather information on the actions being taken in relation to the Safer Recruitment audit; and
2. That a further report is considered regarding the Safer Recruitment audit.

Draft Annual Governance Statement 2017-18

29 The Committee considered a joint report by the Chief Executive and Chief Financial Officer containing a newly designed Annual Governance Statement, that had been informed by the Local Code of Corporate Governance and the high risks listed in the Corporate Risk Register. The Committee was being asked to comment on the Statement prior to its presentation to Cabinet.

Members considered the layout of the document to be much improved and highlighted areas that could be given greater prominence including LGR, the risk posed by a lack of infrastructure (housing, school places, GP surgeries etc), Superfast Broadband in terms of its value for money and Dorset coverage and the impact of the delay in setting up the Brexit Advisory Group, particularly in relation to immigrant key workers and the implications for businesses in Dorset. The view was also expressed that having an overview and scrutiny committee structure based on outcomes did not in itself provide assurance and that there had been some repetition in the Statement in this respect.

There was some debate concerning key worker housing and how this was being addressed in the short term. Interim solutions being investigated included the use of land owned by the local authority for housing, care villages and the introduction of modular housing solutions, some of which would be considered by the Economic Growth Overview & Scrutiny Committee.

Work was at an early stage to map the risk landscape and compile a risk register for the new organisation that would ensure focus in the right areas given the short implementation timescale.

Resolved
1. That greater prominence is given in the Annual Governance Statement to LGR, infrastructure including interim solutions for key worker housing, school places and GP surgeries;
2. That further scrutiny of Superfast Broadband is co-ordinated in order to determine its true accessibility in Dorset and whether it is providing value for money; and
3. That the Committee expresses its concern that the Brexit Advisory Group has not met following a report to the Economic Growth Overview and Scrutiny Committee in October 2017.

Monitoring Corporate Plan Outcomes: Update on Overview and Scrutiny Committee Activities, March 2018

30 The Committee considered a report by the Chief Executive providing a summary of the approaches taken by the Overview and Scrutiny Committees in addressing issues relating to delivery of the Corporate Plan and to seek assurance that these committees were addressing the right areas adequately.

Following introduction of the report, members were asked whether there were any significant issues that they considered were not being adequately reported or if the performance information did not reflect what was happening on the ground.

Members highlighted the following issues:-
- Superfast Broadband being on target for 95% target coverage based on population rather than geographical area and many homes not achieving the minimum of 24mb required to access Superfast Broadband.
- Whether the equalities impact assessments referred to in committee reports were meaningful. This was identified as an area where internal audit might be involved.

Members discussed the relevance of equality impact assessments in influencing both strategy and policy and were provided with an example of where inequalities including social isolation and alcohol related harm might lead to the larger outcome of lower life expectancy. Information in relation to smaller geographical areas were considered by the Overview and Scrutiny Committees in order to identify issues and target the appropriate resources.

The Committee noted that concerns regarding the accessibility of Superfast Broadband had been raised at an early stage, however, these issues had not been progressed in order to challenge whether the service was offering value for money, particularly in relation to accessibility in rural areas.

On a related matter, members reported that they felt that the public were also being misled regarding coverage from mobile providers such as Vodafone and that this could be an area that was scrutinised by the Economic Growth Overview and Scrutiny Committee.

Resolved
1. That the Committee was not reassured concerning the performance indicators in relation to Superfast Broadband and that the Economic Growth Overview and Scrutiny Committee gives consideration to further investigation of broadband and mobile phone provision.

2. That an internal audit of Equality Impact Assessments (EQiA) is included in the audit programme to determine whether these are being considered in sufficient depth.

Work Programme

31 The Committee noted its workplan.

Questions from County Councillors

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

Meeting Duration: 10.00 am - 12.55 pm

Terms of Reference

Delivering good outcomes for the residents and communities we serve through a constructive, proactive and objective consideration of the Council's;

i) Financial, risk, governance and internal control framework
ii) Ethical principles and standards

The Committee also has the sole responsibility and ability to use specific constitutional powers through;

The '**CALL TO ACCOUNT**'' process to:-
i) Scrutinise and review decisions made or actions taken in connection with the discharge of any of the Executive functions of the Council.
ii) Consider petitions made in accordance with the County Council's Petitions Scheme requiring senior Officers to be called to account at a public meeting of the Council.

The '**CALL IN**' process to consider;
i) Executive decisions
ii) Matters referred through the **Councillor Call for Action**.
iii) (At the request of a petition organiser) to review the adequacy of steps taken by the County Council in response to a qualifying petition.

AUDIT (*Assurance*)
1. To provide the Council with independent assurance in relation to:
i) internal and external audit and organisation-wide external inspection reports
ii) financial controls, data quality, risk management and other internal control systems
iii) the integrity of the financial reporting and annual governance processes
iv) financial irregularities and losses
2. To consider procedural issues relating to the Account and Audit Regulations.
3. To scrutinise and authorise the County Council's Statement of Accounts, including the Statement of Internal Control.
4. To review any Auditor's reports under the Statement of Auditing Standards (SAS 610), consider the officer recommendations and make proposals to the County Council regarding the formal response to be given to the Auditor.
5. Supporting the Chief Financial Officer in his/her statutory role.

GOVERNANCE
1. Overseeing and reporting to the County Council on proposed changes to the Council's Constitution (save for the Scheme of Members' Allowances which will be subject to consideration and recommendation direct to the County Council by the Independent Remuneration Panel).
2. To receive the Council's Annual Governance Statement and Local Code of Corporate Governance compliance assessment to evaluate the Council's governance arrangements.
3. Consider any findings of maladministration by the Local Government Ombudsman.
4. Advise the County Council on the adoption or revision of the Members' Code of Conduct and monitoring its operation to ensure adherence to high standards across the Council.
5. Providing advice and/or training on matters relating to the Members' Code of Conduct.
6. Making representations to the Government, Local Government Association and other external bodies on matters relating to the General Principles of Conduct for members or employees of the County Council.

7. Advising members, co-opted members and church and parent governor representatives as to the rules for disclosure of interests and for granting dispensations.
8. Overseeing the Council's Protocol for Member/Officer Relations and the Whistleblowing, Anti-Fraud, Bribery and Corruption Strategy and other probity related documents.
9. Overseeing the development and implementation of a Code of Practice for elected members representing the County Council on the boards of voluntary organisations and other independent bodies.
10. Supporting the Monitoring Officer in his/her statutory role.

Audit and Governance Committee

Dorset County Council

Date of Meeting	29 June 2018
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 and County Council decisions arising from recommendations from Audit and Governance Committee meetings; and (b) Outstanding actions identified at the meeting held on 12 March 2018.
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
	Outcomes:
	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
Background Papers	None
Officer Contact	Name: Denise Hunt, Senior Democratic Services Officer Tel: (01305) 224878 Email: d.hunt@dorsetcc.gov.uk

Appendix 1

Date of Meeting	**Note Number and subject reference**	**Action Required**	**Responsible Officer**	**Completed (incl comments)**
12 March 2018	22 - Meeting with Local Enterprise Partnership	That information provided at the Chairman's meeting with the LEP is circulated to the Committee for information. That the SWAP audit report of the LEP is circulated to the Committee.	Committee Chairman/ Democratic Services Rupert Bamberger, SWAP	Information provided at the Chairman's meeting with the Chairman and Director of the LEP and also the final SWAP audit report of the LEP was circulated to members of the Committee following the meeting.
	23 – Progress on Matters Raised at Previous Meetings - Scrutiny review of the costs of care of Looked After Children in foster or residential placements.	That the scoping document for the Scrutiny Review of Looked After Children is shared with the Director of Children's Services.	Claire Shiels Assistant Director - Commissioning & Partnerships	The scoping document has been shared with the Director of Children's Services.
	28 - Report of Internal Audit Activity - Plan Progress 2017/18	That the Chairman liaises with the Audit Sponsor for Tricuro to gather information on the actions being taken in relation to the Safer Recruitment audit That a further report is considered regarding the Safer Recruitment audit.	Committee Chairman Rupert Bamberger, SWAP	The Chairman has spoken to the Audit Sponsor for Tricuro and has satisfied himself that the processes needed by Tricuro for safer recruitment are in place and it is clear where responsibilities lie, for compliance and who is responsible for monitoring activity. The County Council only has a shared monitoring responsibility as part of the Board. A further audit in relation to this area has now commenced, and will be reported in due course.

	29 - Draft Annual Governance Statement 2017-18	That greater prominence is given in the Annual Governance Statement to LGR, infrastructure including interim solutions for key worker housing, school places and GP surgeries. That further scrutiny of Superfast Broadband is co-ordinated in order to determine its true accessibility in Dorset and whether it is providing value for money. That the Committee conveys its concern that the Brexit Advisory Group has not met following a report to the Economic Growth Overview and Scrutiny Committee in October 2017.	Marc Eyre, Senior Assurance Manager Overview & Scrutiny Management Board Democratic Services	The Annual Governance Statement actions were completed and the draft Statement were approved by Cabinet on 23 May 2018. To be advised. A meeting of the Brexit Advisory Group took place on 3 May 2018.
	30 - Monitoring Corporate Plan Outcomes: Update on Overview and Scrutiny Committee Activities, March 2018	That the Committee is not reassured concerning the performance indicators in relation to Superfast Broadband and that the Economic Growth Overview and Scrutiny Committee gives consideration to further investigation of broadband and mobile phone provision. That an internal audit of Equality Impact Assessments (EQiAs) is included in the audit programme to determine whether these are being considered in sufficient depth.	Chairman EGOSC Rupert Bamberger, SWAP	This matter is currently in progress. A review of Equality Impact Assessments has been included on the reserve list for the annual audit plan, and will be undertaken if/ when other audit reviews are cancelled or deferred.

Dorset County Council

Internal Audit Annual Opinion Report 2017-18

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Agenda Item 8

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.

Purpose

The Head of Internal Audit should provide a written annual report to those charged with governance to support the authority's Annual Governance Statement (AGS). This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

Background

The Internal Audit service for Dorset County Council is provided by the SWAP Internal Audit Services. SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the Authority is guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and this Committee. This report summarises the activity of SWAP for the 2017/18 year.

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

Annual Opinion

Over the year SWAP have found Senior Management of Dorset County Council to be generally supportive of SWAP findings and responsive to the recommendations made. In addition, there is a good relationship with Management whereby they feel they can approach SWAP openly in areas where they perceive potential problems. Generally, the follow up work confirms the responsive nature of management at Dorset County Council in implementing agreed recommendations to mitigate exposure to areas of significant risk. However there have been instances during the past year where follow up audits have found that insufficient progress has been made in implementing medium or high priority recommendations and further follow up work has been required to be scheduled.

In 2017/18 there are a small number of reviews that have presented significant concerns. However, where priority findings have been identified, on the whole these have been appropriately addressed. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit. Further details of significant risks identified can be found on pages 3-5.

It is recognised that there will be occasions where audit make recommendations to mitigate risk exposure and after consideration of the recommendation, the service decide to accept the risk. In 2017/18 there have been instances where high or medium priority recommendations have not been accepted by services. In addition, there have also been instances where previously agreed recommendations have been highlighted during the follow up process as not being implemented, and the service indicate that these are now risks that are accepted. It is considered important to highlight these instances to the committee in order that further consideration can be given to the recommendation to ensure that the residual risk exposure is in line with the risk appetite of the organisation. Further details on risk accepted recommendations can be found on pages 6-7.

I have considered the balance of 2017/18 audit work and outcomes against this environment, enhanced by the work of external agencies, and am able to offer **Reasonable Assurance** in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Whilst I have certain concerns regarding some aspects of the control environment, I do not consider there to be any areas of significant corporate concern.

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of senior management and the Audit Committee.

Definitions of Risk:

High
Issues that we consider need to be brought to the attention of senior management and the Audit Committee

Medium
Issues which should be addressed by management in their areas of responsibility

Low
Issues of a minor nature or best practice where some improvement can be made

Significant Corporate Risks

For those audits which have reached report stage through the year, we have assessed the following risks as High:

Review
Use and Management of High Needs Block The audit work identified that there are issues with the quality of data within Synergy which may impact on the service's ability to accurately track and project future demand on the HNB. If initiatives to reduce reliance on Independent Sector placements are not progressed promptly with estimated savings revisited regularly for feasibility as more detail becomes known, there is a risk that they may not be achievable, resulting in an increase in the cumulative deficit of the High Needs Block budget.
Safer Recruitment The scope of this piece of work looked to assess the following potential risk: '*The Authority fails to identify individuals unsuitable to work with vulnerable people, potentially leading to the cause of harm or detriment to the wellbeing of service users.*' The audit for Safer Recruitment was concluded in October 2016. It identified five priority 4 and three priority 3 recommendations. Senior Management agreed all recommendations, with the exception of one priority 4 recommendation, which identified a lack of control around DBS checking and recommended that Senior Management ensure that they were satisfied with the current level of risk. Senior Management decided to accept this risk and more details can be found on page 6 under Risks Accepted. A follow up and further follow up audits have been undertaken to assess the progress to implement the Safer Recruitment recommendations. Of the seven recommendations management agreed to implement, one priority 4 recommendation was still in progress, however implementation of a recommendation to undertake spot checking that appropriate DBS clearance was in place highlighted some concerns and a further programme of work was agreed by Human Resources (as set out in our Internal Audit Progress Report – June 2018). A further full internal audit review is currently being undertaken to provide assurance on the process for ensuring that a valid DBS clearance has been obtained where appropriate**.**

Resilience of ICT infrastructure – Service Continuity Planning,
The audit identified that there is a risk that the authority is unable to recover key systems and data when an incident occurs which would result in a loss or corruption to data and systems with the associated financial loss due to business disruption and/or loss of service continuity. The service has agreed to implement all recommendations made in our report and these should all be in place by 31 March 2018. A follow up audit is currently being undertaken to assess the progress made towards implementation of the recommendations.

Governance Framework for Tricuro
This audit was a review of the County Council's oversight of Tricuro, not an audit of the Company itself. The audit found that the Authority's governance framework for Tricuro does not allow the council, as owners of the company, sufficient control and scrutiny to fully measure the effectiveness of:
- Governance arrangements **-** Reporting of both finance and performance **-** Oversight of future business strategy

Failure to maintain sufficient control and scrutiny could lead to potential financial and reputational damage to the council. Again, the service agreed to implement our recommendations. A follow up audit undertaken in Q4 of 2017-18 identified that some progress had been made however a contract variation to formalise service and financial performance targets had yet to be issued. In addition, it was found that the minutes of the Audit, Governance and Risk Committee are not being provided by Tricuro.

Further follow up work is currently being undertaken to confirm that all recommendations are now fully implemented, and this work will be reported to the next Audit and Governance Committee.

EU General Data Protection Regulations
A review of the authority's readiness for the new EU General Data Protection Regulations (GDPR) which comes into effect on 25th May 2018 was requested by the Authority. The review identified that currently the organisation is not able to fully implement the requirements of the GDPR within the required timescales resulting in non-compliance with the consequence of financial penalties.

The response from the authority has been extremely positive in terms of implementing our recommendations and we have recently undertaken some follow up work which has demonstrated encouraging progress and a positive direction of travel. It is not possible through this work to provide assurance on compliance with GDPR and a further piece of compliance audit work will be undertaken later in 2018-19.

Budget Management within Children's Services.

Significant risks have been identified in Budget Management within Children's Services. It was found that not all budgets had been based on realistic assumptions and achievable savings targets, resulting in the inability to deliver expenditure within available budget. It was also identified that failure to adjust budgets and savings targets in year, as a result of demand led or external changes, resulted in future overspends within the service. The report has been agreed with the Interim Director of Children's Services and a follow up audit is planned for Quarter 2 of 2018-19. The reason for the delay in undertaking this work is to enable audit to assess the impact of the actions on the 2018-19 budget which cannot be judged until sufficient time has passed.

Commissioning of Learning Disability Services

Commissioning of Learning Disability Services through the dynamic purchasing system (DPS) is unsuccessful in the majority of cases and the costs of this are not fully understood. As a result, the DPS does not represent a sustainable or cost-effective model for the Authority for the provision of services to Adults with Learning Disabilities.

In addition, the contractual status of packages not awarded through the DPS was found to be unclear and therefore legally binding agreements may not always be in place with providers of support.

A follow up review has been undertaken and confirmed that the significant risks identified have now been considered to be adequately mitigated.

Risks Accepted

Where control weaknesses have been brought to the attention of senior management and a decision is taken by them to accept the risk and not implement audit's recommendation this should be brought to the attention of the Audit Committee

Risks Accepted

There will be occasions where audit make recommendations to mitigate risk exposure and after consideration of the recommendation, the service decide to accept the risk. In 2017/18 there have been the following instances where high or medium priority recommendations have not been accepted by services:

Audit	Suggested Audit Outcome	Priority Level	Suggested Person Responsible	Manager Comments
ICT Contract Management	The ICT Service Manager should ensure that consistent advice approved by Dorset Procurement regarding the process for the tender of contracts is made available on SharePoint and initially communicated to the ICT Contract Manager at the time of alert from Accord when the contract renewal is due. This advice should enable the self-serve element for the ICT Contract Manager to only enable direct contact with Dorset Procurement if a specific issue arises.	4	ICT Service Manager	Not agreed (Disagreement between ICT and Procurement as to the appropriate ownership for this recommendation).
Resilience of ICT infrastructure – Service Continuity Planning	The ICT Service Manager ensures that a method for recording and tracking agreed test days as part of an SLA or wider contract is introduced and the results of this are used to update the Critical Application Service Continuity Plan. It is worthy of note that as this recommendation will relate to a hosted or cloud supplier then the method to record any test day provision should be updated in Accord, the DCC Contract Management System.	3	ICT Service Manager	At the moment I am not aware that there is any provision in any contract for 'test days' relating to hosted/cloud continuity arrangements. Agreed that the logical place to record such agreements would be Accord, with the results from any test days to be noted in continuity plans as appropriate. However, any bespoke requirement specific to Dorset CC would be at specific additional cost to the Council – a more cost-effective approach would be to require feedback on the supplier's internal continuity testing arrangements.
Debt Management	The Chief Accountant should take action to improve the accuracy of invoices.	4	Chief Accountant	Key business areas have been advised of ensuring invoices are raised correctly first time to avoid unnecessary additional processes, this has also been reinforced via the release of the updated debt policy. Unfortunately, despite engagement the level of credits raised as a result of incorrect invoices remains too high. The Chief Accountant has indicated that he is not proposing to take further mitigating action in this area as the directorates responsible for raising invoices need to be more challenging of the information being received and diligent when creating them.

Debt Management	The Chief Accountant should request that the DWP review the terms and conditions of long standing customers to require payment in advance for services.	3	Chief Accountant	DWP have made a conscious decision to have different payment terms and conditions around their customers. No further action is planned by the Chief Accountant and the risk is accepted.

In addition to the above, all recommendations contained within the **Section 17 Payments** review were risk accepted when we came to follow up this audit.

A Section 17 payment is a payment made to safeguard and promote the welfare of children in need and to promote the upbringing of such children by their families, by providing a range and level of services appropriate to those children's needs. The services may include providing accommodation and giving assistance in kind or in cash.

The original Section 17 payments audit was concluded in January 2017. The audit was awarded a Partial assurance with five priority 4 recommendations, four of which were accepted by management at the time and one was risk accepted (reported during the annual report of 2016-17).

A follow up review was concluded in March 2018 where the review found no evidence of progress towards implementing agreed actions and enhancing the control framework surrounding use of Section 17 payments since issue of the original audit report.

The Assistant Director for Care and Protection and Interim Director of Children's Services have indicated that further improvement of controls around use of Section 17 Payments is not an immediate priority amongst other demands and tasks faced by the service. Therefore, in the absence of any revised timescales for implementation, we consider that the risks associated with all originally agreed actions have been accepted in the short to medium term, pending further review by the service.

The risk of the service accepting the risks around the audit findings are that the Council is unable to demonstrate that Section 17 payments have been cost effective and prevented or delayed children coming into care with the associated high costs.

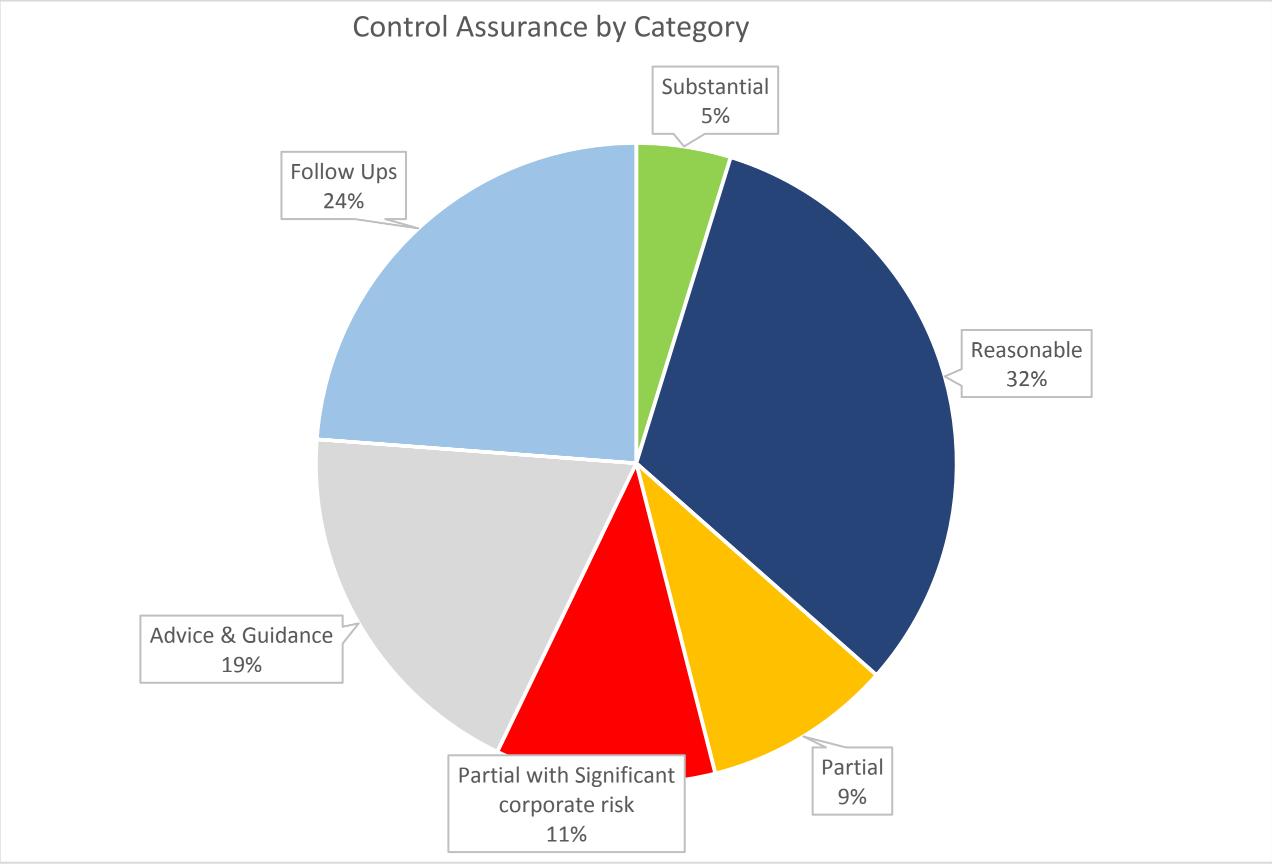
Summary of Audit Work 2017/18

Summary of Audit Opinions

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

- **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 risk are not well managed**

Summary of Audit Opinions

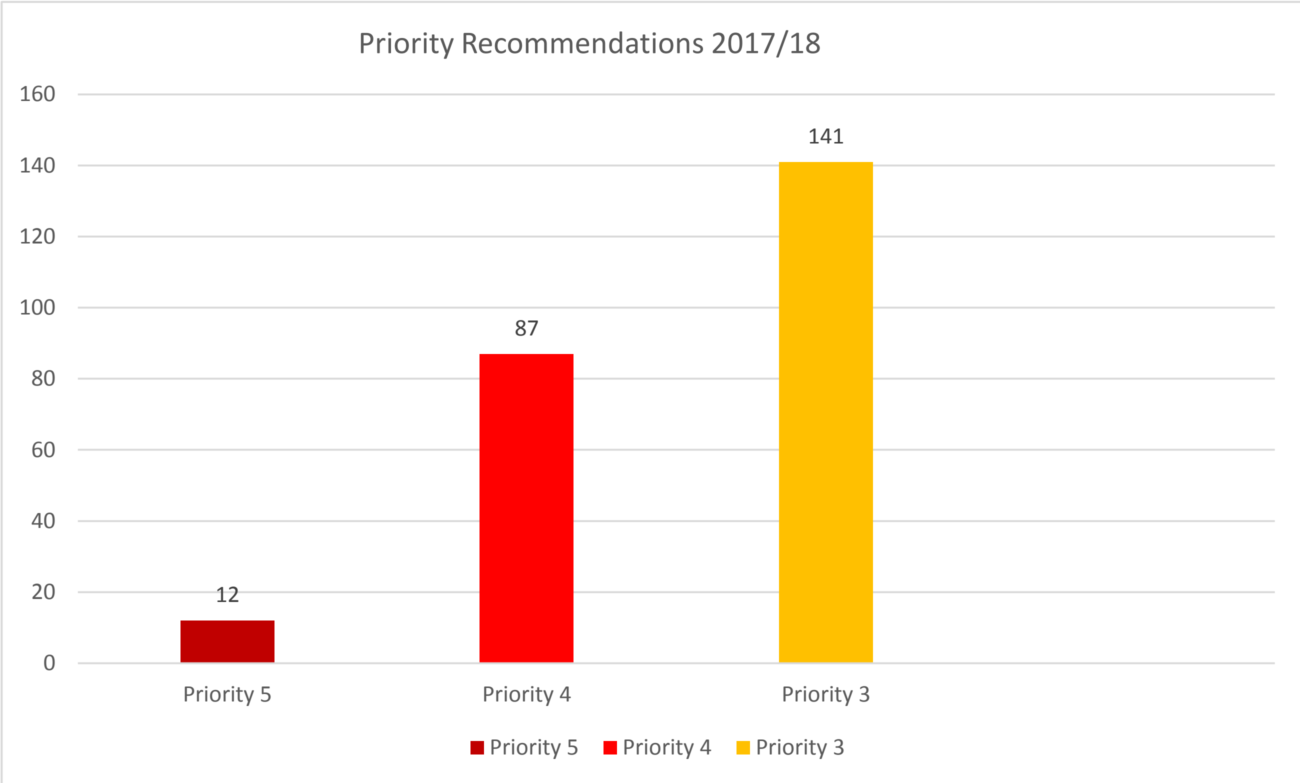


Summary of Audit Work 2017/18

Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 3 to 5, with 3 being a medium level of concern to 5 being areas of major concern requiring immediate corrective action. Priority 2 and 1 recommendations are verbally reported to management.

Priority Actions



Value Added

'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.'

Value Added

Throughout the year, SWAP has strived to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

This has included the circulation of industry bulletins and fraud prevention alerts wherever possible. We also share the outcomes of any benchmarking undertaken across our SWAP Partner base. SWAP also aim to share the results of emerging areas of risk, or findings from relevant audit reviews undertaken at our Partners, to enable the sharing of best practice and comparison of common findings. Some examples of added value within 2017/18 has been:

The compilation of best practice guides for:

- Covert Surveillance
- Flexible Working
- Commercial Contract Management
- Ethics and Culture
- Fraud in schools
- IT Controls in Schools
- Application of Financial Management Standards in Schools

Providing benchmarking data from across SWAP partners for:

- General Data Protection Regulations
- High Needs Block Funding
- Committee Structure
- Partnering and Co-production

As well as the above, we have also made available to DCC detailed analysis of expenditure through SAP in order to identify potential duplicate payments. This work has identified around £7,000 of actual duplicate payments to date. SWAP has also provided Fraud Awareness training to colleagues in Financial Services.

The Executive Director 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 24 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 1 June 2018) are as follows; (the previous year's performance figures are reported in brackets for comparison):

Performance Target	Average Performance
Audit Plan – Percentage Progress Final, Draft and Discussion Fieldwork Completed awaiting report In progress Yet to complete	 100% (98%) 0% 0% 0%
Draft Reports Issued within 5 working days Issued within 10 working days	75% (77%) 90% (87%) (Average Days of 4) (5)
Final Reports Issued within 10 working days of discussion of draft report	79% (78%) (Average Days of 8) (8)
Quality of Audit Work Customer Satisfaction Questionnaire	85% (84%)

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

The Chief Financial Officer is assured that SWAP maintains a process of continuous quality assurance and has been independently assessed and found to be in Conformance with the Standards.

Internal Audit Work Plan 2017-18

The schedule below contains a list of audits agreed for inclusion in the Annual Audit Plan 2017/18 and the final outturn for the financial year.

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

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation				
						5	4	3	2	1
Follow up	Children in Care	1	Final	N/A						
Operational	Trading Standards	1	Final	Reasonable	6	-	-	6	-	-
Operational	Animal Health and Welfare	1	Final	Reasonable	2	-	-	2	-	-
Operational	Schools IT controls	1	Final	Reasonable	4	-	2	2	-	-
Follow up	Ethical Governance	1	Final	N/A						
ICT	Mosaic – Data Migration Readiness	1	Final	Advice and Guidance						
Operational	Agency Staff - DWP	1	Final	Reasonable	10	-	1	9	-	-
Grant Certification	Careers and Enterprise Grant	1	Final	Advice and Guidance						
Grant Certification	Dorset Growth Hub	1	Final	Advice and Guidance						
Operational	Planned use of School Balances	1	Final	Reasonable	4	-	-	4	-	-

Internal Audit Work Plan 2017-18

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ⟷ 1 = Minor Recommendation				
						5	4	3	2	1
Operational	Resilience of ICT infrastructure – Service Continuity Plan Arrangements	1	Final	Partial	16	-	3	13	-	-
Follow up	Debt Management	1	Final	N/A						
Follow up	Safer Recruitment *(one priority 3 recommendation is new resulting from the follow up work and three are recommendations not implemented from the original audit)*	1	Final	N/A						
Operational	ICT Contract Management	1	Final	Partial	10	-	-	10	-	-
Operational	Budget Management – Children's	1	Final	Partial	16	4	11	1	-	-
Operational	Education of Looked After Children	2	Final	Partial	6	-	4	2	-	-
Follow up	Direct Payments – Children's	2	Final	N/A						
Follow up	SEN Decision Making	2	Final	N/A						
Follow up	Towards Adulthood project	2	Final	N/A						
Operational	Pimperne School	2	Final	Reasonable	15	-	3	8	4	-
Operational	Deprivation of Assets – Adult and Community Services	2	Final	Partial	5	-	1	4	-	-
Operational	Control of Credit Notes	2	Final	Reasonable	3	-	2	1	-	-
Follow up	Use of Consultants	2	Final	N/A						

Internal Audit Work Plan 2017-18

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation				
						5	4	3	2	1
Operational	Covert Surveillance of Social Networking Sites	2	Final	Advice and Guidance						
Operational	Business Continuity	2	Final	Reasonable	9	-	-	9	-	-
Follow up	Agency Staff	2	Final	N/A						
Follow up	Section 17 Payments	2	Final	N/A						
Governance	Accounts Payable Fraud Investigation	3	Final	Advice and Guidance						
Follow up	Better Care Fund	3	Final	N/A						
Key Controls	Financial Reconciliations	3	Final	Substantial	1	-	-	1	-	-
Follow up	Intermediaries Legislation/IR35	3	Final	N/A						
Operational	VAT	3	Final	Reasonable	6	-	-	6	-	-
Operational	General Data Protection Regulations	3	Final	Partial	34	7	26	1	-	-
Operational	Contract Compliance	3	Final	Advice and Guidance						
Operational	Outcomes Based Accountability	3	Final	Reasonable	13	-	-	13	-	-
Governance	Ethics and Culture SWAP Survey	3	Final	Advice and Guidance						
Operational	Commercial Contract Management	3	Final	Advice and Guidance						

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Internal Audit Work Plan 2017-18

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation				
						5	4	3	2	1
Operational	Management & Control of Flexible Working	3	Final	Advice and Guidance						
Operational	Budget Management – Environment and Economy	3	Final	Substantial	1	-	-	1	-	-
Operational	Payroll – External Customers	3	Final	Substantial	0	-	-	-	-	-
Operational	Learning Disabilities	3	Final	Partial	7	1	6	-	-	-
Operational	Budget Management – Adult and Community Services	3	Final	Reasonable	2	-	2	-	-	-
Governance	Change Programme – Adult and Community Services	3	Final	Partial	9	-	3	7	-	-
Operational	Alignment of Forward Together and Budget Gap	3	Final	Reasonable	4	-	4	-	-	-
Operational	Local Enterprise Partnership	3	Final	Reasonable	-	-	-	-	-	-
Follow up	Oversight of Schools	3	Final	N/A						
Operational	Corporate Working Groups	3	Final	Partial	5	-	1	4	-	-
Operational	Contract Monitoring Arrangements – Children's Services	3	Final	Partial	7	-	4	3	-	-
Follow up	Tricuro Governance Arrangements	4	Final	N/A						
Follow up	Safer Recruitment – Further Follow Up	4	Final	N/A						
Follow up	Budget Management	4	Final	Advice and Guidance						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation				
						5	4	3	2	1
Operational	Multi-Agency Safeguarding Hub	4	Final	Reasonable	2	-	-	2	-	-
Operational	Review of Send Travel Project Arrangements	4	Final	Reasonable	1	-	1	-	-	-
Operational	New Youth Service Arrangements	4	Final	Advice and Guidance						
Operational	New Committee Structure	4	Final	Partial	10	-	4	5	-	-
Operational	Vehicle Maintenance – DWP	4	Final	Reasonable	2	-	-	2	-	-
Operational	Sickness Management	4	Final	Reasonable	10	-	3	7	-	-
Key Control	ICT key controls	4	Final	Reasonable	3	-	-	3	-	-
ICT	Threat and Vulnerability	4	Final	Reasonable	6	-	-	6	-	-
Operational	Budget Management – DWP	4	Final	Reasonable	2	-	-	2	-	-
Operational	Strategic Alliance for Children and Young People	4	Final	Advice and Guidance						
Operational	Management and Use of High Needs Block	4	Final	Advice and Guidance	4	-	3	1	-	-
Operational	Co-production and Capacity for Community Build	4	Final	Partial	3	-	-	3	-	-
ICT	Technology Strategy	4	Final	Reasonable	4	-	-	4	-	-

Agenda Item 9

Dorset County Council

Report of Internal Audit Activity

Plan Progress 2018/19 – June 2018

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

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.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating previously identified significant risks by audit.

Audit Opinion and Summary of Significant Risks

Audit Opinion:
Audit reviews completed to date, highlight that in the majority of areas, risks are reasonably well managed with the systems of internal control working effectively.

Significant Risks:
Since our last report in March, one further significant risk has been identified as follows:

Forecasts of demand against **High Needs Block (HNB)** funds are not reliable, resulting in an inability to plan strategically whist balancing the HNB budget, leading to a potential failure to achieve savings and budget plans if the appropriate action is not taken. This could potentially lead to an unsustainable cumulative deficit.

Our audit review identified that the 2018/19 HNB budgets each identified new potential sources of savings in order to balance this budget, but conceded a significant amount of risk to achieving these. Naturally, there is a significant and inherent amount of uncertainty attached to these forecasts, although the assumptions on which it has been based (i.e. growth of demographic and funding) have been clearly stated. However, in view of these projected figures, and the high level of risk associated with the identified savings assumed therein, it was ultimately not possible through our review to provide assurance on the authority's ability to immediately balance the HNB budget and recover the accumulated deficit in the long term.

We have been regularly reporting to the committee on progress made in respect of safer recruitment. In order to provide the committee with a comprehensive assurance that clear processes are in place for the identification of those employees and volunteers that must be subject to the DBS checking procedure, we are undertaking a further full audit of DBS checking.

Follow Up Work
We are currently undertaking further follow up work in respect of Tricuro Governance arrangements where we are seeking confirmation that a contract variation to formalise service and financial performance targets has now been issued and that the minutes of the Audit, Governance and Risk Committee being provided by Tricuro. We will update the committee verbally if confirmation is received after completing this report.

We are also currently undertaking follow up work to confirm the actions taken in respect of ICT Service Continuity Planning and General Data Protection Regulations. A further update on this work will be brought back to the next committee.

A follow up audit has taken place of Commissioning of Learning Disability Services and confirmed that good progress has been made in implementing the recommended actions. This is no longer considered a significant corporate risk.

The Executive Director 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 26 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 2018/19 year (as at 1 June 2018) are as follows;

Performance Target	Performance
Audit Plan – Percentage Progress Final, Draft and Discussion Document In progress Yet to complete	 8% 30% 62%
Draft Reports Issued within 5 working days Issued within 10 working days	100% 100 % (Average Days of 3)
Final Reports Issued within 10 working days of discussion of draft report	100% (Average Days of 8)
Quality of Audit Work Customer Satisfaction Questionnaire	90%

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
Use and Management of the High Needs Block	There are issues with the quality of data within Synergy which may impact on the service's ability to accurately track and project future demand on the HNB. If initiatives to reduce reliance on Independent Sector placements are not progressed promptly with estimated savings revisited regularly for feasibility as more detail becomes known, there is a risk that they may not be achievable, resulting in an increase in the cumulative deficit of the High Needs Block budget.	All actions are planned to be completed by the end of July 2018	A follow review will be undertaken later this year to confirm progress against the recommended actions.
Safer Recruitment	There is no effective control to ensure that a DBS check is undertaken in every appropriate instance prior to employment commencing. 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 further follow up review was completed which identified a further programme of work around this area has been outlined by Human Resources, to include: • A review and cleanse of historical data; • Additional controls surrounding clearance to be incorporated within the PDR process; • Additional reporting and guidance being made available to managers; • A review of current practice by the Service Manager with recommendations to follow. A further full internal audit review has been agreed with Human Resource to provide assurance on the process for ensuring that a valid DBS clearance has been obtained where appropriate.

Monitoring of Previously Report Significant Risks APPENDIX A

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
Governance Framework for Tricuro	The council does not currently receive copies of minutes of Tricuro's Audit, Governance and Risk Committee and therefore has limited assurances around the adequacy of review of operations within Tricuro. Tricuro have not provided regular performance or financial data to the council. Performance data that has been provided indicates poor performance in some areas.	All actions were due to be implemented by 1 October 2017	The last update reported that some progress had been made however a contract variation to formalise service and financial performance targets had yet to be issued. In addition, it was found that the minutes of the Audit, Governance and Risk Committee are not being provided by Tricuro. Further follow up work is currently being undertaken to confirm that all recommendations are now fully implemented.
Resilience of ICT infrastructure – Service Continuity Planning	The last large-scale assessment of IT system criticality was undertaken in 2014 and many of the individual service continuity plans do not contain clear step by step instructions. The last update to the ICT Service Continuity Plan was undertaken on 23rd January 2017, so these unresolved issues have been outstanding since then and have not been updated since the UPS failure or Wannacry incidents.	All actions are due to be implemented by 31 March 2018	A follow up audit is currently being undertaken. Once this has been completed we will be able to provide more detail on implementation of our recommendations.
Budget Management within Children's Services	Robust processes are not in place to set realistic budgets and effective actions are not always being taken in a timely manner to address budget overspends resulting in predicted overspent budgets for the 2017/18 year end. Actions which address budget overspends are not always quantified in terms of the impact on budgets.	All actions are due to be implemented by 31 March 2018	A follow up audit is planned for Quarter 2 (July 2018) of 2018-19. The reason for the delay in undertaking this work is to enable audit to assess the impact of the actions on the 2018-19 budget which cannot be judged until sufficient time has passed.

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
	Savings targets are allocated to budgets without a documented plan being in place for the achievement of these targets.		
EU General Data Protection Regulations (GDPR)	The organisation is not able to fully implement the requirements of the GDPR within the required timescales resulting in non-compliance with the consequence of financial penalties.	All actions are planned to be completed by the implementation of the GDPR which is 25 May 2018.	The response from the authority has been extremely positive in terms of implementing our recommendations and we have recently undertaken some follow up work which has demonstrated encouraging progress and a positive direction of travel. It is not possible through this work to provide assurance on compliance with GDPR and a further piece of compliance audit work will be undertaken later in 2018-19.
Learning Disability	Commissioning of Learning Disability Services through the dynamic purchasing system (DPS) is unsuccessful in the majority of cases and the costs of this are not fully understood. In addition, the contractual status of packages not awarded through the DPS was found to be unclear and therefore legally binding agreements may not always be in place with providers of support.	All Actions were planned to be completed by the end of March 2018	A follow up review has been undertaken and confirmed the following actions: • An extension to the original framework contract has been agreed to ensure that contracts are compliant. • Minimal use will be made of the DPS until an alternative procurement process is put in place. • Spot purchasing is being undertaken by the Brokerage team rather than by Care Managers. Previously reported significant risks have now been adequately mitigated.

Internal Audit Plan Progress 2018/19 APPENDIX B

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

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ↔ 1 = Minor Recommendation				
						5	4	3	2	1
Governance	Coach tender investigation and advice work	1	Final	Advice and Guidance	N/A	-	-	-	-	-
Grant Certification	Growth Hub	1	Final	Advice and Guidance	N/A	-	-	-	-	-
Grant Certification	Dorset Families Matter	1	Final	Advice and Guidance	N/A	-	-	-	-	-
Operational	Budget Management	1	Final	Advice and Guidance	N/A	-	-	-	-	-
Operational	Potential Duplicate payments	1	Final	Advice and Guidance	N/A	-	-	-	-	-
Operational	National Fraud Initiative Governance Arrangements	1	Draft							
Operational	Statutory Timescales for Children's Assessments	1	In progress							
Operational	Contract Management – Construction and Transport	1	In progress							
Operational	Family Partnership Zones	1	In progress							
Operational	Implementation of Our People Plan	1	In progress							
Operational	Capital Budget Management	1	In progress							
Operational	Dorset Waste Partnership – Value for Money	1	In progress							

Internal Audit Plan Progress 2018/19 APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ⟷ 1 = Minor Recommendation				
						5	4	3	2	1
Operational	Deferred Payments	1	In progress							
Operational	Management of Grants	1	In progress							
Operational	Adult and Community Services Debt Management and Debt Recovery	1	In progress							
Operational	DBS checking	1	In progress							
Follow up	Learning Disability	1	In progress							
Follow up	Education of Looked After Children	1	In progress							
Follow up	General Data Protection Regulations	1	In progress							
Follow up	Tricuro Governance Arrangements	1	In progress							
Operational	Whistleblowing	1	In progress							
Operational	Role of the Dorset Manager	1	In progress							
Operational	Dorset Care Framework	1	In progress							
Operational	Budget Assumptions	1	In progress							

A copy of the full audit plan, including details of upcoming planned audit reviews, is available to view on ModernGov under the March 2018 Audit & Governance Committee

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Audit & Governance Committee

Dorset County Council

Date of Meeting	29 June 2018
Officer	Chief Financial Officer
Subject of Report	**Statement of Accounts and outturn 2017-18**
Executive Summary	The Accounts and Audit (England) Regulations 2015 require the annual statement of accounts to be certified as representing a true and fair view by the Authority's Chief Financial Officer and then submitted to the external auditor by 31 May. The accounts must then go through the audit process and be approved by the Council (or a Committee to which it has delegated authority) by 31 July. These dates are significantly earlier than in previous years. The Regulations also require consideration of the findings of reviews that underpin the Annual Governance Statement, as well as the statement itself. The Annual Governance Statement was reviewed and approved by the Audit & Governance Committee on 12 March 2018 and recommended to Cabinet, where it was subsequently approved on 23 May 2018. The Statement of Accounts for 2017-18 that accompanies this report has been reviewed by the Authority's external auditor, KPMG LLP. The Auditor's report appears elsewhere on this agenda, with an unqualified opinion. Members are already aware of the Authority's financial performance for the year ended 31 March 2018 as the timing of meetings has meant that draft, unaudited, financial information has already been to Cabinet as well as being well-circulated an publicised prior to this meeting. However, a summary analysis of the year's performance and position is also included in the body of this report as well as in the accounts document itself.

	The accounts have been prepared in line with International Financial Reporting Standards (IFRS) as incorporated into the CIPFA Code of Practice on Local Authority Accounting 2017-18. Details of specific IFRS and Code requirements and how the Authority applies them are explained in the Accounting Policies section of the Statement of Accounts and in the relevant notes to the accounts.
Impact Assessment:	Equalities Impact Assessment: The Statement of Accounts is largely an historic record of the Council's financial affairs during the past financial year and there are no equalities issues arising directly from them.
	Use of Evidence: The accounts are based on the financial records of the County Council, as maintained in the main Enterprise Resource Planning system (known as DES) and supporting systems and records. They have been subject to review by the external auditor, who has given an unqualified opinion.
	Budget: Although there are no direct budget implications arising from this report, the outturn and financial position, as reported in the accounts influence the Council's Medium Term Financial Plan and Strategy. The Committee will be kept informed of progress towards balancing the 2019-20 budget and MTFP and the forecast outturn position for 2018-19 during the year.
	Risk Assessment: As the Statement of Accounts is largely an historic document, there are no real risk implications except when there are issues to report (such as overspends, for example) that impact on the Medium Term Financial Strategy.
	Outcomes:
	Other Implications: None.
Recommendation	That members consider and approve the Statement of Accounts for the year ended 31 March 2018 and that the Accounts and associated paperwork are signed by the Chairman.
Reason for Recommendation	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 31 July.
Appendices	Statement of Accounts
Background Papers	Accounts and Audit (England) Regulations 2015 CIPFA Code of Practice on Local Authority Accounting in the UK 2017-18 Internal Audit Reports 2017-18 Corporate Governance Framework – Annual Compliance Assessment 2017-18
Officer Contact	Name: Jim McManus Tel: 01305 221235 Email: j.mcmanus@dorsetcc.gov.uk

1. Background and significant achievements

1.1 The County Council is required to prepare its annual accounts in accordance with proper practice. This principally means compliance with the latest Code of Practice on Local Authority Accounting in the UK and the latest version of the Accounts and Audit Regulations. More information about adoption of and compliance with the Code and how this affects the Authority's accounting methods, disciplines and practices is explained in the statement of accounting policies and the notes to the accounts.

1.2 The Accounts and Audit (England) Regulations 2015 require the Authority's draft accounts to be certified by the Chief Financial Officer and submitted for audit by 31 May, with the Auditor's opinion due in time for final approval of the accounts by Members by 31 July.

1.3 These statutory dates are significantly earlier than in previous years but the County Council has made excellent progress in bringing forward the deadlines for closing its accounts. In each of the last two years, closedown work has been completed inside these tighter deadlines as part of the improvements made by the Financial Services Team as part of its transformation programme.

1.4 I am pleased to be able to confirm that the Statement of Accounts for 2017-18 was certified by the Chief Financial Officer on 30 April 2018. Last year's accounts were certified on 15 May 2017 and the preceding year on 31 May 2016.

1.5 The statement of accounts is clearly a cornerstone of any organisation's financial governance arrangements and the reduction in time taken to produce this document should not be seen as an attempt to lessen its importance. Rather, a more structured and disciplined approach to the work of closedown has been shared across the wider team, allowing tasks to be carried out in parallel rather than in sequence. A robust do/review/sign-off procedure and thorough approach to working papers has also enabled this reduction in time spent on the accounts and the result is that we are better able to deploy our people to secure the organisation's future.

2. The Annual Governance Statement

2.1 The Annual Governance Statement appears as Appendix A to the Statement of Accounts. Since 2011, the AGS has been a statement in its own right however, it must still accompany any Statement of Accounts published in accordance with the 2015 Regulations.

2.2 The Annual Governance Statement for 2017-18 has been prepared in line with the recommendations published in 2007 by CIPFA and SOLACE, the public sector accountancy and local authority chief executives' organisations and additional requirements put forward by CIPFA in March 2010.

2.3 The Annual Governance Statement is the product of a rigorous process overseen by the Governance Group, to revise and challenge the Local Code of Corporate Governance, which also identifies and assesses corporate risks. The draft AGS was reviewed at Corporate Leadership Team and Audit and Governance Committee, before being approved at Cabinet to be presented to Audit and Governance Committee as part of the process to approve the Statement of Accounts.

2.4 The statement adopts a new format this year in an attempt to make information more accessible and readable and this has proved popular with Members and other stakeholders so far.

3. The statement of accounts

3.1 The County Council is required to follow the standard accounting practices prescribed in the key documents listed in paragraph 1.1. This involves a number of technical entries that can make the accounts harder for the lay-reader to understand. Nevertheless, Members are required to give formal approval to the accounts in this format and the person presiding at the meeting at which they are approved is required to sign and date them.

3.2 The narrative to the accounts summarises the major issues addressed by the County Council during the year and highlights key aspects of financial and operational performance. The narrative also defines and describes the content of the primary financial statements.

3.3 Further analysis of the financial performance and position is offered in section 4 as well as in the narrative, in the accounts themselves and in previous reports to Committees covering the forecasts and final outturn for 2017-18. A short presentation will also be provided on the day to ensure Members understand the key components of financial performance and position.

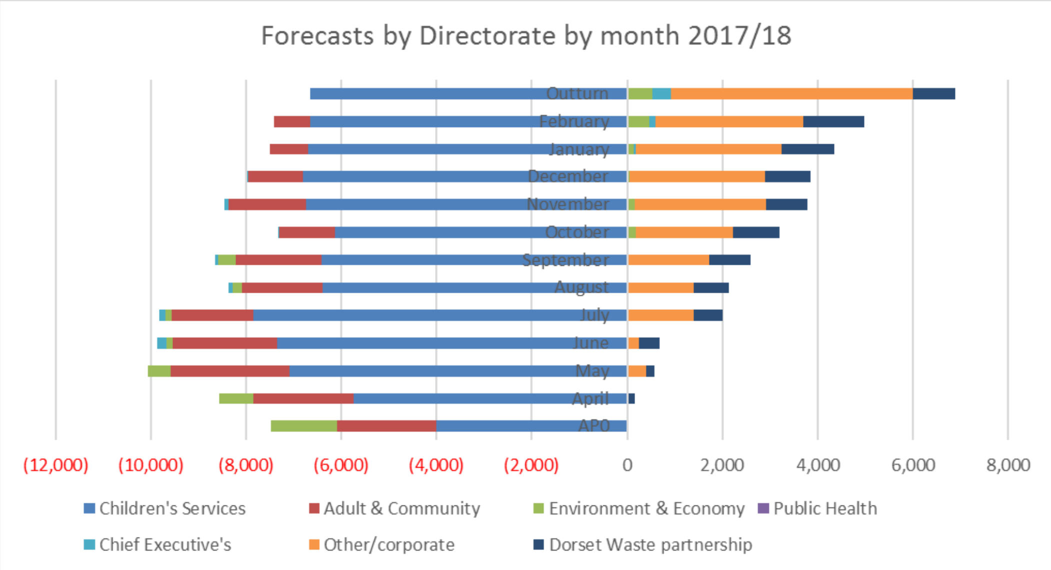
4. Financial performance for the year

4.1 The draft outturn for the year was an overall underspend of £0.2m. Within this total, there was a net overspend on service budgets of £4.9m, offset by £5.1m of underspends within corporate budgets as analysed in the table, below.

Directorate	**Net Budget**	**Outturn**	**(Overspend)/ Underspend**
	£k	**£k**	**£k**
Adult & Community Services	133,634	133,626	8
Children's Services	61,776	68,427	(6,651)
Environment & Economy	32,779	32,251	528
Partnerships	18,547	17,665	882
Chief Executive's Dept	12,778	12,402	377
Total Service Budgets	259,515	264,371	(4,856)
Central/Corporate Budgets	(301,805)	(306,899)	5,094
Performance for the year	(42,290)	(42,528)	238
<u>Movements in the general fund</u>			
Performance for the year			238
Minimum Revenue Provision adjustment			6,600
Transfer to LGR reserve			(2,500)
Increase in the general fund			4,338
Review of reserves in-year			1,776
Opening balance			12,352
Closing balance			18,466

4.2 Further changes to the minimum revenue provision (MRP) calculation, made in-year in line with the national policy changes, improved our position further with a cumulative, net adjustment of £6.6m. A transfer of £2.5m to the LGR reserve, to be approved by Cabinet on 27th June, was the final adjustment for the year. These results, combined with the release of £1.8m from the in-year review of reserves, means an overall increase of £6.1m in our balances.

4.3 The graph below shows how the overall forecast moved during the course of the year. From its peak, projected overspend of £9.5m in May, the overall overspend was reduced during the year, though clearly some areas continue to prove challenging and there is continuing risk around savings plans for 2018-19 and beyond.



4.4 The narrative in the paragraphs that follow is a reminder of the reasons for budget variances and also highlights any significant variations between the February forecast and the draft outturn.

Adult & Community Services

4.5 The Adult & Community Services directorate ended the year with an underspend of £8k.

4.6 The Directorate had a savings target of £7.1m. £5.6m of these savings were due from the adult care service-user budgets, with £4.2m of it relating to reviews of packages of care, the letting of the Dorset Care contract and improving the brokerage function, £1m from additional income and £400k relating to improved use of technology. The final performance meant that £1.9m of savings were not met. Service-user-related spend continues to increase annually and the underspend for the Directorate was only achieved through short-term savings in staffing, commissioning budgets and the application of specific reserves and repurposing improved Better Care Fund (iBCF) monies.

Children's Services

4.7 The Children's Services directorate ended the year with an overspend of £6.7m. Pressures were primarily around the number of children in care and the mix of placements, agency spend and SEN Travel.

4.8 The overall number of Looked after children (LAC) is fluctuating around 450. Whilst this is a welcome reduction from the peak of 506, it did not reach the best case scenario of 400 by the end of the year. Analysis of the make-up of children in care also showed that lower-cost placements were replaced by higher-cost placements with Independent Sector Fostering Agencies and Independent Sector Residential Care Providers. This cohort of children caused the budget to be overspent by £7.9m in 2017-18.

4.9 The agency staff budget was overspent by £0.4m. Whilst still significant this has reduced during the year and spending appears to have stabilised.

4.10 The SEN Transport budget ended the year with a £0.5m overspend. There was a major retendering exercise during the year which did see some cost reductions however with demand still growing this budget continues to remain under pressure.

Prudence and vacancy management across other areas of the service offset other pressures and a proportion of the overspends described above.

4.11 The Dedicated Schools Grant ended the year with a £4.6m overspend, when added to the £4.1m carried from 2016-17 this has resulted in a total deficit carried forward of £8.7m. The overspend is a result of additional pressures against the High Needs Block of the budget and the Council is now working jointly with the Schools Forum to identify methods to recover this deficit.

Environment & Economy

4.12 The Environment & Economy directorate ended the year with an underspend of £528k.The Directorate had a savings plan of £3.8m for 2017-18.

4.13 The main movements since the last report were a reduction in transport costs in Dorset Travel and extra income being received in the Coast & Countryside Service. The Highways Service was forecasting an underspend in February but two snow events in February and March caused an overspend, which the Directorate was able to contain in-year rather than draw on the specific reserve.

Partnerships

4.14 Dorset Waste Partnership; the County Council's share of the distributed underspend (£1.372m) was £882k.

DWP's overall underspend was £1.985m of which £613k was added to the budget equalisation reserve. The majority of the overall underspend at £1.1m related to volumes of waste arisings, associated haulage costs and improvements to gate fees as waste continues to be diverted away from landfill. Other significant favourable variances include income from recyclate for part of the year (£340k) and favourable contributions from trade waste and garden waste services.

4.15 Public Health; Public Health is managed within a ring-fenced grant contributed by all three Dorset Council partners.

Chief Executive's Dept

4.16 The Chief Executive's Department ended the year with a £377k underspend.

4.17 The main areas of movement since the February forecast were additional income in Legal Services, Financial Services increasing their cost-recovery from the Asbestos Service and Human Resources holding vacant posts and reducing training costs.

Central/corporate budgets

4.18 Central Budgets finished the year with an underspend of £5.1m.

4.19 The Regulations around flexible use of capital receipts allowed us to use £1.5m of capital receipts to fund transformation costs which otherwise would have been charged to the contingency budget.

4.20 Savings include £0.3m on interest costs due to renegotiation of a number of loans during the year, £0.2m lower financing charges for Dorset Waste Partnership assets, and £0.9m less Minimum Revenue Provision for financing capital expenditure.

4.21 A further £0.5m was released from central cost pool, flowing from continued improvements to the year-end accruals process and tighter management of purchase orders. Government grant receipts were higher by £0.5m in respect of under-indexing of the business rates multiplier, which will be included by central government as part of the core spending power allocation in future Local Government Finance Settlements and is now built into the Council's budget for future years.

5. Financial position as at 31 March 2018

Liquidity, cash flow, borrowing and investments

5.1 Liquidity was maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fell due. The cash flow statement shows a net cash increase of more than £30m over the year. Net cash flow from operating activities remained strong at +£23.3m, there was a £3.9m net outflow from investing activities and £10.9m net cash inflow from financing activities.

5.2 Note 38 to the accounts sets out the profile of the Authority's total external borrowing. The note reflects the net increase of short-term borrowing mentioned above. Although total borrowings have increased, the average interest rate payable on the County Council's portfolio has reduced. Note 20 shows how interest payable on all loans amounted to £7.414m compared to £7.482 in 2016-17.

5.3 The County Council maintains no long-term or short-term investments other than its interests in other undertakings covered within the group boundary. The decision is a direct result of the Authority's treasury management strategy, driven by the continuing gap between borrowing costs and investment returns.

Balance sheet

5.4 Fixed asset carrying values were relatively stable with just a £5m increase overall. Capital spend in total is set out in note 25 to the accounts and the movements in individual classes of asset are set out in note 21.

5.5 Current asset totals have increased due to the draw-down of cash and cash equivalents as part of the treasury management strategy of borrowing at best rates rather than immediately prior to requirement. There has been a very welcome reduction in debtors which is also summarised in note 34. Short-term liabilities have increased, mainly due to the increase in short-term borrowing referred to already and also from receipts paid to us in advance, meaning we cannot recognise them in the comprehensive income and expenditure statement. Overall these changes result in a £1.9m (9.2%) improvement in working capital.

5.6 Longer-term liabilities of the County Council have reduced, mainly due to the £53m improvement in the pension asset (note 23). Long-term borrowing has reduced marginally and PFI liabilities continuing to decrease in line with their life-cycle financial models.

5.7 The Authority's unusable reserves are those which exist for accounting or other regulatory purposes and are not available for the Council to use other than for very specific, clearly-defined purposes. A separate briefing paper is available on reserves should Members wish to see it, which provides greater clarity of the role and purpose of unusable reserves.

5.8 Usable reserves are those which the Authority can apply to support service delivery. At the end of the year, the usable reserves total was £100.5m. Of this total, a significant amount has already been earmarked for specific purposes (notes 47, 48 and 51 describe these in more detail). Of the remaining reserves, note 52 describes the situation around general balances and sets out the County Council's share of this – being £18.466m at 31 March 2018. The bottom end of the County Council's operating range (the level at which this balance should be maintained) is £10m, so whilst we are comfortably above that level, Members are reminded of the risk in the £18.8m savings target for 2018-19, the size of the budget challenge ahead in 2019-20 and the risks around LGR.

6. Auditors

6.1 The audit of the 2017-18 accounts will mark the end of KPMG's appointment period as auditor. KPMG will continue their involvement with the County Council until the final documentation and process requirements of their term are fulfilled. Members will be kept informed of the finalisation of their work and of the transition arrangements to the new Auditor, Deloitte LLP.

6.2 The Chief Executive, Chief Financial Officer and Chief Accountant have already met with the lead partner and Manager from Deloitte and once the June Committee meeting is complete, Council officers will start the formal planning work for the 2018-19 audit with Deloitte.

6.3 The County Council's Finance Team reflects very positively on the relationship with KPMG. Officers have always found the KPMG Team to be positive, proactive and supportive. KPMG have worked extremely effectively with us to achieve our ambition to produce the accounts within the faster closedown (30-day) period that we are now delivering. Our challenge will be to sustain this outcome, whilst retaining quality, during transition to LGR and the new, unitary authority.

7. Conclusion

7.1 The County Council closed the year with a small underspend of £0.2m. The forecast overspend during the year had been significantly higher – peaking at £9.5m in May 2017 - so this is a pleasing result in the challenging circumstances of increasing demand and reducing funding.

7.2 Elsewhere on this agenda is a paper that deals with the current year's forecast, financial performance. It is imperative that the plans and strategies underpinning the forward together transformation programme are successful and deliver the savings targets built into the budget. We are targeting £18.8m savings in the current year and there is currently a budget gap of £16.5m (County Council share £14.5m) in 2019-20, so there is significant risk in the planning period and we know we will not be able to rely on full-year savings from LGR to balance the budget in 2019-20.

Richard Bates
Chief Financial Officer
May 2018

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Financial Statements 2017/18

Working together for a strong and successful Dorset

Dorset County Council

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Richard Bates
Chief Financial Officer
Dorset County Council
County Hall
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INTRODUCTION

The purpose of this publication is to provide the Statutory Financial Statements for Dorset County Council for the period from 1 April 2017 to 31 March 2018.

This document also includes summary information relating to the Dorset County Pension Fund, which the County Council administers on behalf of its own staff, those of other Dorset Local Authority employers and certain other admitted bodies.

The Council provides a wide range of services for the citizens of Dorset, including education, social services, transport, planning, trading standards and libraries. Decisions relating to these services are made by the Elected Councillors of the Council, each Councillor representing a particular part of the County. Services in Bournemouth and Poole are administered by separate, Unitary Authorities serving those areas.

The County Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet), which are supported by three outcome-focused overview and scrutiny committees. These are the Economic Growth Committee; the Safeguarding Committee and the People and Communities Committee. Their respective terms of reference directly support their focus and oversight of the Council's Corporate Plan and monitor achievement against the councils stated priority outcomes; that people in Dorset are safe, healthy and independent and that Dorset's economy is prosperous. Each of these committees meet, formally on a quarterly basis to provide the necessary support and challenge and when necessary, have the powers to call additional meetings. In addition, the Audit and Governance Committee provides oversight of the Council's conduct, financial, risk, performance and constitutional issues. An informal Overview and Scrutiny Management Board is also in place to discuss and coordinate the work across these committees. The Council's remaining statutory responsibilities also continue to be delivered through existing arrangements eg Health Scrutiny Committee, Regulatory Committee, School Appeals etc.

Further details about the County Council, the six District Councils in Dorset and their respective services are available on the web site www.dorsetforyou.com.

Certification by Chief Financial Officer

I certify that these Financial Statements give a true and fair view of the financial position of Dorset County Council and of its financial performance for the year ended 31 March 2018.

These Financial Statements were authorised for issue as draft, subject to audit, on 30th April 2018 and authorised again as a final, audited set of financial statements on 29th June 2018.

Richard Bates
Chief Financial Officer

29th June 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DORSET COUNTY COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Dorset County Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statement(s), the Authority and Group Balance Sheet(s), the Authority and Group Movement in Reserves Statement(s), the Authority and Group Cash Flow Statement(s), the Fund Account and Net Assets Statement for the Dorset County Pension Fund and the related notes, including the accounting policies in Appendix A and the Pension Fund accounting policies in Appendix B .

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Dorset County Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018 other than liabilities to pay pensions and other benefits after the end of the scheme; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Trust in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the Statement of Accounts

The Chief Financial Officer is responsible for the other information published with the Statement of Accounts, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the Statement of Accounts for the financial year is consistent with the financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 24, the Chief Financial Officer is responsible for: the preparation of the Authority's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Dorset County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Dorset County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Dorset County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by the 29 June 2018

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Due to the Pension Fund Annual Report not being prepared by 29 June 2018

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Dorset County Pension Fund with the pension fund accounts included in the financial statements of Dorset County Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Jonathan Brown
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

29 June 2018

NARRATIVE STATEMENT TO THE ACCOUNTS

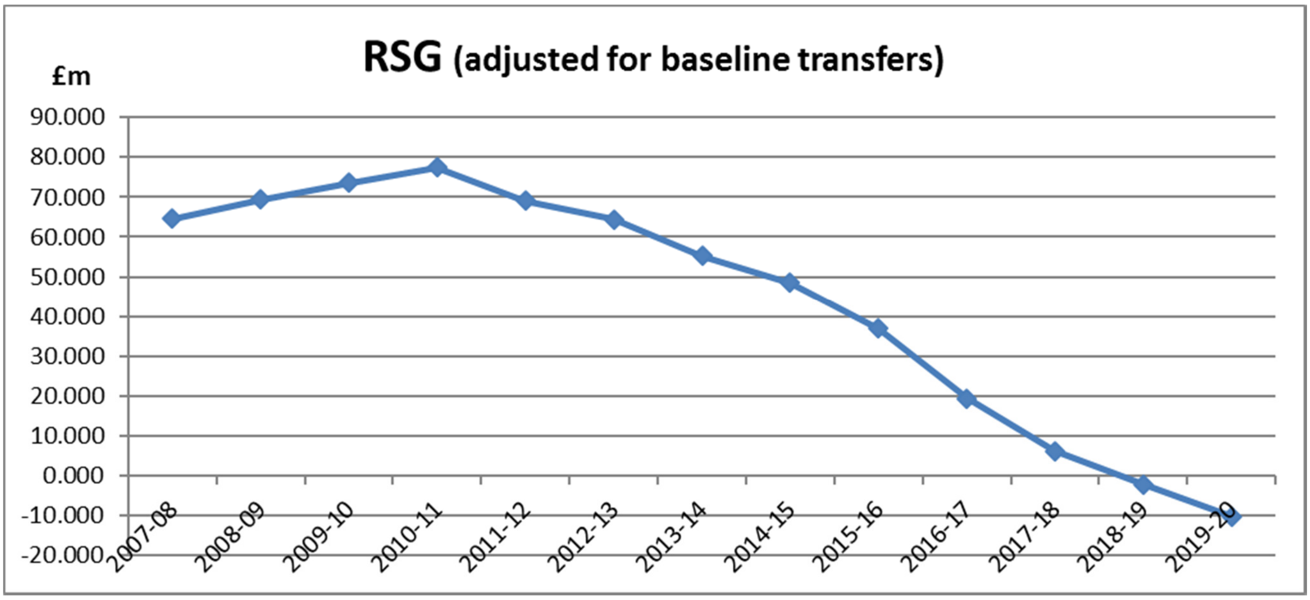
Financial performance against budget

Performance against the approved, revenue budget for the year to 31 March 2018 was an overspend of £4.9m against service budgets (2017: £5.3m). This was offset by underspends of £5.1m on central budgets - mainly the contingency fund, capital financing and corporate costs. The net performance was therefore an underspend of £0.2m. The analysis of performance against budget and how this feeds through to movements in the Authority's General Fund is shown in the Expenditure and Funding Analysis (EFA).

The 2017/18 budget was the second to be based on the Government's Spending Review 2015 (SR2015) and the second year of four included in a multi-year financial settlement offered to all English Local Authorities. As part of the Medium Term Financial Plan (MTFP) Members gave careful consideration to the risks of accepting this four-year offer, especially given the impact that the funding method had on the County Council's Revenue Support Grant (RSG) in later years. Dorset County Council was one of the 97% of councils in England that agreed a four-year deal, which gave rise to an efficiency plan (available on www.dorsetforyou.com) which was approved by Cabinet on 14th December 2016.

As noted, SR2015 brought further funding reductions for the County Council on top of general funding cuts from previous years, which are summarised in Chart 1, below.

Chart 1



When added to demographic, price and other upward pressures on expenditure, this resulted in a budget gap of more than £18m for the year. By the time the 2018/19 budget round had also concluded this took the County Council's targeted savings total to nearly £127m since 2011, as shown in Chart 2.

Chart 2

SAVINGS SUMMARY	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	
- Adult and Community Services	8,104.0	5,179.8	8,628.0	3,900.0	9,050.0	1,602.0	7,110.0	9,382.0	48%
- Children's Services	4,020.9	2,089.1	2,063.2	1,344.0	900.0	3,865.0	4,178.6	6,333.0	23%
- Environment & Economy	6,029.8	2,778.5	2,110.2	722.0	1,664.0	2,346.0	4,473.0	1,639.0	20%
- Chief Executive	2,264.8	971.8	1,498.7	896.0	930.0	1,214.0	1,132.0	964.0	9%
- Public Health (DCC savings only)				500.0	275.0	1,375.0	700.0		
- Dorset Waste Partnership							700.0	455.0	
- Overarching	5,169.5	2,125.8	2,231.6	1,050.0	2,450.0	576.0			
Total	**25,589.0**	**13,145.0**	**16,531.7**	**8,412.0**	**15,269.0**	**10,978.0**	**18,293.6**	**18,773.0**	
Cumulative total	**25,589.0**	**38,734.0**	**55,265.7**	**63,677.7**	**78,946.7**	**89,924.7**	**108,218.3**	**126,991.3**	

The County Council identifies savings through its *Forward Together* transformation programme, which is managed by the Forward Together Board. The Board comprises The Chief Executive and Directors and Members of the Cabinet. Despite an excellent track record of success, achieving savings from a budget which is continually reducing in real terms is extremely challenging. 2016/17 was the first year in which savings targets were not all achieved, with a shortfall of £2.7m. The Council also fell £3.4m short of its £18m savings target in 2017/18 though it is important to note that other short-term measures to reduce costs were taken during the year, to help protect the overall budget position.

Chart 3 summarises the savings achieved during the year to 31 March 2018.

Chart 3

Summary - all Forward Together savings 2017/18

2017/18 Savings measure	Target	Achieved	Not achieved
	£000	£000	£000
Adults	7,110	5,242	1,868
Childrens	4,179	3,479	700
Env & Economy	3,858	3,360	498
Chief Exec's	1,747	1,450	297
Public Health	700	700	-
Dorset Waste Partnership	700	700	-
Summary - All Savings 2017/18	**18,294**	**14,931**	**3,363**

More details of performance against budget are set out in the financial statements and the notes to the accounts. The following paragraphs also set out some of the main highlights and operational and financial issues encountered during the year.

Performance

The County Council uses an outcomes framework approach in its corporate planning (available on www.dorsetforyou.com). This comprises four outcomes; that people in Dorset are **safe**, **healthy** and **independent** and that Dorset's Economy is **prosperous**. To enable these key outcomes to be tracked and monitored the Cabinet, together with the Audit and Governance and Overview and Scrutiny Committees, are provided with 'outcomes focused monitoring reports' which provide data to help assessment and challenge to take place. These reports are available to the public through accessing the committee reports via dorsetforyou.com.

Through this process elected members are able to make balanced judgements as to whether they have the required assurance that satisfactory progress is being made against the Corporate Plan. Equally, where necessary, they are able to commission further oversight and scrutiny work into areas of interest and/or concern to achieve a fuller understanding and identify potential improvement opportunities. Ultimately the County Council will want to ensure that its activity is making a positive contribution to the achievement of these outcomes and in essence, answer the key question; are we making a difference?

There is a monthly Adult & Community Services Budget and Performance Directorate Management Team. The meeting includes consideration and discussion of the Directorate scorecard, covering all aspects of the Directorate's performance. All Budget Managers are also required to submit a performance report for these meetings covering their budget, HR and operational performance.

The Finance Team has a slot at the Children's Services Leadership Team every week. Once a month there is an in-depth review of each Assistant Director's service area with each area being reviewed on a quarterly basis, when finance, performance, risk and HR data is discussed. The scorecards are discussed each month for all high-risk services. There are also monthly briefings and budget discussions at the Strategy Delivery Group of Senior Managers.

There is a monthly Environment and Economy Finance and Performance Directorate Management Team. The meeting includes consideration and discussion of the Directorate's financial position as well as other aspects of performance, such as HR sickness statistics. All Budget Managers are also required to submit a quarterly financial performance report to the Director, which is considered at a separate, specific, quarterly meeting.

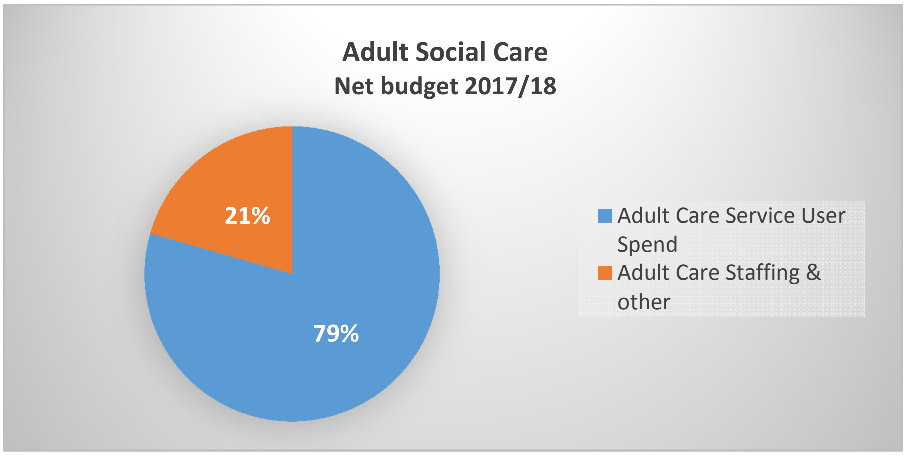
Both financial and operational performance are considered on a monthly basis via the Dorset Waste Partnership Senior Leadership Team meetings.

Adults and Community Services

Adult and Community Services is the largest Directorate in the County Council. The Directorate's approved, net, revenue budget for 2017/18 was £126.2m. This was 49% of the County Council's budget.

The Adult Social Care element of this budget was £118.6m and was spent as shown in Chart 4 below.

Chart 4

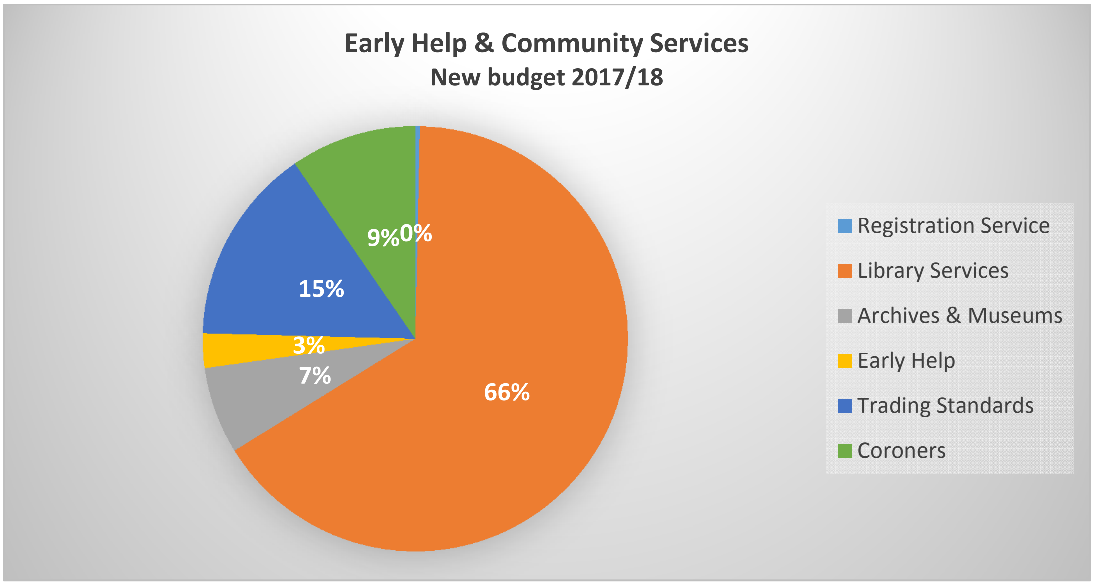


The gross budgeted spend was £154m. In line with national trends, the cost of adult social care services in Dorset continues to rise and is predicted to do so for many years to come.

The key factors affecting spend are increased costs of care through increasing off-framework purchasing and lack of market management; pick-up of Continuing Health Care cases; "capital below" cases and increasing acuity or complexity of packages of care.

The Community services element of the budget totalled £7.5m as shown in Chart 5 below:

Chart 5



Improved Better Care Fund (BCF) monies totalling £7.4m were received in 2017/18. These formed a part of a system-wide BCF plan, developed by the Clinical Commissioning Group (CCG) and the local authorities under the governance of the Dorset Health & Wellbeing Board. The national guidance for the BCF requires the Clinical Commissioning Group and the County and District Councils to set out how they will work together to invest, commission and, where required, deliver health and social care services in a joined-up way for the benefit of Dorset residents. The combined funds totalled £136.7m with DCC contributing £73m. See Chart 6 below.

Chart 6

BETTER CARE FUND POOLED BUDGET 2017/18

Dorset Health & Wellbeing Board

Scheme Description (Application of funds)	Scheme value	Total Health	Total LA
	£'000	£'000	£'000
Carers	1,135	1,135	-
Integrated Health & Social Care Locality Teams	18,571	18,571	-
Maintaining Independence	13,994	7,032	6,962
High Impact Changes Implementation/Supported Hospital Discharge	8,248	5,960	2,288
Moving on from Hospital Living	5,398	3,897	1,501
Strong and Sustainable Care Markets	89,372	27,102	62,270
Better Care Fund Total (Dorset HWB)	136,718	63,697	73,021

NARRATIVE STATEMENT TO THE ACCOUNTS

The economic situation continues to be extremely challenging. Budget constraints and the need to achieve efficiency targets mean the Directorate continues to face significant challenges in delivering its commitments to service users. The Directorate remains committed to a savings programme of £9.3m in 2018/19 to balance the budget, including initiatives to review the appropriateness of many packages of care, increase income and make efficiency savings.

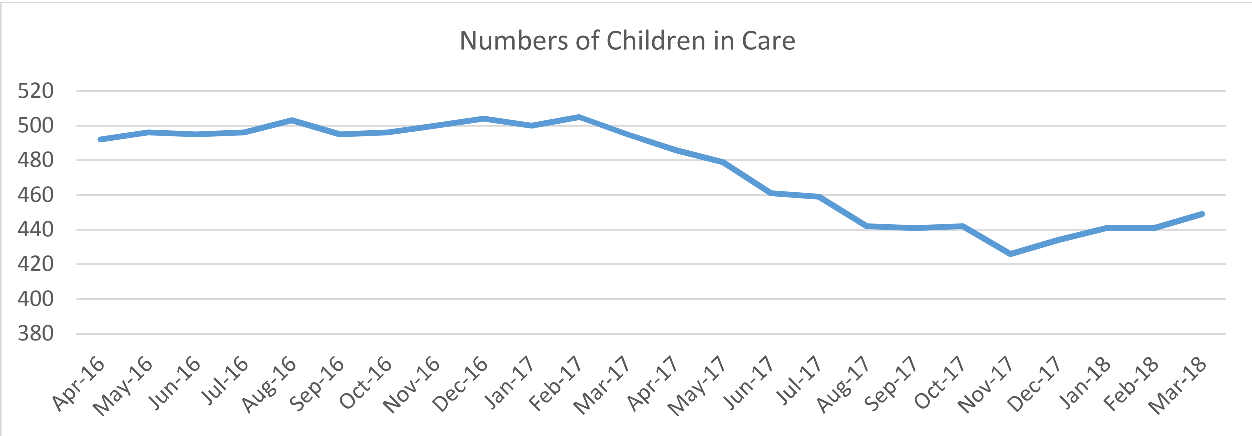
Children's Services

Children's Services contributes to the County Council's corporate plan through working with others to ensure that children and young people are safe, healthy, independent and the county is prosperous. Children's Services has overall safeguarding responsibility for more than 82,000 children across the county. There are 173 schools in the Dorset area; 105 LA maintained schools and 68 academies or free schools.

<u>Children in care</u>

As part of its safeguarding role the county council is responsible for providing care for children and young people that can't be looked after by their families. There was a reduction in the number of children taken into care during 2017/18 compared with 2016/17, through early intervention work and permanency planning. The proportion of children in care on 31st March 2017 was 63 per 10,000 compared with the national figure of 62 per 10,000. During 2017/18 this was reduced and reached 59 per 10,000 by 31st March 2018. This is still higher than our statistical neighbours and work continues to reduce this further. Chart 7 shows the recent numbers of children in care.

<u>Chart 7</u>



In line with national trends, the cost of providing care for children continues to be a challenge. There are more children, with increasingly complex needs being placed in higher-cost, residential placements or in independent fostering placements. This has led to increased focus on modernising the County Council's fostering service; to increase the number of foster carers available locally and to ensure they can meet the needs of the most vulnerable children. In addition, there has been increased emphasis on market management through regional collaboration to increase the number of places available locally and seek to reduce costs. This work continues.

<u>Child protection</u>

Reducing the number of children subject to a child protection plan was a priority for the financial year just closed and there has been a pleasing reduction. The rate of children subject to a child protection plan on 31st March 2017 was 51 per 10,000. This was significantly higher than the national rate of 41 per 10,000. On 31st March 2018 the rate has reduced to 33 per 10,000 lower than current national and statistical neighbours' rates.

The directorate continues to focus on good multi-agency working by social workers, safeguarding staff and partners agencies and recognises the importance of ensuring social workers have time to work with families. We are working to recruit more social workers and running a development programme for all social workers, called *Reinvigorating Social Work*, funded through an innovation grant from the Department for Education.

Persistent absence from school

Persistent absence is a serious problem for pupils. Much of the learning that children miss when they are away from school is never recovered, leaving them at a considerable disadvantage for the remainder of their school life. Children who are missing from school are also more vulnerable to exploitation. Responsibility for pupil absence primarily rests with the parent/carer, with schools responsible for monitoring and encouraging attendance where there are problems. The local authority supports this role through the offer of early help where appropriate and providing an enforcement role for parents/carers who fail to ensure that their children attend school regularly.

The proportion of Dorset pupils who were persistently absent from school in 2017 was 11.2%, slightly higher than the national level of 10.8%. This is a bigger problem in secondary schools (14.6%) than in primary schools (7.3%). Children's Services continue to invest in early intervention in order to reduce demand for more costly specialist services. By giving the right help early on, children's lives improve and families feel more able to help themselves. One of the ways we are doing this is through our seven family partnership zones, which bring together professionals in local areas to work together on supporting families. This includes a range of different ways of working with families including parenting programmes, targeted youth work, family work and children's centre activities.

Special Educational Needs and Disabilities

Following an inspection of area arrangements of success in implementing the Special Educational Needs Reforms in January 2017, more resources were made available to improve services. There have been notable improvements in performance in this area, particularly in ensuring that statements of special education needs were transferred to Education, Health and Care Plans by the end of March (2018) deadline. On the 31st March 2017 only 21% of this work had been completed, which was lower than nationally (32.7%) but by 31st March 2018, 100% had been completed.

There is still more work to do, with a particular focus on ensuring Education, Health and Care Plans are produced in a timely manner and responding to increasing demand but the service improvements made in the most recent financial year provide a strong foundation. The High Needs Block of the Dedicated Schools Grant, remains a significant challenge and work continues to align the expenditure with the funding available.

The directorate remains committed to a savings programme of £6.6m to balance the budget for the coming year as well as planning for the new Ofsted Inspection of Local Authority Children's Services, commencing in April 2018.

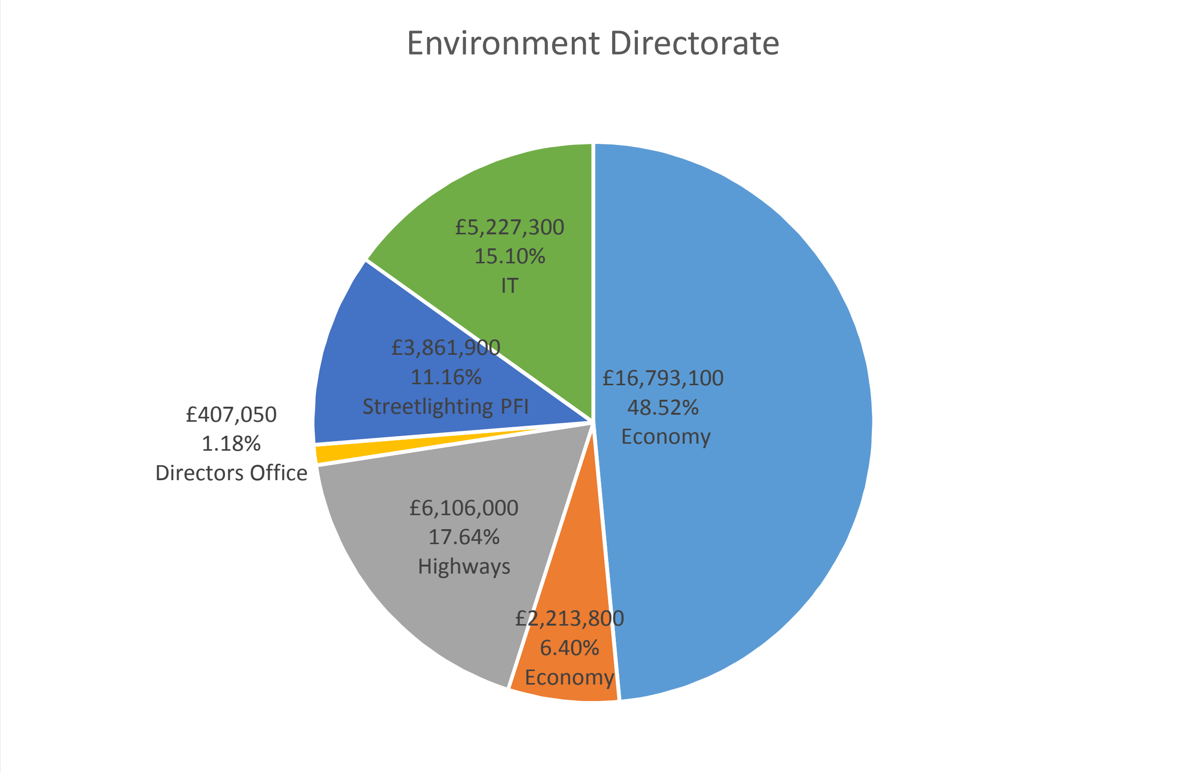
Environment and the Economy

The service areas of the Environment Directorate include Economy, Environment, Highways and IT Services. The Directorate net budget for 2017/18 was £34.6m.

The Environment Directorate budget is made up as shown in chart 8.

NARRATIVE STATEMENT TO THE ACCOUNTS

Chart 8



The largest area of cost within the Directorate's £16.8m budget is Dorset Travel with a budget of £14.5m. This service oversees the provision of public and school transport in Dorset.

The Directorate is responsible for the provision of Information Technology and handles customer contact and enquiry resolution for over 40 council services.

The Directorate has a detailed savings programme of £1.6m for 2018/19; most of the plans are already being implemented.

Dorset has:

- 1,406 square km of areas of outstanding natural beauty, covering 55% of its total land area
- 135 sites of special scientific interest, covering 18,730 hectares
- 9 national nature reserves
- 62 regionally important geological and geomorphological sites (with further under consideration)
- 1,227 sites of nature conservation interest
- 91 km of heritage coast
- 114 km of the Jurassic Coast world heritage site
- 85% of British mammal species can be found in Dorset, along with 90% of our birds, 80% of our butterflies, 70% of our dragonflies and all of our native reptiles and amphibians.

The Environment and Economy Directorate maintains:

- 4,011km of roads
- 2,282km of footpaths and cycle ways
- 1,450 other structures including bridges
- 49,229 street lights, illuminated signs and bollards

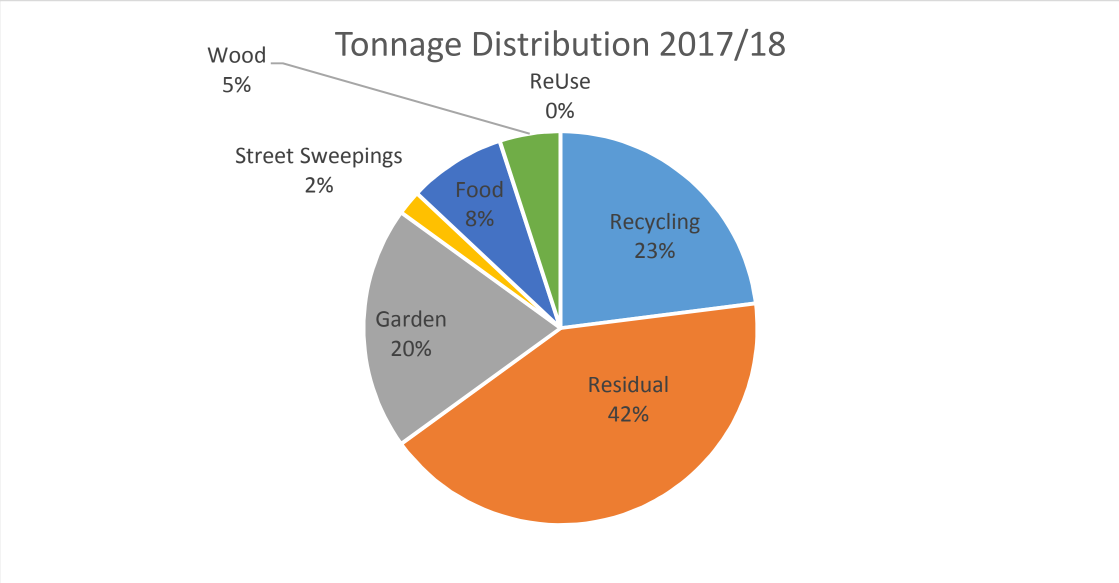
- 8,456 traffic control and information systems.

Dorset Waste Partnership

The County Council, in partnership with the six District and Borough Councils in Dorset, provides the waste collection and disposal services to Dorset's residents and visitors, through the Dorset Waste Partnership.

196,629 tonnes of waste were collected in 2017/18. This was broadly similar to 2016/17. The tonnage, by type of waste, shown in Chart 9.

Chart 9



Recycling rates are around 58%, which compares favourably with the national average of around 45%.

Debt management

Note 34 shows that the County Council's debt management has improved during the year, with the reduction of debtors from £56.5m to £49m. This is principally the result of the revision of the debt management policy that has now had its first full-year in operation. The Council supports pre-payment where possible, direct debit and greater use of electronic payments in addition to a tighter policy around debt payment. More information on debt is routinely included in report to the Council's Audit & Governance Committee which are all available on dorsetforyou.com.

Staffing and restructuring

During the year there was further reorganisation and restructuring work as the council continued the transition to deliver a lower cost organisation and manage cuts to its funding from central Government.

Note 17 to the accounts covers the required disclosures for the County Council's senior staff and also bandings of salary earnings for employees with remuneration in excess of £50,000 per annum. Information is also disclosed, in note 18, around exit packages and termination benefits during the year. Headline FTE numbers reduced by 399 to 6,558 in the year (by 31 to 3,174 excluding schools).

Chart 10

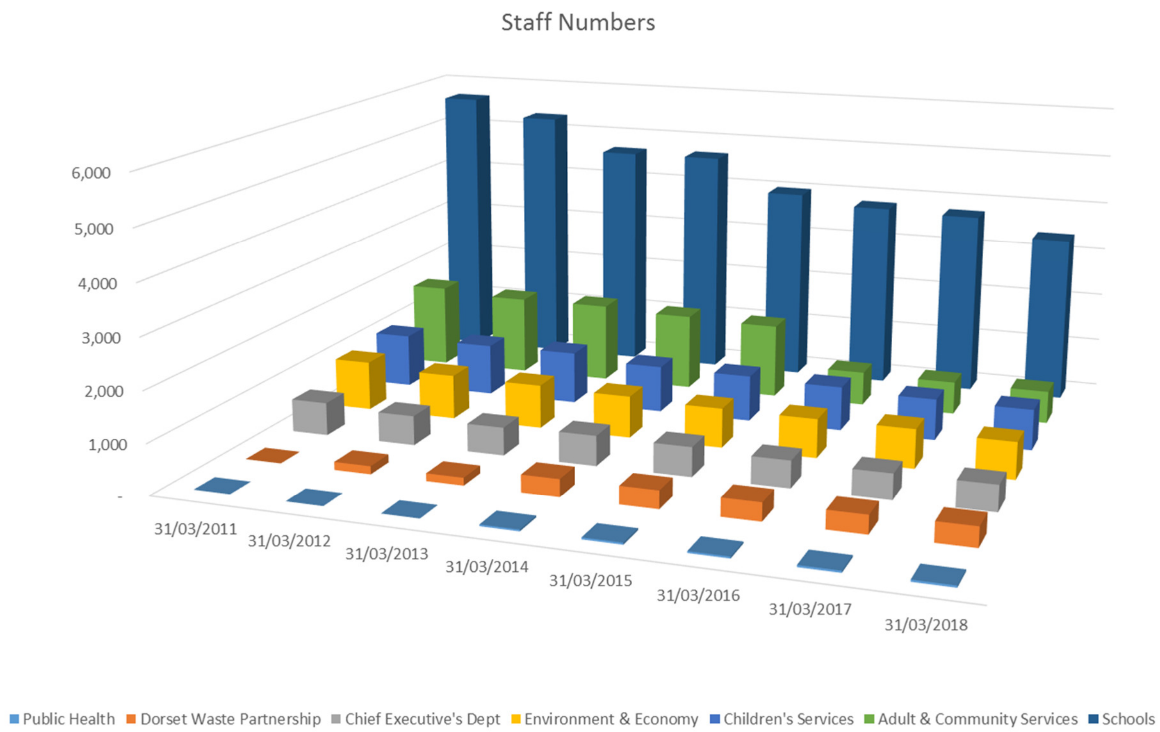
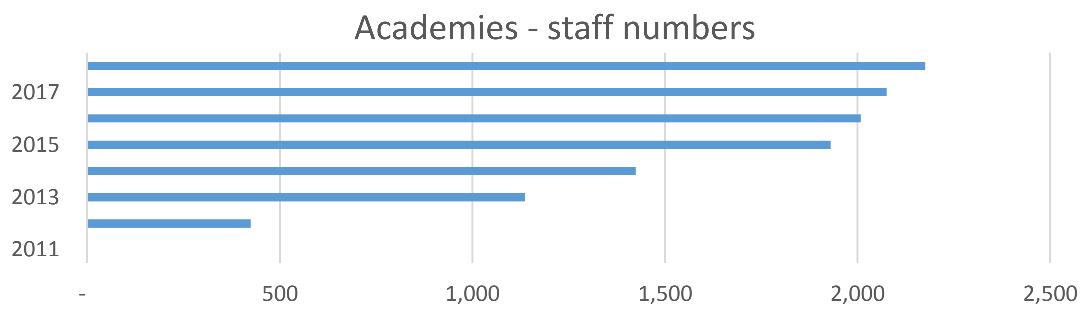


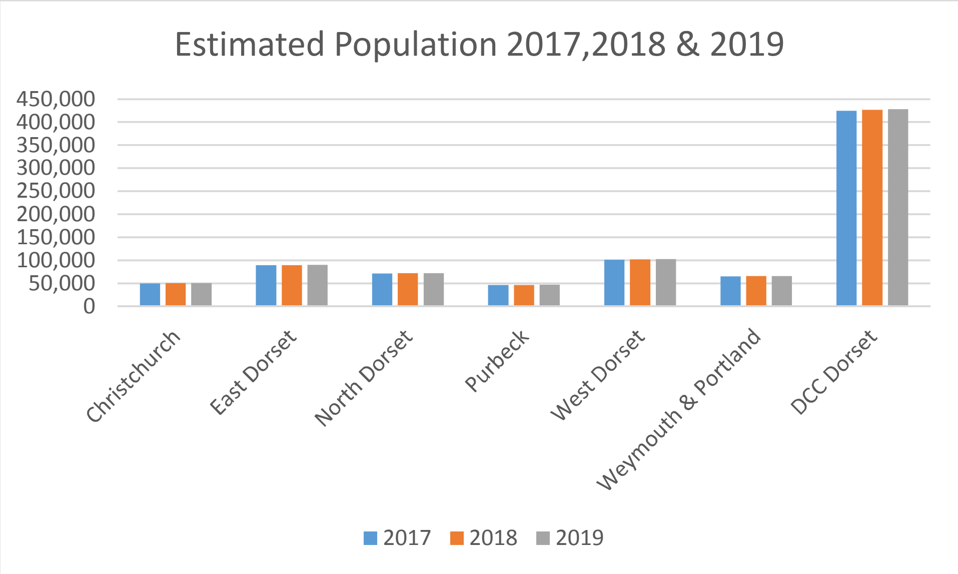
Chart 11



Population Data

The County Council provides services to a total estimated population of 426,300 (2017 424,550), with the projection for 2019 being 428,300. The graph below shows the population across the Borough and District council boundaries within the region of Dorset that is served by the County Council.

Chart 12



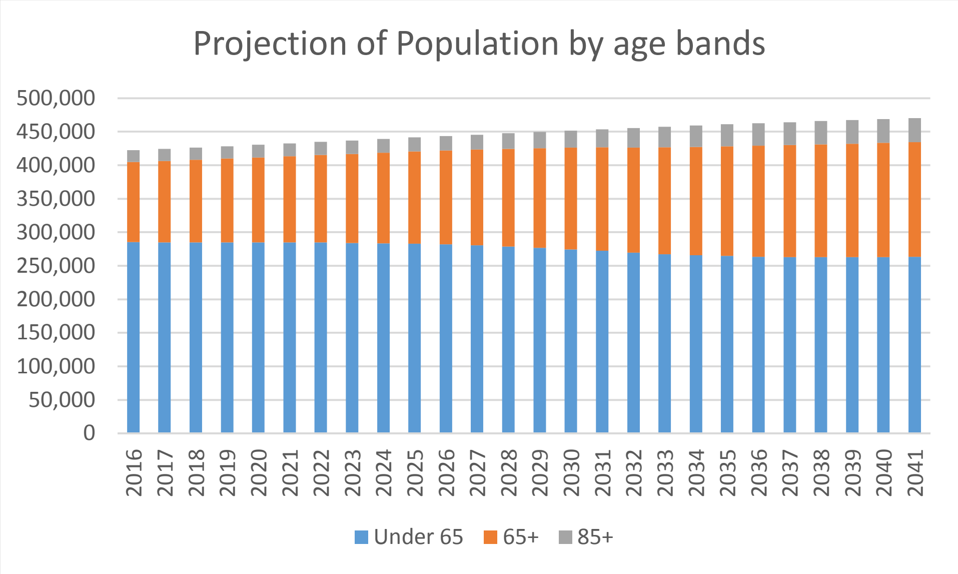
Source: 2016 based District Projections, Dorset County Council and Office for National Statistics

There are significant demographic challenges in the population of Dorset's residents with an estimated 33% being over 65 years of age, and 4% being over 85 years by 2018. Future projections show these numbers steadily growing, with an estimated 44% being over 65 years of age and 8% over 85 years of age by 2041.

Chart 13

	Age			
Year	Under 65	Over 65	65+	85+
2016	67%	33%	28%	4%
2021	66%	34%	30%	4%
2026	64%	36%	32%	5%
2031	60%	40%	34%	6%
2036	57%	43%	36%	7%
2041	56%	44%	36%	8%

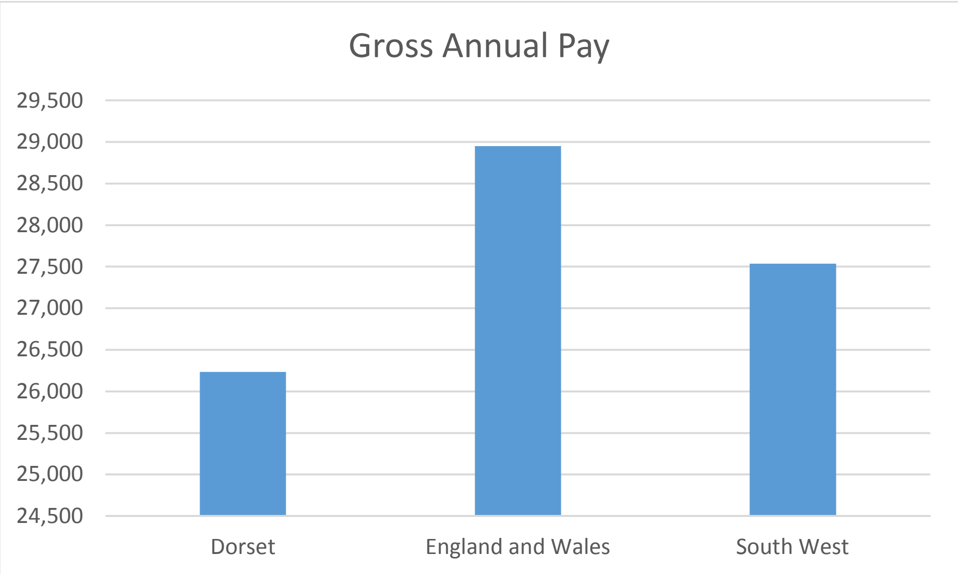
Chart 14



Source: 2016 based District Projections, Dorset County Council and Office for National Statistics

The average, full-time earnings for the area served by the County Council is shown on the chart below, compared with the South West and with England and Wales. The full-time earnings for Dorset are lower than for the South West, and lower than for England and Wales.

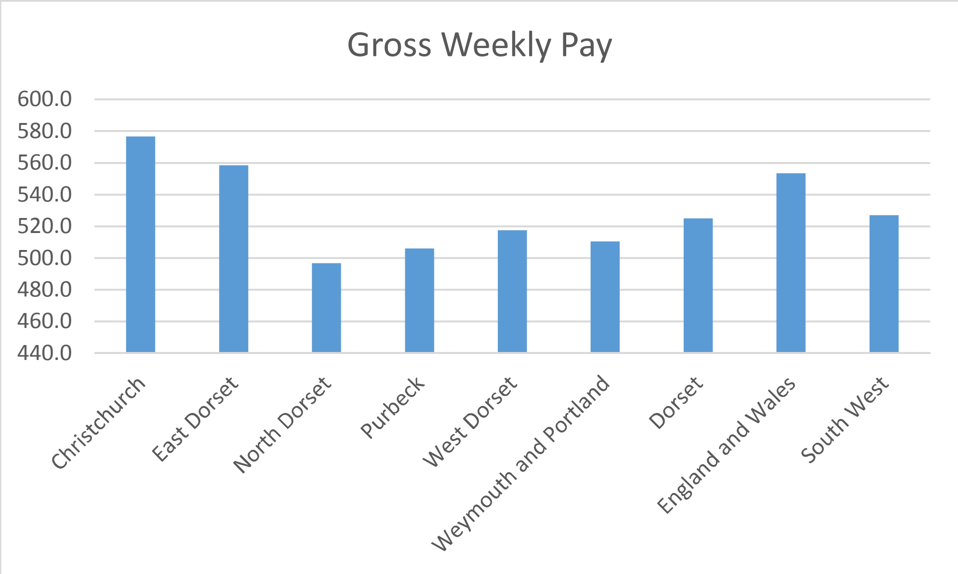
Chart 15



Source: Annual Survey of Hours and Earnings 2017, Office for National Statistics.

Chart 16

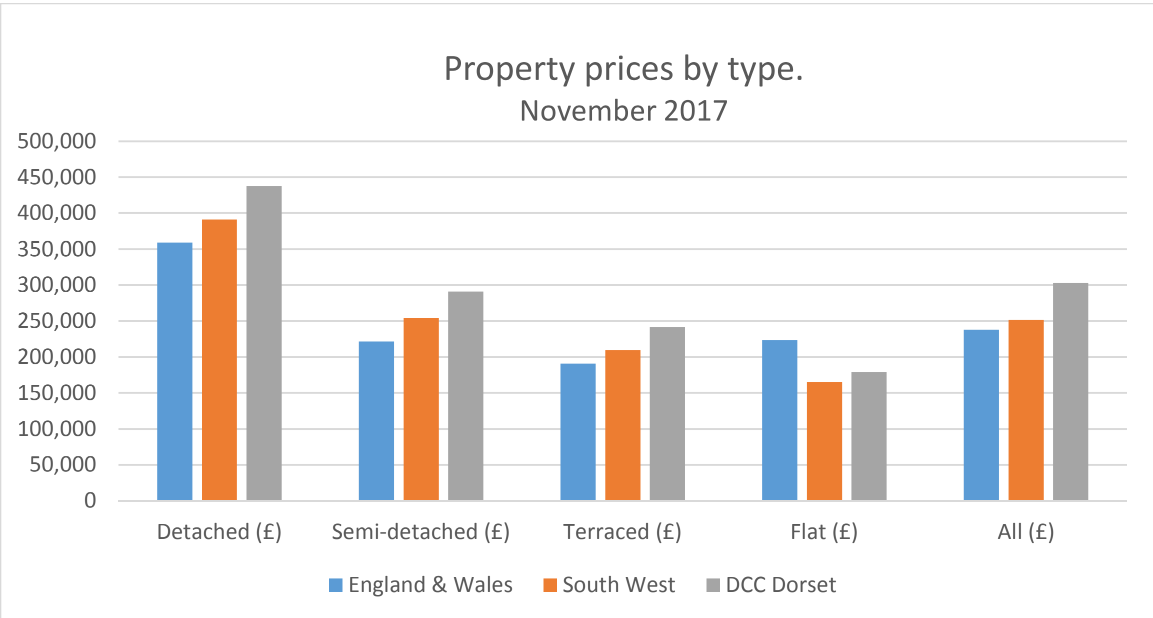
The weekly earnings for the area served by the County Council are shown in the chart below and are compared with figures for the South West and with England and Wales.



Source: Annual Survey of Hours and Earnings 2017, Office for National Statistics.

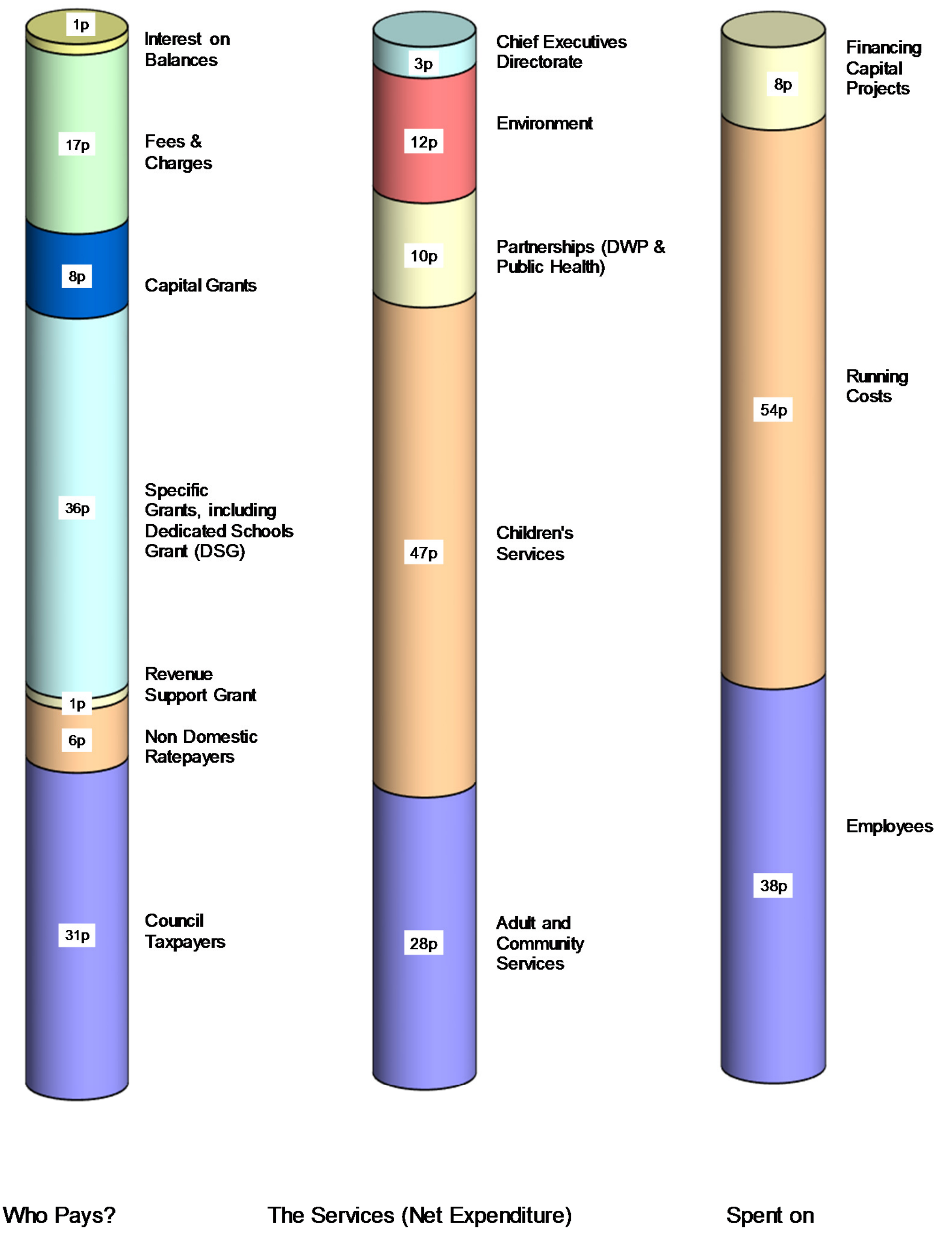
The average price of properties in the region of Dorset served by the County Council is shown below, compared with the South West and with England and Wales. The average price of properties in Dorset is higher than the South West region, and higher than for England and Wales.

Chart 17



Source: House Price Index, Land Registry

Where the money comes from - and how each £1 is spent

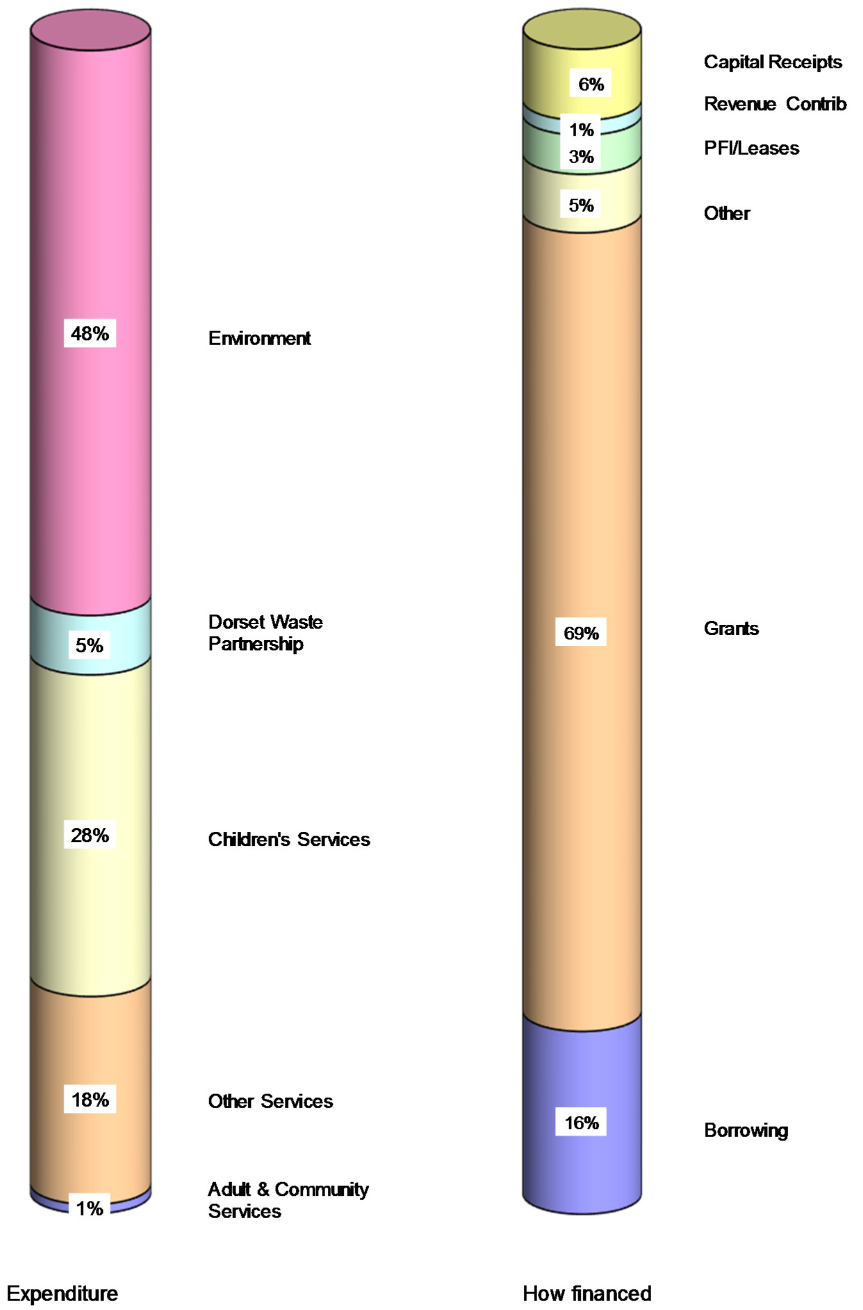


The columns show the proportion of each £1 that is received from or spent on the indicated categories. The first column shows the sources of income to the County Council, the second indicates the demands on the County's resources made by each service, and the third column shows how the money is spent in terms of employee costs, running costs and capital charges.

Capital Spending

The following charts show how the capital spending for the year of £57 million is distributed over the services provided by the County Council, and how it is financed.

Environment Services includes countryside, county farms and highways. Other services includes IT equipment.



Reserves & balances

A full analysis of the Authority's reserves is provided in the financial statements and in the notes to the accounts (see note 51). The level of usable reserves (those which the Council can use to deliver services) decreased slightly – from £56.7m to £54.2m - during the year. The level of the Council's general balances (usable reserves which have not been specifically earmarked for a particular purpose) is set out in note 52. The balance of the County Council's share of general fund increased from £12.4m to £18.5m and is therefore comfortably within our designated operating range, which spans £10m to £20m.

Spending Review 2015 and the local government finance settlements that followed, resulted in significant funding reductions for the County Council. Not only was the initial level of reduction significant but there was no warning or consultation on the changes to the funding formula that delivered this outcome. As a result, when setting the budget strategy for 2016/17 the County Council had to apply £2.2m of its reserves to achieve the balanced budget required by statute.

Since then, however, the organisation has made good progress with its reorganisation and transformation, delivering savings and reducing costs wherever possible. Not only did the 2018/19 budget round set another challenging savings target for the *Forward Together* programme but additional base budget and one-off funding was made available to Children's Services and Adult Services through a combination of Council Tax, Adult Social Care Precept and Adult Social Care Grant.

Borrowing and funding sources

The Prudential Borrowing system enables councils to borrow for capital investment without Government consent, as long as they can afford to service the debt. Before 2005/06 the Council did not exercise its powers to borrow for expenditure not supported by Government grant. However, primarily to provide funding for schools' modernisation within the overall capital programme, from 2005/06 the County Council borrowed without grant support. At the end of 2017/18 the County Council's capital financing requirement was £340.6m (2017 £336.3m) with £34.9m (2017 £37.6m) relating to PFI schemes and finance leases. Total external borrowing was £226.9m (2017 £213.3m) with the remainder financed temporarily from internal balances.

During 2017/18, the terms of six the County Council's loans were renegotiated leading to annual savings in interest costs on borrowing of approximately £100k.

Liquidity and cash flow

Liquidity was maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fell due.

Provisions, contingencies and contingent assets

Movements in provisions, contingent and other long-term liabilities are disclosed in the notes to the financial statements. There have been no material changes to policy or to amounts during the year.

Changes in statutory functions

There were no changes in statutory functions that require disclosure during the year.

Events after the balance sheet date

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

NARRATIVE STATEMENT TO THE ACCOUNTS

Local Government Reorganisation Update - July 2018

Councillors for both the Dorset Area and Bournemouth, Christchurch and Poole (BCP) have made history by forming two new shadow councils. The shadow councils will ensure the safe and legal transition from the nine existing councils to the two new unitary authorities in April next year. Elections for the new authorities are due to take place in May 2019.

The Shadow Dorset Council consists of all 174 members from the six Dorset Area authorities – Dorset County, East Dorset District, North Dorset District, Purbeck District, West Dorset District and Weymouth & Portland Borough Councils. The Shadow BCP Council is made up of 125 council seats from across Bournemouth, Christchurch and Poole, as well as the county councillors representing Christchurch. Both shadow councils have now had their first meetings, and the shadow executive committees have been formed. The shadow executive committees will now take forward all decisions made concerning the running of the new authorities from April next year.

The Leaders and Chairmen of the shadow councils are:
Shadow Dorset Council
Cllr Rebecca Knox, Leader and Cllr Hilary Cox, Chairman.
BCP Shadow Authority
Cllr Janet Walton, Leader and Cllr Ray Nottage, Chairman.

www.futuredorset.co.uk.

Pension Fund

Note 11 to the Pension Fund Accounts (Appendix C) shows that the Fund as a whole had investment assets of £2.868bn at 31 March 2018 (2017 £2.736bn), an increase in-year of approximately 5%.

The triennial valuation conducted by the Fund's actuary as at 31 March 2016 valued net liabilities at £452m, up from £413m at the last such valuation (31 March 2013) with a funding level of 83% (net asset values as a proportion of total discounted liabilities), up marginally from 82% at 31 March 2013. This is not an immediate problem for the Fund as the liabilities are long term in nature and represent all future retirement commitments. However, a review of funding and investment strategies this year has resulted in some changes to the target, strategic allocations to different asset classes.

In response to government requirements for Local Government Pension Scheme (LGPS) funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel Ltd) was formed in 2017/18 to oversee the investment assets of the Dorset fund together with nine other funds in the south west region. Investment assets will begin to transition to the new pooling arrangements in 2018/19.

Basis of preparation

The accounts for 2017/18 are prepared in accordance with:

- the Accounts and Audit Regulations 2015
- the CIPFA Code of Practice on Local Authority Accounting 2017/18

This narrative statement provides context for the financial performance of the Council for the financial year and its financial position as at 31 March 2018. This includes an interpretation of the financial statements, including the Group Accounts, providing information on the major influences affecting the Council's income and expenditure and cash flow, and on the financial needs and resources of the Council.

In addition, separate summarised accounts are included in this document for the Dorset County Pension Fund.

Each set of accounts has its own explanatory notes, which provide further information.

The Primary Financial Statements comprise:

i) Comprehensive Income and Expenditure Statement

This statement summarises the Council's total income and expenditure for the year, providing a segmental analysis to report performance on the basis that the Council is structured and how it operates, monitors and manages financial performance. This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement. The difference between the accounting cost and costs chargeable to taxation are adjusted through the statement of movement in reserves.

There are separate statements for DCC as a single-entity and the DCC group.

ii) Balance sheet (statement of financial position)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line *adjustments between accounting basis and funding basis under regulations*.

The balance sheet identifies, in columnar format, the financial position both for DCC as a single-entity and for the DCC group.

iii) Statement of Movement in Reserves

This statement shows the movement from the start of the year to the end on the different reserves held by the County Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

The Statement of Movement in Reserves identifies, in columnar format, the financial position both for DCC as a single-entity and for the DCC group.

iv) Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The statement includes DCC as a single-entity as well as the DCC group.

v) Notes to the Financial Statements

These give further information and explanations of the figures in the primary financial statements. There are disclosures covering the single-entity and consolidated (group) information.

vi) Dorset County Pension Fund Accounts and Notes

These summarise income and expenditure transactions and net worth of the Dorset County Pension Fund, followed by further explanatory notes relevant to the Pension Fund.

Richard Bates

Chief Financial Officer

29th June 2018

David Harris

Chair of the Audit & Governance Committee

29th June 2018

The following statement describes the respective responsibilities of the County Council and the Chief Financial Officer for the Financial Statements.

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Further information about policies, procedures, publications and contact details for the County Council and other relevant local authorities can be found on the dorsetforyou.com web site.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error,

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2018 and of its income and expenditure for the year then ended.

Richard Bates
Chief Financial Officer
29th June 2018

2016/17		2017/18			
Net Spending £'000	**Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations**	**Gross Spending £'000**	**Income £'000**	**Specific Grants £'000**	**Net Spending £'000**
71,111	Adult Care Service User Related	111,353	32,092	1,066	78,195
11,617	Adult Care	20,098	5,886	-	14,212
34,616	Commissioning and Performance	44,404	6,759	4,368	33,277
10,612	Early Help and Communities	14,677	2,451	408	11,818
1,065	Director's Office	1,905	30	3	1,872
129,021	**Adult & Community Services**	**192,437**	**47,218**	**5,845**	**139,374**
357	Chief Executives Office	328	-	-	328
289	Partnerships	221	22	-	199
260	Communications	299	-	-	299
525	Policy and Research	632	93	-	539
465	Commercial Services	599	-	-	599
634	Governance and Assurance	694	5	-	689
117	Assistant Chief Executive	-	-	-	-
2,133	Legal and Democratic Services	3,275	196	-	3,079
2,313	Financial Services	10,863	6,250	-	4,613
1,514	Human Resources	2,898	1,283	-	1,615
3,855	Cabinet	5,532	305	-	5,227
12,462	**Chief Executive's Dept & Cabinet**	**25,341**	**8,154**	**-**	**17,187**
42,289	Care & Protection	45,793	931	578	44,284
10,298	Design & Development	15,621	1,704	1,685	12,232
20,945	Partnerships and Performance	69,173	2,179	47,857	19,137
999	Directors Office	4,104	811	692	2,601
16,566	Dedicated Support Grant (DSG) Services	179,326	11,763	149,379	18,184
91,097	**Children's Services**	**314,017**	**17,388**	**200,191**	**96,438**
2,213	Economy, Planing & Transport	3,272	611	183	2,478
16,405	Dorset Travel	16,461	357	916	15,188
667	Business Support Unit	554	16	-	538
2,504	Coast & Countryside	8,137	3,241	1,243	3,653
(91)	Buildings & Construction	777	180	-	597
(60)	Pooled Repairs and Maintenance (R&M)	28	-	-	28
2,067	Network Management	4,470	2,533	-	1,937
1,440	Network Development	3,148	485	38	2,625
17,891	Network Operations	22,034	1,372	-	20,662
(122)	Fleet Services	(45)	172	-	(217)
214	Emergency Planning	249	2	-	247
748	Director's Office	1,028	-	-	1,028
1,722	Streetlighting Private Finance Initiative (PFI)	4,884	230	2,546	2,108
9,222	Information Communication Technology (ICT)	13,718	1,137	-	12,581
54,820	**Environment & Economy**	**78,715**	**10,336**	**4,926**	**63,453**
22,760	Dorset Waste Partnership	39,318	16,338	-	22,980
248	Regional Improvement Efficiency Partnership (RIEP)	-	-	-	-
181	Public Health	29,106	14,069	14,929	108
23,189	**Partnerships**	**68,424**	**30,407**	**14,929**	**23,088**
422	**Centrally Managed Costs**	**3,162**	**(44)**	**-**	**3,206**
311,011	**Deficit on Provision of Services**	**682,096**	**113,459**	**225,891**	**342,746**
	Other Operating Income & Expenditure				
(1,373)	Net loss/(gain) on disposal of non-current assets	634	-	-	**634**
4,055	Net loss on disposal of Academies	11,084	-	-	**11,084**
662	Levies and Precepts	784	-	112	**672**
	Financing & Investment Income & Expenditure				
7,482	Interest Payable	7,414	-	-	**7,414**
(78)	Interest and Investment Income	-	87	-	**(87)**
22,145	Pensions Interest Cost & Expected Return on Assets	20,243	-	-	**20,243**
343,904	**Net Operating Expenditure**	**722,255**	**113,546**	**226,003**	**382,706**
	Taxation & Non-Specific Grant Income				
(19,446)	Revenue Support Grant				**(6,138)**
(10,834)	Non-Domestic Rates				**(11,837)**
(25,955)	Non-Domestic Rates top-up receipts from Central Government				**(26,668)**
(209,275)	Council Tax				**(221,460)**
(10,249)	Other Central Grants				**(16,218)**
(36,780)	Capital Grants				**(51,612)**
(312,539)	**Total Finance**				**(333,933)**
31,365	**Deficit for the Year**				**48,773**
(12,989)	(Surplus) on the revaluation of Property, Plant & Equipment				**(13,793)**
111,185	Actuarial loss/(gain) on Pension Fund Assets & Liabilities				**(98,613)**
129,561	**Net Comprehensive (Income)/Expenditure**				**(63,633)**

This statement reports performance on the basis that the Council is structured and how it operates, monitors and manages financial performance.

2016/17		2017/18			
Net Spending £'000	**Gross Spending, Gross Income, Grants & Net Expenditure on Continuing Operations**	**Gross Spending £'000**	**Income £'000**	**Specific Grants £'000**	**Net Spending £'000**
71,111	Adult Care Service User Related	111,353	32,092	1,066	78,195
11,617	Adult Care	20,098	5,886	-	14,212
34,616	Commissioning and Performance	44,404	6,759	4,368	33,277
10,612	Early Help and Communities	14,677	2,451	408	11,818
1,065	Director's Office	1,905	30	3	1,872
129,021	**Adult & Community Services**	**192,437**	**47,218**	**5,845**	**139,374**
357	Chief Executives Office	328	-	-	328
289	Partnerships	221	22	-	199
260	Communications	299	-	-	299
525	Policy and Research	632	93	-	539
465	Commercial Services	599	-	-	599
634	Governance and Assurance	694	5	-	689
117	Assistant Chief Executive	-	-	-	-
2,133	Legal and Democratic Services	3,275	196	-	3,079
2,313	Financial Services	10,863	6,250	-	4,613
1,514	Human Resources	2,898	1,283	-	1,615
3,855	Cabinet	5,532	305	-	5,227
12,462	**Chief Executive's Dept & Cabinet**	**25,341**	**8,154**	**-**	**17,187**
42,289	Care & Protection	45,793	931	578	44,284
10,298	Design & Development	15,621	1,704	1,685	12,232
20,945	Partnerships and Performance	69,173	2,179	47,857	19,137
999	Directors Office	4,104	811	692	2,601
16,566	Dedicated Support Grant (DSG) Services	179,326	11,763	149,379	18,184
91,097	**Children's Services**	**314,017**	**17,388**	**200,191**	**96,438**
2,213	Economy, Planing & Transport	3,272	611	183	2,478
16,405	Dorset Travel	16,461	357	916	15,188
667	Business Support Unit	554	16	-	538
2,504	Coast & Countryside	8,137	3,241	1,243	3,653
(91)	Buildings & Construction	777	180	-	597
(60)	Pooled Repairs and Maintenance (R&M)	28	-	-	28
2,067	Network Management	4,470	2,533	-	1,937
1,440	Network Development	3,148	485	38	2,625
17,891	Network Operations	22,034	1,372	-	20,662
(122)	Fleet Services	45	172	-	(217)
214	Emergency Planning	249	2	-	247
748	Director's Office	1,028	-	-	1,028
1,722	Streetlighting Private Finance Initiative (PFI)	4,884	230	2,546	2,108
9,222	Information Communication Technology (ICT)	13,718	1,137	-	12,581
54,820	**Environment & Economy**	**78,715**	**10,336**	**4,926**	**63,453**
22,760	Dorset Waste Partnership	39,318	16,338	-	22,980
248	Regional Improvement Efficiency Partnership (RIEP)	-	-	-	-
181	Public Health	29,106	14,069	14,929	108
23,189	**Partnerships (DCC Leads)**	**68,424**	**30,407**	**14,929**	**23,088**
422	**Centrally Managed Costs**	**3,162**	**(44)**	**-**	**3,206**
311,011	**Deficit on Provision of Services**	**682,096**	**113,459**	**225,891**	**342,746**
(484)	Share of (profit) or loss on the provision of services by joint venture	(347)			**(347)**
94	Tax expenses of joint venture	68			**68**
310,621	**Group (Surplus) / Deficit**	**681,817**	**113,459**	**225,891**	**342,467**
	Other Operating Income & Expenditure				
(1,373)	Net loss/(gain) on disposal of non-current assets	634	-	-	**634**
4,055	Net loss on disposal of Academies	11,084	-	-	**11,084**
662	Levies and Precepts	784	-	112	**672**
	Financing & Investment Income & Expenditure				
7,482	Interest Payable	7,414	-	-	**7,414**
(78)	Interest and Investment Income	-	87	-	**(87)**
22,145	Pensions Interest Cost & Expected Return on Assets	20,243	-	-	**20,243**
343,514	**Net Operating Expenditure**	**721,976**	**113,546**	**226,003**	**382,427**
	Taxation & Non-Specific Grant Income				
(19,446)	Revenue Support Grant				**(6,138)**
(10,834)	Non-Domestic Rates				**(11,837)**
(25,955)	Non-Domestic Rates top-up receipts from Central Government				**(26,668)**
(209,275)	Council Tax				**(221,460)**
(10,249)	Other Central Grants				**(16,218)**
(36,780)	Capital Grants				**(51,612)**
(312,539)	**Total Finance**				**(333,933)**
30,975	**Deficit for the Year**				**48,494**
(12,989)	(Surplus) on the revaluation of Property, Plant & Equipment				**(13,793)**
111,185	Actuarial loss/(gain) on Pension Fund Assets & Liabilities				**(98,613)**
129,171	**Net Comprehensive (Income)/Expenditure**				**(63,912)**

31 March 2017						31 March 2018			
DCC Single Entity		DCC Group				DCC Single Entity		DCC Group	
£'000	£'000	£'000	£'000		Note	£'000	£'000	£'000	£'000
8,185		8,185		**Intangible Assets**		7,570		7,570	
				Property, Plant & Equipment					
				Operational Assets					
391,776		391,776		Land and Buildings		384,269		384,269	
31,320		31,320		Vehicles, Plant, Furniture & Equipment		26,979		26,979	
376,101		376,101		Infrastructure Assets (e.g. highways)		380,408		380,408	
10,049		10,049		Community Assets (e.g. country parks)		9,669		9,669	
				Non-operational Assets					
22,249		22,249		Assets under construction		37,142		37,142	
9,741		9,741		Surplus Assets		8,449		8,449	
	849,421		849,421		21		854,486		854,486
			429	Investment in Joint Venture					708
	38		-	**Long term Investments**	31		38		-
	4,459		4,459	**Long term Debtors**	32		4,406		4,406
	853,918		854,309	**Long term Assets**			858,930		859,600
				Current Assets					
1,050		1,050		Inventories	33	1,005		1,005	
65,615		65,615		Debtors and Payments in Advance	34	56,573		56,573	
5,249		5,249		Assets held for sale	21, 36	6,222		6,222	
7,978		7,978		Cash & cash equivalents	37	38,260		38,260	
79,892		79,892				102,060		102,060	
				Current Liabilities					
31,419		31,419		Short Term Borrowing	38	45,900		45,900	
66,425		66,425		Creditors and Receipts in Advance	39	71,501		71,501	
2,642		2,642		Provisions	40	3,289		3,289	
100,486		100,486				120,690		120,690	
	(20,594)		(20,594)	**Net Current Assets**			(18,630)		(18,630)
	833,324		833,715	**Total Assets less Current Liabilities**			840,300		840,970
				Long Term Liabilities					
(181,863)		(181,863)		Long Term Borrowing	38	(180,963)		(180,963)	
(30,225)		(30,225)		Long Term PFI Liability	11	(27,806)		(27,806)	
(114)		(114)		Other Long-Term Liabilities	42	(150)		(150)	
(7,349)		(7,349)		Obligations Under Finance Leases	12	(7,055)		(7,055)	
(738,170)		(738,170)		Pensions Asset / (Liability)	23	(685,090)		(685,090)	
	(957,721)		(957,721)	**Total Long Term Liabilities**			(901,064)		(901,064)
	(124,397)		(124,006)	**Net Assets/(Liabilities)**			(60,764)		(60,094)
				Financed by :-					
				Usable Reserves					
16,751		17,142		General Fund Balance	52, 53	15,923		16,593	
56,675		56,675		Earmarked Reserves	51	54,155		54,155	
19		19		Usable Capital Receipts Reserve	50	1,222		1,222	
18,155		18,155		Capital Grants Unapplied Account	47	29,235		29,235	
	91,600		91,991	**Total Usable Reserves**			100,535		101,205
				Unusable Reserves					
6,332		6,332		Collection Fund Adjustment Accounts	45	7,815		7,815	
113,658		113,658		Revaluation Reserve	48	116,709		116,709	
(738,170)		(738,170)		Pensions Reserve	23	(685,090)		(685,090)	
404,669		404,669		Capital Adjustment Account	44	403,375		403,375	
(4,437)		(4,437)		Accumulated Absences Account	46	(4,641)		(4,641)	
330		330		Deferred Capital Receipts Reserve		330		330	
1,621		1,621		Financial Instrument Adj Account	49	203		203	
	(215,997)		(215,997)	**Total Unusable Reserves**			(161,299)		(161,299)
	(124,397)		(124,006)	**Total Reserves**			(60,764)		(60,094)

The Balance Sheet is a record of the financial position of the County Council at 31 March 2018. Figures relating to the Dorset County Pension Fund are excluded. The summarised Pension Fund Accounts are set out in separate statements in a separate document. Detailed notes supporting the Balance Sheet are shown later in this document.

STATEMENT OF MOVEMENTS IN RESERVES

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves	Authority's Share of Reserves of Joint Venture	Total Reserves for the Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Balance as at 31 March 2016	27,857	56,085	(26)	17,406	101,322	(96,158)	5,164	1	5,165
Movement in reserves during 2016/17									
Total Comprehensive Income & Expenditure	(31,365)	-	-	-	(31,365)	(98,196)	(129,561)	390	(129,171)
Adjustments between accounting basis and funding basis under regulations									
Total Adjustments	59,351	-	45	-	59,396	(59,396)	-	-	-
Transfers to/from specific reserves									
Total transfers	(39,092)	590	-	749	(37,753)	37,753	-	-	-
Balance as at 31 March 2017	16,751	56,675	19	18,155	91,600	(215,997)	(124,397)	391	(124,006)

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Change in Total Usable Reserves	Change in Total Unusable Reserves	Change in Total Reserves	Authority's Share of Reserves of Joint Venture	Total Reserves for the Group
	£000	£000	£000	£000	£000	£000	£000		
Note	52, 53	51	50	47					
Balance as at 31 March 2017	16,751	56,675	19	18,155	91,600	(215,997)	(124,397)	391	(124,006)
Movement in reserves during 2017/18									
Total Comprehensive Income & Expenditure	(48,773)	-	-	-	(48,773)	112,406	63,633	279	63,912
Adjustments between accounting basis and funding basis under regulations									
Total Adjustments	95,447	-	1,203	-	96,650	(96,650)	-	-	-
Transfers to/from specific reserves							-		
Total transfers	(47,502)	(2,520)	-	11,080	(38,942)	38,942	-	-	-
Balance as at 31 March 2018	15,923	54,155	1,222	29,235	100,535	(161,299)	(60,764)	670	(60,094)

Revenue & Capital Reserves Analysis as at 31 March 2018									
Revenue	13,297	54,155	-	-	67,452	(681,383)	(613,931)	670	(613,261)
Capital	2,626	-	1,222	29,235	33,083	520,084	553,167	-	553,167
	15,923	54,155	1,222	29,235	100,535	(161,299)	(60,764)	670	(60,094)

2016/17						2017/18			
DCC Single Entity		DCC Group				**DCC Single Entity**		**DCC Group**	
£'000	£'000	£'000	£'000		*Note*	**£'000**	**£'000**	**£'000**	**£'000**
				Operating Activities					
				Expenditure					
(252,702)		(252,702)		Cash Paid to or on behalf of employees		**(245,084)**		**(245,084)**	
(346,996)		(346,996)		Other operating costs		**(334,786)**		**(334,786)**	
(7,482)		(7,482)		Interest paid		**(7,414)**		**(7,414)**	
		(94)		Tax paid				**(68)**	
	(607,180)		(607,274)				**(587,284)**		**(587,352)**
				Income					
209,275		209,275		Precept - Council Tax		**221,460**		**221,460**	
19,446		19,446		Revenue Support Grant		**6,138**		**6,138**	
36,789		36,789		National Non Domestic Rates		**38,505**		**38,506**	
235,822		235,822		Other Government Grants	*13*	**242,221**		**242,223**	
122,643		122,643		Cash Received for goods and services		**102,183**		**102,181**	
78		78		Interest received		**87**		**87**	
	624,053		624,053				**610,594**		**610,595**
	16,873		16,779	**Net cash inflow / (outflow) from operating activities**			**23,310**		**23,242**
				Investing Activities					
				Expenditure					
(69,022)		(69,022)		Purchase of fixed assets/capital repayments	*25*	**(56,833)**		**(56,833)**	
				Transfers/PFI capital repayments					
				Income					
45		45		Sale of fixed assets/(application of capital receipts)		**1,204**		**1,204**	
36,885		36,885		Capital grants and contributions received		**51,697**		**51,697**	
	(32,092)		(32,092)	**Net cash inflow / (outflow) from investing activities**			**(3,932)**		**(3,932)**
	(15,219)		(15,313)	**Net cash inflow / (outflow) before financing**			**19,378**		**19,310**
				Financing					
35,000		35,000		New Short term borrowing		**45,000**		**45,000**	
(6,060)		(6,060)		Short term borrowing repaid		**(31,419)**		**(31,419)**	
(2,388)		(2,388)		Movement in PFI liabilities		**(2,419)**		**(2,419)**	
1,029		1,029		Movement in finance lease liabilities		**(294)**		**(295)**	
40		40		Movement in Long Term Investments		**36**		**36**	
	27,621		27,621	**Net cash inflow / (outflow) from financing activities**			**10,904**		**10,903**
	12,402		12,308	**Net increase / (decrease) in cash & cash equivalents**			**30,282**		**30,213**
	(4,424)		(4,426)	**Cash & cash equivalents at the beginning of the period**			**7,978**		**7,978**
	7,978		7,882	**Cash & cash equivalents at the end of the period**			**38,260**		**38,191**

1. Accounting standards that have been issued but not yet adopted

Appendix C of the CIPFA Code of Practice requires Local Authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. Standards that fall into this category are:

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

All of these standards will be incorporated into the Code from 2018/19 and will be complied with by the Authority. However, none have a material impact for the Council and none warrant specific disclosure in these accounts.

2. Related party transactions

Central Government

Significant grants are received from the Department for Education, the Department for Communities & Local Government and the Department for Health and Social Care. Other Government Departments provide smaller levels of grant.

Specific Grants are set out in the Comprehensive Income and Expenditure Statement and Note 13.

Other Local Authorities and Bodies levying demands on the council tax

Levies paid to other bodies during 2017/18 included the following material transactions: -

2016/17 £'000		**2017/18 £'000**
571	Environment Agency	**577**
203	Southern Sea Fisheries Committee	**207**

The County Council administers the Dorset County Pension Fund on behalf of its employees and those of other local authorities in the county and other admitted bodies (charities or former local authority bodies such as Housing Associations). Employers' Contributions to the Fund are shown in the pension fund accounts.

Transactions with Bournemouth and Poole Borough Councils, Primary Care and Hospital NHS Trusts in respect of the pooled budget scheme are detailed in Note 24.

On 1st April 2016 Dorset Fire Authority merged with Wiltshire Fire Authority to become Dorset & Wiltshire Fire and Rescue Authority. The Head of Legal & Democratic Services is now the Clerk to Dorset & Wiltshire Fire and Rescue Authority. The Chief Financial Officer was Treasurer to the Dorset Police & Crime Commissioner until 30 June 2017. The County Council supplied services to these authorities as detailed in the following table.

2016/17 £'000		**2017/18 £'000**
128	Dorset Police & Crime Commissioner	**30**
85	Dorset & Wiltshire Fire and Rescue Authority	**114**

At the end of the financial year, amounts owed by related parties were as follows: -

2016/17 £'000		**2017/18 £'000**
125	Dorset Police & Crime Comm (Capital Financing)	**124**
66	Dorset Police & Crime Commissioner	**18**
99	Dorset & Wiltshire Fire and Rescue Authority	**19**

Elected Members, Staff & close families

All Councillors, Senior Officers and purchasing staff have been informed of the requirements and the need for disclosure. Some Councillors are appointed by the County Council to boards of voluntary bodies or charities in receipt of support from the County Council.

Councillor Mark Roberts is a director of Daley Homecare Ltd which has contractual relationship with the County Council to provide domiciliary care services. Daley Homecare Ltd was paid £224k by the County Council during 2017/18.

The County Council's elections were held on 4th May 2017. The election resulted in the Council remaining in Conservative control. Details of the election results can be found on the dorsetforyou website.

3. Disclosure of nature and extent of risk arising from financial instruments

The County Council's activities expose it to a variety of financial risks, the key risks are:

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways: -

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum exposure to the maturity structure of its debt in any one time period;
  - Its maximum annual exposures to investments maturing beyond a year;
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. An annual review of actual performance and a mid year update are also reported to Councillors.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral as at 31 March 2018 was £19m (2017 £22.2m).

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
borrowings at fixed rates – the fair value of the borrowing will fall;
investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;
investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in other comprehensive income and expenditure, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

4. Events after the Balance Sheet date

There were no material events after the balance sheet date.

5. Local Government reorganisations

Section 2.5 of the Code sets out the accounting requirements for Local Government reorganisation and other business combinations. In essence, public sector bodies are deemed to be under common control and any reorganisations are generally timed to start on 1 April. Such reorganisations are generally reflected in the accounts by re-stating the opening balance sheet for the current year. Transfers are not reflected in the Comprehensive Income & Expenditure Statement, but are instead disclosed in the Movement In Reserves Statement. The notes to the Financial Statements disclose the impact of the transfers rather than re-state comparative year figures.

Academies

During the year ended 31 March 2018, the following Schools were established as Academies under the Academies Act 2010. The amounts in the table below are included in the Comprehensive Income & Expenditure Statement on account of each school.

	2016/17					**2017/18**	
Schools Delegated Budgets	Schools - LEA Expenditure	Dedicated Schools Grant	**Conversion Date**		**Schools Delegated Budgets**	**Schools - LEA Expenditure**	**Dedicated Schools Grant**
£'000	£'000	£'000			**£'000**	**£'000**	**£'000**
437	6	412	01/06/17	Thornford CE VA Primary	74	-	68
1,202	95	1,117	01/06/17	Sherborne Primary	252	19	188
955	12	965	01/06/17	Sherborne Abbey CE VA Primary	174	-	169
611	7	567	01/06/17	St Andrew's CE Primary (Yetminster)	102	-	88
532	232	490	01/06/17	St Mary's CE VC Primary (Bradford Abbas)	135	-	78
458	14	346	01/06/17	Buckland Newton CE VC Primary	149	19	55
982	99	895	01/07/17	St John's CE VA Primary (Weymouth)	331	106	223
1,257	18	1,176	01/07/17	St Andrew's CE VA Primary (Weymouth)	346	-	274
964	14	838	01/08/17	Beechcroft St Paul's Primary	393	-	279
543	7	595	01/11/17	St Andrew's CE Primary (Fontmell Magna)	293	-	360
1,513	20	1,491	01/01/18	Emmanuel CE Middle	1,099	-	1,164
1,887	132	1,666	01/02/18	Christchurch Junior School	1,641	97	1,345
11,341	656	10,558			**4,989**	**241**	**4,291**

The funding changes in 2013/14 have simplified the recoupment from the Dedicated Schools Grant in respect of academies. The only recoupment is now for the formula funded element of Dedicated Schools Grant, which now includes the de-delegated budgets (budgets delegated to schools which maintained schools have decided to transfer back to central DSG funding). The Department For Education also makes reductions to Local Authority funding via the Education Services Grant to provide grant to academies to fund their central services (previously provided by the Authority).

The total number of schools converted to academies now comes to 71

The Authority also received notification from the following Schools, that they intend to become Academies under the Academies Act 2010. The amounts shown are the values of the schools balances in the Authority's General Fund as at 31 March 2018.

School	Actual/Advised Date (if known)	School Balance at 31 March 2018 Surplus/(deficit) £
Bere Regis Primary School	Postponed from 01/04/2018	**30,832**
Lockyers Middle School	01/07/2018	**149,766**

When a School achieves Academy status, it legally closes as a Local Authority School and is immediately re-established as a separate legal entity.
When an Academy is established, it is funded directly by the Government, through distribution of General Annual Grant from the Education Funding Agency. A calculation to determine the value of any School balances in the Local Authority's accounts must be completed within four months of the transfer date. The Academy then has one month in which to appeal to the Secretary of State for a review if it disagrees with the calculated balance. The Secretary of State has three months in which to make a determination of the actual balance. The Local Authority must pay over any surplus balance to the Academy within one month of the Academy agreeing the surplus balance (or failing to apply for a review by the statutory date) or the determination of the surplus by the Secretary of State.
Where the transferring converter School has a deficit balance, the Government reimburses the Local Authority for this. For sponsored Academies, any deficit remains with the Local Authority.

Tricuro - Local Authority Trading Company (LATC)

On 1 July 2015, in partnership with Bournemouth Borough Council and the Borough of Poole, Dorset County Council launched Tricuro. Further information can be found in note 6 on Group Accounts.

6. Group accounts and disclosure of interests in other entities

Dorset Development Partnership

On 26th April 2011, the Authority entered into an agreement with BV Strategies Facilitating Ltd, to establish a Limited Liability Partnership, PSP Dorset LLP, trading as Dorset Development Partnership (the Partnership). BV Strategies Facilitating Ltd changed its name to PSP Facilitating Ltd on 24 February 2012.

The Partnership was established to build value, over and above the latent market value, for land and/or buildings identified as surplus to the County Council's requirements. Not all surplus assets have potential for increased value, but those that do are subject to the Partnership's process of de-risking and being made more saleable.

The Partnership has an accounting date of 30 April.

At 31 March 2018, the following properties were being worked on by the Partnership:
Damers Road Store, Damers Road, Dorchester
Residue of the Barracks Site, Dorchester
White Pit Farm buildings, Shillingstone
Sites off Flood Lane, Bridport

Properties completed during 2017/18:
Quartermasters Store, The Barracks, Dorchester. The accounts of Dorset County Council reflect the sale of this asset and no further disclosure is provided here.

During the year ended 31 March 2018 Dorset County Council, with the agreement of PSP Dorset LLP, withdrew the Blandford Depot, Wimborne Road, Blandford from the Partnership. Costs incurred on this property are reflected in Dorset County Council's accounts and no further disclosure is required here.

Additional properties are being considered for transfer and will be committed to the partnership if value can be added.
Surplus properties are not transferred legally or contractually to the partnership, nor to any third party until the final sale is achieved. At 31 March 2018, the properties being worked on by the Partnership were still assets of Dorset County Council and the non-deminimus assets are shown within the *assets held for sale* section of the Balance Sheet.

The partnership incurs the costs accrued in making the assets more saleable and these costs are financed jointly by PSP Facilitating Ltd and Dorset County Council. The partners share the profits from the sale of the assets, subject to a guaranteed minimum receipt for the Authority and a profit sharing formula.

The partnership is not considered relevant for consolidation into group accounts for the Authority on the grounds of materiality and also that the turnover of the business is materially reported through the capital receipts achieved by the County Council in its single-entity accounts.

As at 30 April 2018, the draft accounts for the partnership showed total assets less current liabilities of £486k (£332k as at 30 April 2017), materially all of this being work in progress.

South West Audit Partnership (SWAP)

Until 31 March 2013, SWAP was a joint committee established by its members to assist them in the provision of a shared internal audit, counter-fraud and governance-related service. It operated under S101 of the Local Government Act 1972 and was hosted by South Somerset District Council. The Members considered that the future operation of SWAP as a company would improve efficiency and SWAP's management, governance and accounting processes.

SWAP therefore established itself as a company limited by guarantee, a local authority controlled company, and started trading on 1 April 2013. There are nineteen members, Dorset County Council being one of them. Given the Council's influence through it's membership, the company falls to be treated as a joint venture. Although its results are not material, SWAP is consolidated into the Group Accounts for Dorset County Council. The following disclosures are offered for the Company, prepared in accordance with Financial Reporting Standard (FRS) 102.

Summary Balance Sheet		**Draft**
	31/03/2017	**31/03/2018**
	£'000	**£'000**
Intangible assets	-	**12**
Tangible assets	16	**34**
Current assets	1,156	**1,546**
Creditors due within 12 months	(214)	**(323)**
Deferred Income	(706)	**(945)**
Pension fund liability	(7,874)	**(7,667)**
Net liabilities	(7,622)	**(7,343)**
Financed by:		
Retained earnings	(7,801)	**(7,522)**
Other reserves	179	**179**
Total reserves	(7,622)	**(7,343)**

Summary Income & Expenditure		**Draft**
	31/03/2017	**31/03/2018**
	£'000	**£'000**
Turnover	2,603	**3,114**
Admin expenses	(2,671)	**(3,362)**
Operating profit / (loss)	(68)	**(248)**
Interest receivable and similar income	2	**1**
Interest payable and similar charges	(195)	**(215)**
Loss on ordinary activities	(261)	**(462)**

Statement of Other Comprehensive Income		**Draft**
	31/03/2017	**31/03/2018**
	£'000	**£'000**
Loss for the Financial Year	(261)	**(462)**
Actuarial gain/(loss) on pension scheme	(2,469)	**741**
Total comprehensive income (total recognised gains/(losses))	(2,730)	**279**

Turnover included above, from trading with Dorset County Council was £292k (£292k in 2016/17).

TRICS Consortium Ltd

TRICS Consortium Ltd was incorporated on 14th October 2014 by Dorset County Council and five other local authorities (East Sussex County Council, West Sussex County Council, Hampshire County Council, Surrey County Council and Kent County Council). Each of these members owns £37.5k of ordinary shares in the company. All shares are fully paid-up. Each authority appoints a Director to the company's Board of Directors.

Prior to incorporation, the TRICS consortium was operated as a joint committee with West Sussex County Council as the accountable body. Members of the unincorporated consortium contributed funding to the joint arrangement to pay for costs falling to West Sussex as the accountable body and also contributed their expertise and other resources at their own cost.

The decision to incorporate was taken after legal advice surrounding the rules for local authorities involved in trading and the potential for the TRICS arrangements to generate revenue for the members beyond what is currently allowed if operated purely by a local authority.

The Company employs four members of staff; the Managing Director, an Operations Manager and two Operations Officers. The Managing Director reports to the Board of Directors at monthly Board Meetings and takes strategic direction from the Board.

The company's main purpose is to operate an online Trip Rate Database for use of the Transportation Industry for the production of Transport Assessments and Travel Plans during the Planning Application process and for the monitoring of active Travel Plans, usually under section 106 agreements. The company manages the database and commissions independent data collection companies to survey different land uses and developments so that the data can be input into the system.

The accounting date is 31 December. The results and performance, from the company's Financial Statements for the year to 31 December 2017, are:

Summary Balance Sheet	31/12/2016 £'000	31/12/2017 £'000
Intangible assets	337	**302**
Tangible assets	5	**6**
Current assets	615	**764**
Creditors due within 12 months	(340)	**(360)**
Net assets (liabilities)	617	**712**
Financed by:		
Ordinary share capital	225	**225**
Share premium	365	**365**
Retained profit	27	**122**
Total reserves	617	**712**

Summary Income & Expenditure	31/12/2016 £'000	31/12/2017 £'000
Turnover	1,288	**1,414**
Cost of sales	(332)	**(386)**
Other operating expenses	(336)	**(315)**
Profit on ordinary activities	620	**713**
Tax on profit on ordinary activities	(124)	**(137)**
	496	**576**

Turnover included above, from trading with Dorset County Council for the year to 31 December 2017 was £3k (year to 31 December 2016 £3k). Dorset County Council received a dividend of £80k during 2017/18 (2016/17 £84k).

There were not any material transactions between the TRICS year-end date of 31st December 2017 and the Dorset County Council year-end date of 31st March 2018.

Tricuro - Local Authority Trading Company (LATC)

On 1 July 2015, Bournemouth Borough Council, Dorset County Council and the Borough of Poole, launched Tricuro. Tricuro is a group of two companies established under local authority trading company principles to take the transfer of the three authorities' supply-side Adult Social Services business, with staff transferring from each of the three authorities in order to provide care services.

Each authority owns one ordinary share in Tricuro Support Limited, which in turn owns 100% of the equity of Tricuro Limited. Tricuro's turnover in 2017-18 was £41.4m (the group turnover was £41.5m in 2016-17). A shareholder agreement regulates the way in which the three councils manage Tricuro, including a profit /cost sharing agreement. Dorset County Council is contracted to provide support services to Tricuro for three years until 30 June 2018. The value of this contract was £1.05m for the period to 31 March 2018. Bournemouth Borough Council also provides certain support services to the company. The cost of this was £870k for the period to 31 March 2018.

Dorset County Council treats Tricuro, SWAP and TRICS as joint ventures in line with the published accounting policies.

7. Prior period adjustments

There are no prior year adjustments to disclose for the 2017/18 Accounts.

8. Expenditure and Income analysed by Nature and Segmental Income

The Code requires Local Authorities to report segmentally on their income and expenditure in accordance with IFRS 8. The Code requires this to be presented in a format which is similar to the internal management accounts used by the Authority and for this to be reconciled to the surplus/deficit on provision of services figure in the Comprehensive Income and Expenditure Statement. The impact for the DCC Group Accounts is not material, and is not included in the figures below.

	2017/18									2016/17
	Adult & Community Services	**Chief Executive's Dept & Cabinet**	**Children's Services**	**Environment & Economy**	**Partnerships (DCC Leads)**	**Centrally Managed Costs**	**Total**	**Final Budget Estimate**	**Variance**	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Internal Charges/Trading	248	(4,316)	4,144	(2,199)	2,100	9	**(14)**	**(130)**	**(116)**	34
Authority (Democratic) Costs	-	741	-	-	-	-	**741**	751	**10**	859
Pay Related Costs	24,695	15,897	174,608	23,004	13,200	40	**251,444**	254,762	**3,318**	254,270
Premises Related Costs	1,238	2,649	11,707	3,143	1,370	2,157	**22,264**	25,195	**2,931**	22,468
Transport Related Costs	734	1,712	8,521	7,011	2,076	(2)	**20,052**	20,632	**580**	21,077
Supplies and Service	49,113	3,463	78,198	7,222	19,529	(313)	**157,212**	148,010	**(9,202)**	139,420
Transfer Payments	23,224	-	780	-	(2)	-	**24,002**	25,756	**1,754**	26,026
Third Party Payments	87,434	435	11,458	9,651	24,936	1	**133,915**	124,370	**(9,545)**	144,754
Net Schools Budget adjs	-	-	653	-	-	-	**653**	(239)	**(892)**	689
Cost Centre Balances	-	-	613	-	-	(256)	**357**	(4,797)	**(5,154)**	(352)
Government Grants	(5,845)	-	(200,192)	(4,926)	(14,929)	-	**(225,892)**	(222,228)	**3,664**	(225,463)
Reimbursements and Contributions	(22,082)	(2,409)	(11,132)	(1,189)	(25,456)	(1)	**(62,269)**	(57,693)	**4,576**	(72,576)
Fees and Charges	(25,135)	(5,746)	(6,308)	(9,147)	(4,951)	46	**(51,241)**	(46,444)	**4,797**	(51,375)
Corporate Income & Expenditure	-	(25)	(295)	-	-	-	**(320)**	(1,926)	**(1,606)**	(315)
Transfers to/(from) Reserves	-	-	(211)	(319)	(208)	762	**24**	1,172	**1,148**	-
Reported in Management Accounts	**133,624**	**12,401**	**72,544**	**32,251**	**17,665**	**2,443**	**270,928**	**267,191**	**(3,737)**	259,516
IAS 19 Pension Adjustment	4,190	2,351	10,571	4,936	1,717	763	**24,528**	24,529	**1**	5,788
Capital Charges	1,560	2,435	13,323	26,266	3,706	-	**47,290**	47,290	**-**	45,707
Deficit on Provision of Services	**139,374**	**17,187**	**96,438**	**63,453**	**23,088**	**3,206**	**342,746**	**339,010**	**(3,736)**	311,011
Recharges (SERCOP)	11,300	(10,177)	18,257	(16,849)	-	(2,532)	**-**	-		-
Deficit on Provision of Services	**150,674**	**7,010**	**114,695**	**46,604**	**23,088**	**674**	**342,746**	**339,010**	**(3,736)**	311,011

The table above, shows the deficit on provision services; the same as reported on the corresponding line in the Comprehensive Income and Expenditure Statement. The line marked *reported in management accounts* reflects the figures that the County's Leadership Team reviews on a monthly basis to monitor the Authority's financial performance.

9. Expenditure and Funding Analysis

2016/17 Net Expenditure Chargeable to the General Fund Balance	2016/17 Adjustments between Funding and Accounting Basis	2016/17 Net Expenditure in the Comprehensive Income and Expenditure Statement		2017/18 Net Expenditure Chargeable to the General Fund Balance	2017/18 Adjustments between Funding and Accounting Basis	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement	Original Estimate	Final Estimate	Variance ( ) = over
£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
124,652	4,369	129,021	Adult & Community Services	133,636	5,738	139,374	128,404	139,384	10
10,536	1,926	12,462	Chief Executive's Dept & Cabinet	12,425	4,762	17,187	10,260	17,564	377
71,125	19,972	91,097	Children's Services	71,785	24,653	96,438	60,929	89,787	(6,652)
32,850	21,970	54,820	Environment & Economy	31,950	31,503	63,453	52,009	63,981	528
18,520	4,669	23,189	Partnerships (DCC Leads)	17,360	5,728	23,088	23,560	23,970	882
541	(119)	422	Centrally Managed Costs	1,264	1,942	3,206	9,278	4,323	1,117
258,224	52,787	311,011	**Deficit on Provision of Services**	268,420	74,326	342,746	284,440	339,009	(3,738)
			Other Operating Income & Expenditure						
139	(1,512)	(1,373)	Net loss/(gain) on disposal of non-current assets	187	447	634	-	634	0
	4,055	4,055	Net loss on disposal of Academies	-	11,084	11,084	-	11,084	0
662		662	Levies and Precepts	672		672	677	677	5
			Financing & Investment Income & Expenditure						
7,482		7,482	Interest Payable	7,414		7,414	7,845	7,845	431
(68)	(10)	(78)	Interest and Investment Income	(68)	(19)	(87)	(250)	(100)	(13)
-	22,145	22,145	Pensions Interest Cost & Expected Return on Assets	(25)	20,267	20,243	-	20,243	-
19,103	(19,103)		CERA/MRP	10,648	(10,648)				
2,306	(2,306)		Movements to/from reserves	(4,129)	4,129	-	-	-	
			Taxation & Non-Specific Grant Income						
(19,446)		(19,446)	Revenue Support Grant	(6,138)		(6,138)	(6,138)	(6,138)	-
(10,886)	52	(10,834)	Non-Domestic Rates	(11,268)	(569)	(11,837)	(10,778)	(11,348)	490
(25,955)		(25,955)	Non-Domestic Rates top-up receipts from Central Government	(26,668)		(26,668)	(26,669)	(26,669)	(1)
(208,717)	(558)	(209,275)	Council Tax	(220,546)	(914)	(221,460)	(220,547)	(221,461)	(1)
(10,249)		(10,249)	Other Central Grants	(16,218)		(16,218)	(17,691)	(16,217)	1
(1,489)	(35,291)	(36,780)	Capital Grants	(1,453)	(50,159)	(51,612)	-	(51,612)	-
(247,118)	(32,528)	(279,646)	**Total Other Income and Expenditure**	(267,592)	(26,382)	(293,973)	(273,551)	(293,062)	912
11,106	20,259	31,365	**Deficit for the Year**	828	47,944	48,773	10,889	45,948	(2,824)
(27,857)			Opening General Fund Balance as at 31 March 2016	(16,751)					
11,106			Less Deficit on General Fund Balance	828					
(16,751)			**Closing General Fund Balance as at 31 March 2017**	(15,923)					

10. Notes to the Expenditure and Funding Analysis: Adjustments between Funding and Accounting Basis

2016/17 Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2017/18 Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
£'000		£'000	£'000	£'000	£'000
4,369	Adult & Community Services	1,560	4,190	(12)	5,738
1,926	Chief Executive's Dept & Cabinet	2,435	2,350	(23)	4,762
19,972	Children's Services	13,471	10,782	400	24,653
					-
21,970	Environment & Economy	26,266	5,255	(18)	31,503
4,669	Partnerships (DCC Leads)	3,706	1,924	98	5,728
(119)	Centrally Managed Costs	-	764	1,178	1,942
52,787	**Deficit on Provision of Services**	**47,438**	**25,265**	**1,623**	**74,326**
(32,528)	**Other Income and Expenditure from the Funding Analysis**	**(49,295)**	**20,267**	**2,646**	**(26,382)**
20,259	**Difference Between General Fund Surplus or Deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit**	**(1,857)**	**45,532**	**4,269**	**47,944**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

11. Long-term contracts (Private Finance Initiative)

In 1997 a contract was entered into for the replacement of Colfox School, Bridport using the Government's Private Finance Initiative (PFI). The contract provides for fully serviced accommodation for the school including buildings, grounds maintenance, catering, caretaking, security, waste disposal, energy, utilities, IT equipment and renewal of furniture and equipment. Payments under the contract commenced in 1999 and continue for a 30-year period. The school became an Academy on 1 April 2015 but despite the change in status, the PFI arrangement will continue to be the responsibility of the County Council.

In 2009, the County Council also entered into a PFI scheme for the provision and replacement of street lighting. This arrangement deals with a backlog of replacements and maintenance over 25 years.

Payments made and PFI Grants receivable to support the schemes were as follows:

Payments 2016/17 £'000	Grants Rcvd 2016/17 £'000		**Payments 2017/18 £'000**	**Grants Rcvd 2017/18 £'000**
5,441	(2,546)	Street lighting (provider)	5,790	(2,546)
1,202	-	Street lighting (energy)	1,260	-
2,674	(1,559)	Colfox School (provider)	2,715	(1,559)

Repayments to be made (to the end of the contracts) under PFI arrangements are analysed as follows:

	Street lighting £'000	**Colfox School £'000**
Capital repayment	61,099	16,123
Interest charges	4,329	7,907
Service charges	43,455	18,353
	108,883	42,383

Movements of PFI asset and liability balances are analysed as follows:

Assets	**Street lighting £'000**	**Colfox School £'000**
Opening balance	44,598	22,916
Additions/developments/lifecycle	1,930	-
Revaluations	-	819
Impairments	-	-
Depreciation	(1,454)	(454)
Closing balance	45,074	23,281

Liabilities	**Street lighting £'000**	**Colfox School £'000**
Opening balance	(19,783)	(10,442)
Additions/developments/lifecycle	(1,930)	(241)
Repayments	3,863	726
Closing balance	(17,850)	(9,957)

Future PFI liabilities fall due as analysed in the table below.

	Payments due within one year £'000	**Payments due between one and five years £'000**	**Payments due after five years £'000**	**Total future payments £'000**
Street lighting	1,699	4,514	11,636	17,849
Colfox School	464	2,483	7,010	9,957
Total future payments	2,163	6,997	18,646	27,806

12. Leases

Dorset County Council accounts for leases in accordance with the Accounting Policies set out in this document.
Specific information for leases is as follows:

Carrying amount of assets held under finance leases

	Plant, equipment, vehicles £'000	**Buildings £'000**
Carrying amount as at 31/03/2016	881	4,748
Leases surrendered	1,878	-
Depreciation charge	(822)	(224)
Carrying amount as at 31/03/2017	1,937	4,524
Leases surrendered	407	-
Depreciation charge	(648)	(219)
Carrying amount as at 31/03/2018	1,696	4,305

Carrying amount of liabilities held under finance leases

	Plant, equipment, vehicles £'000	Buildings £'000
Carrying amount as at 31/03/2016	(877)	(5,444)
Leases surrendered	(1,878)	-
Capital repayment	680	170
Carrying amount as at 31/03/2017	(2,075)	(5,274)
Leases surrendered	(407)	-
Capital repayment	533	168
Carrying amount as at 31/03/2018	(1,949)	(5,106)

The following amounts were paid/are payable under lease agreements:

	2016/17 £'000	2017/18 £'000	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Finance leases - property	581	569	534	2,136	8,805
Finance leases - plant, equipment, vehicles	993	871	714	2,053	-
All finance leases	1,574	1,440	1,248	4,189	8,805
Operating leases - property	697	609	716	2,167	9,408
Operating leases - plant, equipment, vehicles	1,200	692	568	1,632	-
All operating leases	1,897	1,301	1,284	3,799	9,408
All leases	3,471	2,741	2,532	7,988	18,213

Total future minimum lease payments (MLP) are as follows:

	MLP £'000	Net Present Value MLP £'000
Finance leases	14,243	9,304
Operating leases	12,291	6,785

Future receipts from leases

	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Finance leases - property	16	63	235
Operating leases - property	4,498	8,206	12,069

Operating leases above include the following arrangements with Tricuro:

	Leases expiring within one year £'000	Leases expiring after one year but less than five years £'000	Leases expiring after more than five years £'000
Operating leases - property	3,215	4,025	-

Total future minimum lease receipts (MLR) are as follows:

	MLR £'000	Net Present Value MLR £'000
Finance leases - property	314	244
Operating leases - property	24,773	18,645

13. Analysis of Government Grants

This table gives details of the specific grants received from central Government Departments.

2016/17 £'000		**2017/18 £'000**
200,255	Education	**197,080**
10,721	Communities & Local Government	**20,280**
19,951	Health	**20,027**
931	Transport	**952**
576	Environment, Food & Rural Affairs	**674**
137	Culture, Media & Sport	**-**
296	Business, Innovation & Skills	**292**
91	Ministry of Defence	**23**
400	Home Office	**761**
341	Other	**454**
233,699		**240,543**

14. Deployment of Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2017/18 are as follows: -

Total 2016/17 £'000		Central Expenditure £'000	Individual Schools Budget (ISB) £'000	**Total 2017/18 £'000**
	Final DSG for 2017/18 before Academy recoupment			**262,708**
	Academy figure recouped for 2017/18			**(90,670)**
172,595	Final DSG for 2017/18 after Academy recoupment			**172,038**
2,609	Plus: Brought forward from 2016/17			**(3,691)**
	Agreed initital budgeted distribution in 2017/18	44,094	124,253	**168,347**
	In year adjsutments	(871)		**(871)**
175,204	Final budgeted distribution in 2017/18	43,223	124,253	**167,476**
48,744	Less: Actual central expenditure	51,940		**51,940**
130,151	Less: Actual ISB deployed to schools		124,253	**124,253**
-	Local Authority contribution for 2017/18			**-**
(3,691)	Carry forward to 2018/19	(8,717)	-	**(8,717)**

15. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

The Total Capital Expenditure reported by the Council includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the County Council does not own and which are not included in its asset register. This expenditure is charged to the Income and Expenditure account with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.

2016/17 £'000		**2017/18 £'000**
5,692	Expenditure in Service Budgets funded from Capital Adjustment Account	**9,451**

16. Members' allowances

The total amount of Members' allowances paid in the year is shown in the following table.

2016/17 £'000		**2017/18 £'000**
744	Members' Allowances	**695**

17. Remuneration of senior staff

The Accounts & Audit Regulations 2015 cover the requirement to disclose remuneration of senior employees. The requirement includes the duty to disclose details of the numbers of staff with remuneration and benefits, including redundancy, in excess of £50,000 per annum to be reported. Missing bands have no staff in them for either year (eg £155,000 to £160,000).

2016/17 Non-schools	2016/17 LEA Schools	2016/17 VA/VC Schools	Group	2017/18 Non-schools	2017/18 LEA Schools	2017/18 VA/VC Schools
133	91	52	£50,000 to £55,000	**130**	**89**	**49**
73	41	46	£55,000 to £60,000	**66**	**45**	**42**
40	25	10	£60,000 to £65,000	**41**	**16**	**13**
19	22	18	£65,000 to £70,000	**27**	**17**	**11**
11	9	10	£70,000 to £75,000	**12**	**14**	**4**
1	10	7	£75,000 to £80,000	**6**	**12**	**8**
4	9	6	£80,000 to £85,000	**5**	**5**	**4**
1	6	-	£85,000 to £90,000	**3**	**5**	**3**
1	1	1	£90,000 to £95,000	**2**	**3**	**1**
7	1	-	£95,000 to £100,000	**5**	**1**	**-**
4	4	-	£100,000 to £105,000	**5**	**1**	**1**
4	1	-	£105,000 to £110,000	**5**	**3**	**-**
2	-	1	£110,000 to £115,000	**1**	**2**	**1**
-	-	1	£120,000 to £125,000	**1**	**-**	**-**
-	1	-	£125,000 to £130,000	**-**	**-**	**-**
2	-	-	£140,000 to £145,000	**-**	**-**	**-**
-	-	-	£145,000 to £150,000	**2**	**-**	**-**
-	1	-	£150,000 to £155,000	**-**	**-**	**-**
-	-	-	£160,000 to £165,000	**-**	**1**	**-**
1	-	-	£180,000 to £185,000	**-**	**-**	**-**
-	-	-	£185,000 to £190,000	**1**	**-**	**-**
303	222	152		**312**	**214**	**137**

Dorset County Council follows Local Government salary scales and conditions of service, negotiated and agreed at national level.
The Accounts & Audit Regulations 2015 require the disclosure of remuneration of Senior Officers whose salary was £150,000 or more per annum, by name. One such officer exists and is named accordingly. In line with the Authority's published pay policy, information on other senior posts is also disclosed.

2016/17 Total £'000	**Post Holder Information**	**Salary £'000**	**Allowances £'000**	**Pension £'000**	**Total £'000**
	Chief Executive				
181	Debbie Ward	**155**	**-**	**33**	**188**
	Assistant Chief Executive				
91	Postholder left 31 Aug 2016 *(post deleted wef 1 Sep 2016)*	**-**	**-**	**-**	**-**
	Director for Adult & Community Services				
-	Position currently vacant	**-**	**-**	**-**	**-**
	Director for Environment & Economy				
144	Current postholder	**123**		**27**	**150**
	Director for Children's Services				
144	Postholder left 27 October 2017 *(post currently vacant)*	**71**	**-**	**15**	**86**
	Director of Public Health*				
109	Current postholder	**121**	**-**	**26**	**147**
	Assistant Directors of Public Health*				
113	Current postholder	**82**	**-**	**12**	**94**
111	Current postholder	**109**	**-**	**15**	**124**
96	Current postholder	**84**	**-**	**12**	**96**
82	Current postholder	**71**	**-**	**10**	**81**
	Director of Dorset Waste Partnership**				
104	Current postholder	**89**	**-**	**19**	**108**
1,175		**905**	**-**	**169**	**1,074**

* - these posts are jointly funded by Dorset County Council, Bournemouth Borough Council and the Borough of Poole as part of a jointly funded arrangement for which Dorset County Council is the accountable body.

** - this post is jointly funded by Dorset County Council, Weymouth & Portland Borough Council, West Dorset District Council, Christchurch Borough Council, East Dorset District Council, Purbeck District Council and North Dorset District Council as part of a jointly funded arrangement for which Dorset County Council is the accountable body.

18. Exit packages & termination benefits

The revised Code requires the Authority to disclose details of the number and value of exit packages agreed in the bandings shown below in the table and to distinguish these by compulsory redundancies and other departures. Voluntary early retirement under the scheme rules is not a termination benefit and does not require disclosure. Missing bands have no staff in them (eg £80,000 to £100,000).

Value of exit package	Compulsory redundancies 2017/18	Other 2017/18	Total cost £ 2017/18
Non-Schools			
Up to £20,000	20	12	**273,398**
£20,000 to £40,000	4	4	**229,249**
£40,000 to £60,000	3	3	**314,013**
£60,000 to £80,000	-	1	**67,490**
£100,000 to £120,000	-	3	**316,775**
£120,000 to £140,000	-	1	**135,123**
£160,000 to £180,000	1	1	**340,212**
£180,000 to £200,000	-	1	**192,305**
£200,000 to £220,000	-	1	**208,449**
	28	27	**2,077,014**
Schools			
Up to £20,000	6	39	**223,996**
£20,000 to £40,000	2	3	**153,351**
£40,000 to £60,000	-	1	**53,290**
	8	43	**430,637**
Total	36	70	**2,507,651**

As at 31 March, the following exit packages (with estimated costs) had been approved but not yet paid by the Authority. No provision is made for these amounts in the 2017/18 accounts as the costs fall to the contingency budget in the year in which they are incurred.

Value of exit package	Redundancies	Total cost £000 2017/18
Up to £20,000	1	**12**
£20,000 to £40,000	1	**24**
£40,000 to £60,000	1	**46**
	3	**82**

19. Audit fees

Fees payable to KPMG LLP, for services carried out as the appointed Auditor were:

2016/17 £'000		**2017/18 £'000**
74	External Audit Services	**74**
4	Certification of grant/other claims	**6**
78		**80**

20. Interest

Interest payable and receivable by the Authority is analysed as follows:

2016/17 £'000		**2017/18 £'000**
7,482	Interest payable on borrowings (as per I&E)	**7,414**
(78)	Interest receivable and investing income (as per I&E)	**(87)**
1,678	Interest payable on service concessions (PFI schemes)	**1,589**
274	Interest payable on finance leases (property)	**266**
314	Interest payable on finance leases (plant & equipment)	**337**
9,670		**9,519**

Interest payable and receivable on service concessions and finance leases is included within the appropriate lines of costs of services in the Comprehensive Income & Expenditure Statement.

21. Property, plant and equipment

The following table shows the overall movements in property, plant and equipment during the year. Infrastructure assets include, for example, highways, and community assets include country parks. Intangible assets are computer software licences which have a useful economic life of more than one financial year. The table also shows the cost of assets under construction not yet in operational use, and those declared surplus awaiting disposal plans. Surplus assets continue to be depreciated but once a surplus property is being actively sold, it is transferred to the class referred to as assets held for sale. These assets are not depreciated.

	Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Total operational assets £'000	Intangible assets £'000	Assets under construction £'000	Surplus assets £'000	Assets held for sale £'000	Total property, plant & equipment £'000
Net book value as at 31 March 2017	391,776	31,320	376,101	10,049	809,246	8,185	22,249	9,741	5,249	854,670
Additions	4,579	3,072	14,835	-	22,486	834	24,465	5	1	47,791
Disposals	(14,160)	(957)	-	(380)	(15,497)	-	-	(737)	(5,075)	(21,309)
Revaluations	13,576	-	-	-	13,576	-	-	242	(25)	13,793
Transfers	(3,046)	253	7,508	-	4,715	194	(9,572)	(691)	5,354	-
Depreciation	(11,829)	(7,459)	(18,036)	-	(37,324)	(1,643)	-	300	-	(38,667)
Depreciation on assets sold	1,917	750	-	-	2,667	-	-	216	718	3,601
Impairment (non enhancing expenditure)	-	-	-	-	-	-	-	-	-	-
Impairment (fall in market value) and reversals	1,456	-	-	-	1,456	-	-	(627)	-	829
Net book value as at 31 March 2018	**384,269**	**26,979**	**380,408**	**9,669**	**801,325**	**7,570**	**37,142**	**8,449**	**6,222**	**860,708**
Asset Financing										
Owned	356,684	25,283	335,334	9,669	726,970	7,570	37,142	8,449	6,222	786,353
Leased	4,304	1,696	-	-	6,000	-	-	-	-	6,000
PFI	23,281	-	45,074	-	68,355	-	-	-	-	68,355
	384,269	**26,979**	**380,408**	**9,669**	**801,325**	**7,570**	**37,142**	**8,449**	**6,222**	**860,708**

Comparative (adjusted) movements for 2016/17 were as follows:

	Land & Buildings £'000	Vehicles, plant, furniture & equipment £'000	Infrastructure assets £'000	Community assets £'000	Total operational assets £'000	Intangible assets £'000	Assets under construction £'000	Surplus assets £'000	Assets held for sale £'000	Total property, plant & equipment £'000
Net book value as at 31 March 2016	379,417	26,402	342,626	10,031	758,476	2,447	47,753	10,650	5,320	824,646
Additions	15,641	9,129	22,105	8	46,883	(226)	18,278	170	-	65,105
Disposals	(6,811)	(1,661)	-	-	(8,472)	-	-	(977)	(2,206)	(11,655)
Revaluations	11,995	-	-	-	11,995	-	-	928	66	12,989
Transfers	6,102	2,544	27,904	10	36,560	6,824	(43,782)	(1,547)	1,945	-
Depreciation	(10,527)	(6,552)	(16,534)	-	(33,613)	(860)	-	552	-	(33,921)
Depreciation on assets sold	1,060	1,458	-	-	2,518	-	-	977	104	3,599
Impairment (non enhancing expenditure)	-	-	-	-	-	-	-	-	-	-
Impairment (fall in market value) and reversals	(5,101)	-	-	-	(5,101)	-	-	(1,012)	20	(6,093)
Net book value as at 31 March 2017	391,776	31,320	376,101	10,049	809,246	8,185	22,249	9,741	5,249	854,670
Asset Financing										
Owned	364,337	29,383	331,504	10,049	735,273	8,185	22,249	9,741	5,249	780,697
Leased	4,523	1,937	-	-	6,460	-	-	-	-	6,460
PFI	22,916	-	44,597	-	67,513	-	-	-	-	67,513
	391,776	31,320	376,101	10,049	809,246	8,185	22,249	9,741	5,249	854,670

22. Minimum Revenue Provision

This is a memorandum account, operated in accordance with the Local Government Act 2003 and the policy agreed by Members at the budget setting meeting, which requires an annual Minimum Revenue Provision of the previous year's Underlying Borrowing Requirement to be set aside. This summary of transactions within the Capital Adjustment Account is shown for information. The charge for the year is low compared to 2016/17 as the MRP rate was harmonised at 2.5% across all properties, some of which had previously been calculated using 4%, the cumulative impact falling in 2017/18.

2016/17 £'000		**2017/18 £'000**
10,003	Minimum Revenue Provision	**2,852**
4,490	PFI Schemes	**4,590**
849	Finance Leases	**702**
1,333	DWP Financed Assets	**1,776**

23. Retirement benefits

The County Council participates in four different pension schemes that meet the needs of employees in particular services. Three are defined benefit schemes providing members with benefits related to pay and length of service, and one is a defined contribution scheme providing members with benefits related to the investment returns on contributions. The schemes are as follows: -

(i) The Local Government Pension Scheme for employees other than teachers, is administered by the County Council. This is a funded scheme, meaning that the council and the employees pay contributions into a fund, calculated at a level intended to balance over time the pension liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge against council tax has to be based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Statement of Movements in Reserves (General Fund Balance).

Service costs are included within the 'Net Cost of Services'. The net interest on the defined liability and administration expenses are included in 'Net Operating Expenditure' in the Comprehensive Income and Expenditure Statement. Remeasurement gains and losses arising are recognised in the Statement of Movements in Reserves. The independent actuary has determined these amounts in accordance with IFRS and Government regulations.

2016/17 £'000		**2017/18 £'000**
32,044	Service Cost	**52,942**
21,597	Net interest on the defined liability (asset)	**19,641**
548	Administration expenses	**602**
(28,157)	Movement on Pensions Reserve	**(45,533)**
	Actual amount charged against council tax for pensions in the year	
(988)	Unfunded Pension Payments	**(2,773)**
(25,044)	Employer's contributions payable	**(24,879)**

The costs of 'added years' awarded to ex-staff are charged centrally as non-distributed costs.

The underlying assets and liabilities for retirement benefits attributable to the County Council as at 31 March are shown in the following table, which also shows the distribution of assets by proportion of the total and the expected long-term return. The assets are valued at fair value, principally market value for investments, and consist of the following categories: -

%Assets	2016/17 £'000		**% Assets**	**2017/18 £'000**
56%	475,865	Equities	**54%**	**491,780**
15%	125,915	Gilts	**13%**	**119,122**
1%	9,413	Cash	**1%**	**12,777**
12%	97,213	Other Bonds	**7%**	**63,768**
4%	36,773	Diversified Growth Fund	**6%**	**55,006**
		Absolute Return Portfolio		
9%	74,580	Property	**10%**	**91,709**
3%	28,334	Infrastructure	**4%**	**32,836**
0%	135	Hedge Fund	**n/a**	**n/a**
n/a	n/a	Multi Asset Credit	**5%**	**42,815**
	848,228	Estimated Assets in County Council Fund		**909,813**
	1,558,379	Present value of scheme liabilities		**1,569,631**
	28,019	Present value of unfunded liabilities		**25,272**
	1,586,398	Total value of liabilities		**1,594,903**
	(738,170)	Net Pensions Asset / (Liability)		**(685,090)**

Liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Estimates are based on the latest full valuation of the scheme as at 31 March 2016, as updated for changes in numbers of staff and pensioners. The next full valuation will be carried out by the Actuary as at 31 March 2019.

The main assumptions used in their calculations are: -

2016/17 % p.a.	2016/17 Real		**2017/18 % p.a.**	**2017/18 Real**
3.6%	0.0%	RPI inflation	**3.3%**	0.0%
2.7%	-0.9%	CPI inflation	**2.3%**	-1.0%
4.2%	0.6%	Rate of increase in salaries	**3.8%**	0.5%
2.7%	-0.9%	Rate of increase in pensions	**2.3%**	-1.0%
2.7%	-0.9%	Rate for discounting scheme liabilities	**2.6%**	-0.8%

NOTES TO THE FINANCIAL STATEMENTS

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

The assumed life expectations from age 65 are as follows: -

2016/17			2017/18	
Male	Female	Years	**Male**	**Female**
23.90	26.00	Retiring today	**24.00**	**26.10**
26.10	28.30	Retiring in 20 years	**26.20**	**28.40**

The Authority is required to provide the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

2016/17 £'000		**2017/18 £'000**
1,276,126	Opening defined benefit obligation	**1,586,398**
32,817	Current service cost	**48,289**
46,600	Interest cost	**42,772**
329,360	Change in financial assumptions	**(78,541)**
17,556	Change in demographic assumptions	**-**
(86,904)	Experience loss/(gain) on defined benefit obligation	**-**
(2,856)	Liabilities assumed/(extinguished) on settlements	**24,158**
(36,512)	Estimated benefits paid (net of transfers in)	**(37,057)**
	Past service cost	
731	Past service costs including curtailments	**1,587**
10,468	Contributions by scheme participants	**10,070**
(988)	Unfunded pension payments	**(2,773)**
1,586,398	Closing defined benefit obligation	**1,594,903**

The Authority is also required to provide a reconciliation between the opening and closing balances of the fair value of the scheme assets:

2016/17 £'000		**2017/18 £'000**
677,298	Opening fair value of scheme assets	**848,228**
25,003	Interest on assets	**23,131**
118,109	Return on assets less interest	**20,072**
30,718	Other actuarial gains (losses)	**-**
(548)	Administration expenses	**(602)**
26,032	Contributions by employer (including unfunded)	**27,652**
10,468	Contributions by scheme participants	**10,070**
(37,500)	Estimated benefits paid (net of transfers in and including unfunded)	**(39,830)**
(1,352)	Settlement prices received/(paid)	**21,092**
848,228	Fair value of scheme assets at end of period	**909,813**

Analysis of the attributable movements in the surplus / (deficit) in the scheme during the year:

2016/17 £'000		**2017/18 £'000**
(598,828)	Surplus / (Deficit) brought forward	**(738,170)**
(32,044)	Service Cost	**(52,942)**
26,032	Employer contributions	**27,652**
(548)	Administration expenses	**(602)**
(21,597)	Net interest on the defined liability (asset)	**(19,641)**
(111,185)	Actuarial Gain / (Loss)	**98,613**
(738,170)	Surplus / (Deficit) as at 31 March	**(685,090)**

The estimated employer contribution to the scheme for the period 1 April 2018 to 31 March 2019 is £24.907m. This excludes the capitalised cost of any early retirements or augmentations which may occur after 31 March 2018.

(ii) Teachers are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). The County Council contributes towards the costs by making contributions based on a percentage of members pensionable salaries.

In 2017/18 the County Council paid £11.7m to the TPA (16.48% of pensionable pay). The figures for 2016/17 were £12.3m (16.48% of pensionable pay). The cost of added years payments to ex-staff was £1.5m (£1.5m in 2016/17). There were no contributions remaining payable at the year end.

The Teachers' Pension Scheme is a defined benefit scheme, which is unfunded. The Teachers' Pension Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. The benefits are fully accrued in the pensions liability detailed above.

(iii) Public Health professionals who have transferred employment from the National Health Service (NHS) to Local Authorities may retain membership of the NHS Pension Scheme (NHSPS). The NHSPS is a defined benefit scheme, which is unfunded. Local Authorities contribute towards the costs by making contributions based on a percentage of members pensionable salaries. The NHSPS uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. It is not possible for a Local Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. In 2017/18 the County Council paid contributions of £142k to the NHSPS being £141k at 14.38% of pensionable pay, and £248 at 14.3%.

(iv) Employees can also opt to become members of the National Employment Savings Trust (NEST), the pension scheme set up by the government and run by its trustee, NEST Corporation. NEST is a defined contribution scheme. Local Authorities contribute by making contributions based on a percentage of members pensionable salaries. In 2017/18 the County Council paid contributions of £4k to NEST, 1.0% of pensionable pay.

DCC Group

Tricuro

The Local Government Pension Scheme (LGPS) for Tricuro staff, is administered by Dorset County Council. This is a funded scheme, meaning that the Tricuro and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme is only open to employees that transferred from Dorset County Council, Bournemouth Borough Council and Poole Borough Council. The LGPS is closed to new entrants from the 1 April 2016. A new scheme has been introduced from 2016/17 for employees not eligible to join the LGPS. The assets and liabilities in relation to the staff that transferred on a fully funded basis on 1 July 2015. The company is responsible for all pension costs incurred post transfer and the three local authorities are responsible for all assets and liabilities in respect of pensionable service before that date.

SWAP

The Local Government Pension Scheme (LGPS) for SWAP staff, is administered by Peninsula Pensions (on behalf of Somerset County Council). This is a funded scheme, meaning that SWAP and the employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The scheme remains open to new staff to any employees that TUPE into SWAP, however it will close to new entrants from the 1 April 2018. A new scheme will be introduced from 2018/19 for employees not eligible to join the LGPS.

24. Better Care Fund - Pooled Budgets for Health and Social Care

The Better Care Fund (BCF) is the biggest ever financial incentive for the integration of health and social care. It requires Clinical Commissioning Groups and local authorities in every area of England to pool or align budgets and to agree an integrated spending plan for how they will use their Better Care Fund allocation.

The Council is a partner in the pan Dorset Better Care Fund which is owned by two Health and Wellbeing Boards:
• Dorset
• Bournemouth and Poole
Other partners are:
• NHS Dorset Clinical Commissioning Group,
• Bournemouth Borough Council, and
• Borough of Poole

The gross BCF spend under the Dorset Health & Wellbeing Board for the year was £136.718m.

The Council's contribution to the BCF was £73.021m.

Within the BCF, the County Council is in a partnership scheme with NHS Dorset CCG, Bournemouth Borough Council and the Borough of Poole under Section 75 of the Health Service Act 2006. The partnership commenced on the 1 April 2015 and Bournemouth Borough Council hosts the arrangement. The aim of the partnership is to provide a responsive equipment service including the support of intermediate care and reablement services. Details are shown in the following table: -

2016/17 £'000		**2017/18 £'000**
1,289	Expenditure	**1,329**
-	Income	**-**
1,289	Net DCC Contribution	**1,329**

25. Summary of capital expenditure and financing

2016/17 £'000	2016/17 £'000		2017/18 £'000	2017/18 £'000
		Adult & Community Services		
146		New Construction & Improvements (including REFCUS)	63	
425		Capital Repairs & Maintenance	380	
	571			443
		Cabinet/Whole Authority		
6,470		New Construction & Improvements (including REFCUS)	4,305	
791		Capital Repairs & Maintenance	528	
2,185		Corporate Fleet Vehicle Replacements	1,517	
2,397		ICT	3,754	
	11,843			10,104
		Children's Services		
19,356		New Construction & Improvements (including REFCUS)	13,488	
2,039		Capital Repairs & Maintenance	1,786	
223		ICT	38	
	21,618			15,312
		Environment & Economy		
31,575		Infrastructure Improvements (including REFCUS)	27,637	
52		Capital Repairs & Maintenance	348	
74		ICT	102	
	31,701			28,087
		Dorset Waste Partnership		
446		Infrastructure Improvements (including REFCUS)	681	
2,833		Plant & Vehicles	2,201	
10		ICT	5	
	3,289			2,887
	69,022	**Total Capital Expenditure**		56,833
		Sources of Finance		
19,791		Borrowing (internal & external)	8,991	
37,851		Grants	38,776	
3,289		Other Contributions	2,887	
1,898		PFI and leases	1,930	
2,429		RCCO	728	
3,764		Use of Capital Receipts	3,521	
	69,022	**Total Financing**		56,833

This table gives details of capital spending by service, and how that spending was financed. The analysis above includes expenditure referred to as Revenue Expenditure Funded from Capital Under Statute (REFCUS) set out in note 15.

Legislation requires REFCUS expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried in the Balance Sheet as a non-current asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on Council Tax Payers. These items are generally expenditure on property not owned by the Authority. The capital financing requirement note below, includes provision for this expenditure.

26. Capital financing requirement

The total amount of capital expenditure incurred during the year is shown in note 25, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed as:

2016/17 £000s		**2017/18 £000s**
849,421	Property Plant & Equipment	854,486
5,249	Assets held for sale	6,222
854,670	Total Assets to be funded	860,708
(113,658)	Revaluation Reserve	(116,709)
(404,669)	Capital Adjustment Reserve	(403,375)
336,343	**Capital Financing Requirement 31 March**	340,624
(30,225)	Less Long Term PFI Liability	(27,806)
(7,349)	Less Obligations under Finance Leases	(7,055)
298,769	**Underlying Borrowing Requirement 31 March**	305,763

2016/17 £'000		**2017/18 £'000**
11,456	Effect on the underlying need to borrow	6,994
11,456		6,994

27. Future capital commitments

The Council has entered into contracts for a number of capital projects in 2017/18 and earlier years, which were not completed by 31 March 2018. Details of further expenditure on such major schemes which will be incurred in later years are set out below.

Figures quoted for the previous year are the commitments on incomplete schemes as at that balance sheet date and not an analysis of cumulative expenditure against those projects at that date.

2016/17 £'000		**2017/18 £'000**
	Children's Services	
435	Pimperne Primary School replacement	**297**
125	Leeson House DDA works	**-**
290	Lulworth Primary	**144**
146	Yewstock	**-**
643	Bere Regis Primary replacement	**524**
1,828	Damers replacement	**785**
655	Highcliffe St Marks extension to 3FE	**588**
6,995	Twynham Primary new 2FE	**2,665**
3,066	St Osmunds extend to 6FE	**698**
-	Sherborne Abbey extension to 2FE	**925**
	Whole Authority	
9,952	Superfast Broadband	**4,594**
	Environment & Economy	
2,496	Weymouth Relief Road	**3,574**
2,097	Dorchester Transport & Environment Plan	**656**
754	Dinah's Hollow	**492**
-	Blackwater Interchange	**6,334**
-	Chapel Gate	**1,776**

28. Asset register

The following table analyses the numbers and values of major non-current assets owned by the Authority.

2016/17 No	2016/17 £'000		**2017/18 No**	**2017/18 £'000**	**2017/18 £'000**
39	8,185	**Intangible Assets**	**42**		**7,570**
		Operational Assets			
261	107,633	Land	**250**	**101,064**	
174	242,960	Buildings	**168**	**238,154**	
51	7,247	Farms - Land	**50**	**9,598**	
45	6,496	Farms - Buildings	**44**	**7,867**	
4	4,524	Leased buildings	**4**	**4,305**	
1	5,140	PFI Land	**1**	**5,140**	
1	17,776	PFI buildings	**1**	**18,141**	
					384,269
550	16,489	Vehicles	**549**	**13,724**	
36	1,926	Leased vehicles	**21**	**1,362**	
11	74	Plant	**11**	**51**	
279	772	Furniture & Fittings	**287**	**719**	
97	12,059	Equipment	**113**	**11,123**	
					26,979
2	376,101	**Infrastructure Assets**	**2**		**380,408**
28	10,049	**Community Assets**	**23**		**9,669**
		Non-Operational Assets			
431	22,249	Assets under construction	**622**	**37,142**	
31	9,741	Surplus Assets	**23**	**8,449**	
6	5,249	Assets held for sale (current assets)	**10**	**6,222**	
					51,813
2,047	854,670		**2,221**		**860,708**

The Balance Sheet does not include schools where ownership rests with the Diocese, or Foundation Schools and other schools that have subsequently transferred to Foundation status, as the premises remain under the control of each Foundation.

In addition to the above, the Council owns a number of sites which are held pending development or disposal. It is also responsible for the following infrastructure assets. Unclassified Roads no longer include unpaved roads or green lanes.

2016/17 Km		**2017/18 Km**
396	Principal Roads	**396**
1,535	Classified Roads	**1,535**
2,107	Unclassified Roads	**2,095**
4,038		**4,026**

29. Components

As noted elsewhere in this document, component accounting has been applied prospectively from 1 April 2010. A policy for assessing the Authority's assets for componentisation was developed with the Valuations & Estates Team and approved by the Auditors in 2010/11. This looked at componentising over a six year period.

The depreciation included in the Comprehensive Income & Expenditure Statement on account of these components is £2245k. Had these components not been created, the depreciation charge on the non-componentised assets would have been £710k (2016/17 = £2287k compared with £739k).

30. Heritage Assets

Dorset History Centre (DHC) is the home of the Joint Archives Service for Bournemouth Borough Council, Dorset County Council and Borough of Poole. The building is owned and maintained by DCC, but the revenue costs for the service are shared.
DHC holds the corporate archives of the three authorities along with second tier authorities and a wide range of other public bodies and private institutions and individuals. Collection size varies from single items like a letter or title deed to several thousand boxes. In total we estimate the holdings to amount to over 1,070 cubic metres. Ownership of the collections is split between DCC (its own archive but also all 'gifted' collections) and a wide range of corporate bodies and individuals.
The archive collections housed within the repository date back to 965, number over 9,700, and are made up of millions of individual items of paper, parchment, photographic (and other) images, maps, plans, volumes, digital and magnetic storage devices. The vast majority of material held by DHC is unique, i.e. no other copy exists and is therefore irreplaceable.

The three repositories in which the collections are stored meet the requirements of the standard PD5454 (Storage and Exhibition of Archival Material). Temperature and humidity are regulated to tight parameters and a gas-based fire suppressant is installed. The repositories are secured with electronic swipecard access. Only JAS staff and limited numbers of Registration staff can access them.
Placing a value on the collections is very difficult. In financial terms there are certainly items held here which would fetch many thousands, if not hundreds of thousands of pounds. However, the informational value and legal proof of millions of transactions is also huge e.g. DCC's corporate memory. Quantifying a monetary value would be extremely hard to do (and would come at a significant cost to the Authority).

There is no insurance held for the archive collections. This is quite standard for archive services where the security and integrity of the building itself, is the de facto insurance. Our Terms of Deposit state that the DHC does not insure collections and that insurance is the responsibility, if desired, of the owner of the records.

31. Investments

The Council has adopted the Code of Practice for Treasury Management in Local Authorities that, amongst other things, governs the way in which surplus cash is invested. The total amount of investments with individual institutions and sectors is strictly controlled and regularly reviewed. The short-term (i.e. less than one year) investment of surplus funds at 31 March 2018 amounted to £0 million (£0 million at 31 March 2017).

This is a direct result of the Council's Treasury Management strategy, driven by the continued gap between long term borrowing costs and short term investment returns, to use internal balances to avoid borrowing in advance of need where possible.

Joint ventures are also included as an investment of £38k.

32. Long-term debtors

An analysis of amounts due to the Council at 31 March 2018, repayable over a period of more than 12 months, is shown below. The amount for Other Local Authorities relates to the Home Office system of capital financing for Police expenditure prior to 1990, and is repayable by Dorset Police in annual instalments. The majority of the remainder relates to similar capital financing arrangement for colleges, deferred debt for residents in care homes and private street works.

2016/17 £'000		**2017/18** **£'000**
764	Other Local Authorities	**695**
294	Interest in Operating Leases	**292**
3,401	Other	**3,419**
4,459		**4,406**

33. Inventories

The Council holds a number of stocks and stores. Stock levels are regularly reviewed to ensure that only necessary stocks are held.
Equipment for disabled people issued under the pooled budget arrangement (detailed in Note 24 earlier in this document) has been included.

2016/17 £'000	**Stocks**	**2017/18** **£'000**
490	Highways and Transportation	**383**
67	Fuel Scheme	**77**
179	DWP Inventories	**130**
309	Community Equipment Store	**411**
5	Misc small stock items	**4**
1,050		**1,005**

34. Debtors and payments in advance

An analysis of amounts due to the Council or paid in advance at 31 March 2018 is shown below.

2016/17			**2017/18**	
Debtors £'000	Payments £'000		**Debtors** **£'000**	**Payments** **£'000**
10,802	-	Central Government Departments	**13,962**	**-**
18,414	5	Other Local Authorities	**21,980**	**3**
3,053	-	Health	**1,487**	**-**
24,218	9,123	Other	**11,529**	**7,612**
56,487	9,128		**48,958**	**7,615**

35. Contingent Assets

In addition to the amounts included above, further sums estimated to amount to £58.5m may fall due from the District Councils in Dorset in respect of Section 106 (of the Town and Country Planning Act 1990) planning agreements.
These amounts are not due, yet, but will accrue in future in line with the progress made on the developments covered by individual agreements.

36. Assets held for sale

As set out in the Accounting Policies section of this document, assets that meet the criteria are required to be accounted for and reported as being held for sale. Dorset County Council had the following properties which met these criteria at the Balance Sheet date:

Property	**Use/Business Segment**	2016/17 £'000	**2017/18 £'000**
Sherborne House & Gardens	Children's Services	1,500	**-**
Damers Road Store	Surplus	380	**380**
North Dorset Business Park	Surplus	739	**-**
Rolls Mill	Surplus	30	**-**
Christchurch Adult Learning Centre	Adult & Community Services	2,600	**2,600**
Brackenbury Infants School	Surplus	-	**425**
Bridport Local Office & St Andrews Pre School	Surplus	-	**417**
West End House (Greystones)	Surplus	-	**475**
Pippins Staff Training Centre	Surplus	-	**325**
Royal Manor Arts College	Surplus	-	**1,600**
		5,249	**6,222**

37. Cash (and cash equivalents) and bank balances

Cash in hand includes £0.4m (£0.3m 2016/17) held in interest earning accounts as an alternative to temporary investments. The actual bank balance is managed on a daily basis and kept to very modest limits, usually less than £100k.

38. Borrowing

An analysis of the Council's outstanding debt as at 31 March 2018 is shown below, analysed between the government's Public Works Loans Board (PWLB) and other lenders.

2016/17 PWLB £'000	2016/17 Other £'000	**Analysis of Loans by maturity**	**2017/18 PWLB £'000**	**2017/18 Other £'000**
859	30,560	**Short Term Borrowing** (less than 1 year)	**900**	**45,000**
900	-	Between 1 and 2 years	942	
22,964	-	Between 2 and 5 years	23,105	
11,083	-	Between 5 and 10 years	10,000	
10,000	19,500	Between 10 and 15 years	10,000	19,500
23,816	-	Between 30 and 35 years	31,816	
18,000	-	Between 35 and 40 years	10,000	
-	40,000	Between 40 and 45 years		15,000
-	35,600	More than 45 years		60,600
86,763	95,100	**Long Term Borrowing**	**85,863**	**95,100**
127,768	206,843	**Fair Value of Borrowing**	**125,554**	**223,655**
3.97%	3.18%	Average rate of interest	**3.96%**	**2.85%**

Actual borrowing shown here is less than the Capital Financing Requirement because of unfinanced capital expenditure carried forward, shown in Note 25, or decisions when to take out borrowing to finance the capital programme. These decisions are taken in consultation with advisers, taking into account interest rate movements and other factors.

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments. For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.

39. Creditors and receipts in advance

An analysis of amounts owed by the Council or received in advance at 31 March 2018 is shown below. Receipts in advance do not include grants or contributions held in respect of future spending where conditions attached to the grant have been met.

2016/17 Creditors £'000	2016/17 Receipts £'000		**2017/18 Creditors £'000**	**2017/18 Receipts £'000**
1,494	1,165	Central Government Departments	**1,962**	**482**
6,307	6,722	Other Local Authorities	**7,785**	**7,187**
47,732	3,005	Other	**45,245**	**8,840**
55,533	10,892		**54,992**	**16,509**

40. Provisions

The Council self-insures most of its insurance claims, funding these internally. Interest is earned on the balances held until they are required. The insurance provision also covers potential liabilities arising from the performance of building and civil engineering contracts in excess of £750k. Balances for specific provisions at 31 March 2018 are as follows:

	Balance 1 April 2017 £'000	Income £'000	Payments and / or Transfers £'000	**Balance 31 March 2018 £'000**
Misc Provisions	86	188	200	**74**
Schools Reorganisations	685	-	285	**400**
General Insurance Provision	1,871	2,731	1,787	**2,815**
	2,642	**2,919**	**2,272**	**3,289**

Triggering of the Scheme of Arrangement for MMI

Municipal Mutual Insurance (MMI) is an insurance company limited by guarantee and not having a share capital, which was established by a group of local authorities and incorporated under the Companies Acts 1862 to 1900 on 13 March 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement. In September 1992 MMI ceased to write new, or to renew, general insurance business.

Since going into run-off in September 1992 numerous business and corporate disposals have taken place including the right to seek renewal of the larger part of MMI's direct personal and commercial lines insurance business to Zurich Insurance Company along with a number of MMI's assets and many members of its staff.

The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 (now 899 of the Companies Act 2006) which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered and served notice on the Scheme Administrator and the Company to that effect. As a result, the Scheme of Arrangement was triggered and the Scheme Administrator, Gareth Hughes, has taken over the management of the business of the Company. Any queries in relation to the Scheme of Arrangement should be referred in the first instance to the Company at its registered office.

Following the triggering of the scheme, the Scheme Administrator conducted a financial review of the Company and concluded that a 15% levy would be necessary. For Dorset County Council, this was around £405k. Dorset County Council has met the initial levy request of £405k. In May 2016 notification was received that the levy has been raised to 25% and a further demand of £272k was received. The levy currently remains at 25%.

Following the updated Levy of 25% imposed on Scheme Creditors from 1April 2016 in accordance with the Levy Notices, the Company will continue to pay claims at 75% of the agreed settlement amount for affected Scheme Creditors, and pay claims at 100% for non-Scheme Creditor policyholders. It is anticipated that the current balance sheet deficit of £1.4 million will be eliminated by the end of the run-off period.

Solvency II came into force on 1 January 2016. The directors are confident that the Company will continue to meet its regulatory requirements in the future. On an annual basis the group will publish quantitative and qualitative information on Solvency II in a Solvency and Financial Condition Report (SFCR). The next SFCR will be prepared as at 30 June 2017.

The Council currently has six historic claims with MMI holding reserves of 277k. The number has reduced from £421k as at 31 March 2017, of the six outstanding claims two have been robustly repudiated, these two currently hold a joint reserve of £ 134k.

41. Contingent Liabilities

Provision has been made in the accounts for known claims against the Council at the level of the Council's own estimation. There are potential claims against the Council, which are at this stage unquantifiable and no provision has been made for these. There are various other minor claims against the Council, where the validity is disputed, and the Council has made no provision for these in the accounts.

42. Other long term liabilities

The Salix Fund was established with money advanced by a government agency, match-funded by DCC, to pay for carbon reduction measures in buildings. The fund is replenished from savings in energy costs in the early years of each project (after which, savings accrue to revenue budgets). The fund is available for ongoing reinvestment. However, should there be, at some stage, insufficient compliant schemes in which to invest, Government may require its advance to be repaid.

2016/17 £'000		**2017/18 £'000**
114	SALIX	**150**
114		**150**

43. Trust funds and bequests

The County Council administers a number of funds which have been established by gift or bequest. The bequests are for the benefit of certain Social Care or Library service users. These funds are held by the County Council as trustees and are summarised below.

	Balance 1 April 2017 £'000	Income £'000	Expenditure £'000	**Balance 31 March 2018 £'000**	Capital 31 March 2018 £'000
B Norwood Bequest	2	-	-	**2**	63
T Elliott Bequest	-	-	-	**-**	56
M Dorling Bequest	-	-	-	**0**	67
	2	**0**	**0**	**2**	**186**

44. Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital control system.

2016/17 £'000		2017/18 £'000
391,266	Balance brought forward	404,669
(36,837)	Depreciation & Impairment	(33,707)
(5,692)	REFCUS	(9,451)
(2,256)	Net gains/(losses) on disposal of non-current assets	(3,635)
(2,651)	Net gains/(losses) on disposal of Academy assets	(7,613)
16,674	Minimum Revenue Provision	9,920
2,429	Capital Expenditure Charged to the General Fund	728
37,671	Release of Government Grant	38,942
3,983	Use of Capital Receipts	3,522
82	Transfer from revenue to fund capital expenditure	-
404,669	Balance carried forward	403,375

45. Collection Fund Adjustment Accounts

The Council Tax Collection Fund Adjustment Account holds the movement between the Council Tax income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. This is included as a reconciling item in the Statement of Movement in Reserves. This is an unusable reserve for the Authority.

2016/17 £'000		2017/18 £'000
6,680	Balance brought forward	7,238
558	Movement in year	914
7,238	Balance carried forward	8,152

The Non-Domestic Rates (NDR) Collection Fund Adjustment Account holds the movement between the NDR income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund. This is included as a reconciling item in the Statement of Movement in Reserves. This is an unusable reserve for the Authority.

2016/17 £'000		2017/18 £'000
(855)	Balance brought forward	(906)
(51)	Movement in year	569
(906)	Balance carried forward	(337)

46. Accumulated Absences Account

The IFRS-based Code requires Local Authorities to account for benefits payable during employment in accordance with IAS 19 (Employee Benefits). One aspect of this is that accruals must be made at 31 March for any "accumulating, compensated absences", or untaken leave, time-off-in-lieu etc.

The balance on this account at the end of the year is mirrored by a creditor in the Balance Sheet. As with other changes in creditors, the change in the balance between the start and the end of the year is charged in the Comprehensive Income and Expenditure Statement within individual costs of services.

2016/17 £'000			2017/18 £'000	
	(3,435)	Opening balance		(4,437)
3,435		Reverse previous year provision	4,437	
(4,437)		Current year provision	(4,641)	
	(1,002)	(Charge)/credit to I&E		(204)
	(4,437)	Closing balance		(4,641)

47. Capital Grants Unapplied Account

Where the acquisition of a non-current asset is financed wholly or partly by a capital grant or other contribution, the amount of the grant is credited initially to a capital grants unapplied account. Once the appropriate expenditure has been incurred, the funding is transferred from the capital grant unapplied account to the Capital Adjustment Account.

2016/17 £'000		2017/18 £'000
17,406	Balance brought forward	18,155
36,776	Receipts	51,612
10	Notional Interest	19
(37,671)	Transferred to Capital Adjustment Account	(38,942)
1,634	Adjusted to revenue reserves	(1,609)
18,155	Balance carried forward	29,235

48. Revaluation Reserve

This account records the net gain, (if any), from revaluations made after 1 April 2007 from holding non-current assets.

2016/17 £'000		2017/18 £'000
107,134	Balance brought forward	113,658
12,989	Revaluation gains on property, plant & equipment	13,793
(3,315)	Charges for depreciation & Impairment of non-current assets	(4,280)
(1,745)	Net (gains)/losses on disposal of non-current assets	(2,990)
(1,405)	Net (gains)/losses on disposal of Academies	(3,472)
113,658	Balance carried forward	116,709

49. Financial Instrument Adjustment Account

Financial instruments arise from various types of loan contract or agreements. These activities give rise to a number of risks, including credit risk (debts might not be repaid); liquidity risk (having funds available to meet commitments); re-financing risk (disadvantageous timing for renewal); and market risk (interest rate movements). These topics are addressed in the annual Treasury Management report to the Cabinet.

2016/17 £'000		2017/18 £'000
1,550	Balance brought forward	1,621
-	Deferred Discount on early repayment of debt	(1,423)
71	Soft Loan Interest Adjustment	5
1,621	Balance carried forward	203

50. Usable Capital Receipts Reserve

Capital Receipts from the sale of surplus assets are used to finance the capital expenditure programme. The credit balance reflects 2016/17 receipts being used to finance the programme.

2016/17 £'000		2017/18 £'000
(26)	Balance brought forward	19
5,512	Net (gains)/losses on disposal of non-current assets	6,177
-	Usable Capital Receipts funding revenue income from finance leases	-
(3,983)	Use of Capital Receipts to finance new capital expenditure	(3,522)
(1,484)	Flexible use of capital receipts	(1,452)
-	Reclassifications between balances and Reserves	-
19	Balance carried forward	1,222

As well as these reserves, additional capital receipts of £330k have been deferred. These receipts relate to the sale of properties through the Dorset Development Partnership where the cash is being used to provide liquidity to the partnership.

51. Earmarked Reserves

The Council has established a number of reserves, earmarked for capital and revenue purposes as follows: -

For revenue purposes	Balance 1 April 2017 £'000	Income and / or Transfers £'000	Payments and / or Transfers £'000	Balance 31 March 2018 £'000
(a) Capital Financing	-	-	-	-
(b) PFI Reserves	7,904	478	(1,055)	7,327
(c) Medium Term Strategy	13,786	700	(1,925)	12,561
(d) Insurance Reserve	11,032	774	(2,703)	9,103
(e) Trading Account Reserves	516	1,891	(1,930)	477
(f) Innovation/transformation Fund	2,691	97	(297)	2,491
(g) Other Reserves	2,303	1,621	(2,007)	1,917
(h) Reserves from IFRS transition	18,443	13,364	(11,528)	20,279
Total Revenue Reserves	**56,675**	**18,925**	**(21,445)**	**54,155**

(a) Capital Financing
Specific reserves have been established to fund future capital schemes where funding for individual projects is dependent upon specific earmarked contributions.

(b) PFI Reserve
This reserve is a sinking fund held for replacement furniture & equipment, and to cover additional costs of any future legislative changes.

(c) Medium Term Financial Strategy
This reserve is maintained to provide a mechanism to help balance the medium term financial plan (MTFP) over the three year planning period. The prospects for Local Govt finance over the next three to five years are extremely challenging and the reserve has benefitted from review and consolidation of other reserves during the year to ensure we make the best planning choices about our future budgets and plans.

(d) Insurance Reserve
This is in addition to the provision referred to above, to cater for any claims not covered by the provision.

(e) Trading Account Reserves
The balance held in this reserve incorporates the amount unapplied on the internal trading undertakings appropriation accounts.

(f) Innovation Fund
This reserve was set up to fund one-off expenditure that would deliver future savings.

(g) Other Reserves
Various reserves have been created, the main purposes of which are the replacement or purchase of items of plant or equipment, or to smooth the cost of building repair and maintenance across financial years.

(h) Reserves from IFRS transition
Various reserves were created as a result of transition to IFRS. This was because new treatment was required for grant/contribution income which was not yet spent, but for which the conditions of receiving the grant had been fulfilled. These reserves continue to be shown separately as they are purely for accounting requirements rather than reserves which the Authority has designated for specific purposes.

52. Movement in balances

Total balances decreased by £0.8m during the year to £15.9m. There was a net overspend of £4.9m on revenue budgets subject to cost centre management arrangements. This is included within the general balances figures in this analysis.

2016/17		2017/18				
		General	LMS*	Retained Schools	Capital	Total
£'000		£'000	£'000	£'000	£'000	£'000
27,857	Brought forward	12,352	5,465	(3,692)	2,626	16,751
(9,797)	Use in year	1,776	(5,465)	3,692	-	3
(1,309)	Additions/outturn	4,338	3,548	(8,717)	-	(831)
16,751	Carried Forward	18,466	3,548	(8,717)	2,626	15,923

* LMS - balances held on behalf of schools under the scheme for Local Management of Schools.

53. Movement on the General Fund Balance

Amounts charged in the Comprehensive Income and Expenditure Statement now use essentially the same accounting conventions as private companies; ie International Financial Reporting Standards. The surplus or deficit on the Comprehensive Income and Expenditure Statement is the IFRS measure of a body's financial performance.

However, in determining a Local Authority's budget requirement and movement on the General Fund (and hence the level of Council Tax), there are other items which must be taken into account in accordance with statutory or non-statutory proper practices.

Amounts included in the Comprehensive Income and Expenditure Statement in accordance with IFRS, but which are excluded when determining the Movement on the General Fund are depreciation and impairment of non-current assets, deferred charges, the net gain or loss on the sale of non-current assets and adjustment to pensions costs in accordance with IAS19.

Amounts not included in the Comprehensive Income and Expenditure Statement, but which are required to be included when determining the Movement on the General Fund are the statutory provision for the repayment of debt, capital expenditure charged to the General Fund and any transfer to or from earmarked reserves. These additional amounts are included in the calculation of the Statement of Movement In Reserves, and summarised in the notes to the Expenditure and Funding Analysis.

Notes to the Cash Flow Statement

54. Movement in cash and cash equivalents

This table reconciles the net revenue account surplus or deficit to the net increase or decrease in cash.

2016/17			2017/18	
£'000	£'000		£'000	£'000
	(11,106)	**Net surplus/(deficit) to General Fund**		(828)
		Movement in accruals items:-		
132		Long Term Debtors	53	
(100)		Stocks	45	
(94)		Debtors	9,042	
5,718		Creditors	5,075	
(633)		Provisions	647	
	5,023			14,862
		Movement in non-cash items :-		
(9,773)		Capital Accounts	6,661	
(507)		Collection Fund Adjustment Account	(1,483)	
1,097		Earmarked Reserves	(1,037)	
45		Capital Receipts Reserve	1,204	
	(9,138)			5,345
		Movement in financing items:-		
30,599		Short Term Borrowing	14,481	
(2,976)		Long Term Borrowing	(3,578)	
-		Short Term Lending	-	
-		Long Term Lending	-	
	27,623			10,903
	12,402	**Increase/(Decrease) in Cash**		30,282

55. Movement in net funds

Net funds are cash and other liquid resources (e.g. temporary investments), less borrowings.

	Balance 2016/17 £'000	Movement in year £'000	Balance 2017/18 £'000
Cash in hand and at bank	7,978	30,282	38,260
Temporary investments and borrowing	(31,419)	(14,481)	(45,900)
Leases, PFIs & Other	(37,688)	2,677	(35,011)
Long Term Investments	38	-	38
Long Term Borrowing	(181,863)	900	(180,963)
	(242,954)	19,378	(223,576)

56. Critical accounting judgements

In applying the accounting policies set out in this document, the Authority has made judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statement are:

(i) Asset classifications, valuations and useful lives

The County Council has made judgements on whether assets are classified as investment property; property, plant and equipment or assets held for sale. These judgements are based on the main reason that the Council holds the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be property, plant and equipment assets. If there is no subsidy and/or full market rent is being charged, or the property is held purely for capital appreciation purposes, this would indicate that the asset is an investment property. Where assets are held only because they have not yet been sold, but an active disposal process is in place, the property is deemed to be an asset held for sale. The classification determines the valuation and depreciation method used and drives the useful economic life.

(ii) Lease classifications

The accounting treatment for operating and finance leases is significantly different and could have a material effect on the accounts. The Authority has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee.

The planned introduction of IFRS 16 (the international financial reporting standard for leases) as from the 2019/20 financial year, to replace IAS17 (the international accounting standard for leases), means that the County Council will be required to treat both operating leases and finance leases consistently, and show both classes of lease on the balance sheet. This is likely to have a material impact on the value of assets reported on the Authority's balance sheet.

(iii) Providing for potential liabilities

The County Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. This includes legal claims that could eventually result in the payment of compensation or other settlement. The judgements are based on the degree of certainty around the results of pending legal actions based on experience in previous years or in other local authorities.

(iv) The DCC Group Boundary

The County Council applies a series of tests, on an annual basis, in order to assess whether collaborative arrangements it is involved in give rise to a group accounting situation and the requirement for production of consolidated accounts. It has been agreed with the external auditor to treat Tricuro, SWAP and TRICS as joint ventures, on the basis that the Council has joint control due to equal rights with the other jointly controlling organisations, and to consolidate those financial results into DCC Group Accounts.

(v) Annual impairment assessment - DCC Group

Under the requirements of paragraph 58 of IAS 39, an investor must assess at each year-end whether there is any objective evidence that its interests in the (associate or) joint venture are impaired. The loss event giving rise to this evidence must have occurred after the interest was recognised and impact the expected future cash flows from the (associate or) joint venture in respect of that interest to the investor. Loss events that have not yet occurred are ignored, however likely. Such events would be taken into account in future periods. Where evidence of impairment is found, the rules in IAS 36 Impairment of Assets are applied to the entire carrying amount of the entity in determining the amount of the impairment loss.

The assessment for the 2017/18 Accounts is that there is not a requirement for the Council to recognise any impairment in its interest in either Tricuro Support Limited, the South West Audit Partnership or TRICS Consortium.

57. Assumptions about future funding

As we close the second year of the four-year funding settlement agreed with the Government, there is still uncertainty about funding for Local Government beyond 2019/20 - and concerns about levels of negative RSG in the final year. A number of initiatives are in train, such as transition to 75% business rates retention, reviews of the levels of negative RSG, the fair funding review and Local Government Reorganisation across Dorset. While the general fund balance and earmarked reserves can provide a small buffer and/or a fund for invest to save measures for a range of efficiency initiatives, there is still no guarantee that Council Services can continue to be provided at their current levels.

An analysis of the County Council's general fund and other reserves is provided in the notes to these financial statements.

58. Sources of estimation uncertainty

The Financial Statements contain some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

There is one item in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year and that is the pension liability. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured; however, the assumptions interact in complex ways and the Authority discloses information about the fund elsewhere in this document.

1 INTRODUCTION

These accounts have been prepared in accordance with the principles recommended in the Code of Practice on Local Authority Accounting (The Code) and the Service Reporting Code of Practice (SERCOP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In complying with The Code, these Financial Statements also comply with International Financial Reporting Standards (IFRS) as they apply to Local Authorities in England.

2 ACCOUNTING CONVENTIONS & MEASUREMENT BASES

The Financial Statements of the Authority are prepared on the basis of historic cost except where disclosed otherwise in accounting policies or notes, or where required by IFRS. Areas where there is divergence from the historic cost convention typically include the revaluation of property, plant and equipment; inventories and certain financial assets and liabilities. The Financial Statements have been prepared with due regard to the pervasive accounting concepts of accruals, going concern and primacy of legislative requirements.

3 REVENUE RECOGNITION

The revenue recognition principle is a cornerstone of accrual accounting and determines the accounting period in which revenues and expenses are recognised. The County Council's policy is that revenues are recognised when they are realisable and are earned (usually when goods are transferred or services rendered), no matter when cash is received.

The accounting policy will be reviewed upon introduction of IFRS15 Revenue from Contracts with Customers for the 2018/19 accounts.

4 CHANGE OF ACCOUNTING POLICIES

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements. An entity is permitted to change an accounting policy only if the change is required by a standard or interpretation; or results in the Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

If a change in accounting policy is required by a change in reporting standards, the change is accounted for as required by that new pronouncement. If the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. Retrospective application means adjusting the opening balance of each affected component for the earliest prior period presented, along with other comparative amounts disclosed for each prior period presented, and restating them as if the new accounting policy had always been applied.

5 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are material adjustments applicable to prior periods arising from either changes in accounting policies, or the correction of material errors. Prior period adjustments are accounted for by restating the comparative figures for each prior period presented in the primary statements and notes and adjusting the opening balances for the current period for the cumulative effect.

6 EVENTS AFTER THE BALANCE SHEET DATE

These are defined as events, which could be favourable or unfavourable, that occur between the end of the reporting period and the date that the Financial Statements are authorised for issue.

An adjusting event is an event that provides evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate. An adjusting event is one where the Financial Statements are adjusted to reflect the event.

A non-adjusting event is an event that is indicative of a condition that arose after the end of the reporting period. Non-adjusting events are disclosed in the Financial Statements if it is considered that non-disclosure would affect the ability of users to make proper evaluations and decisions, but the Financial Statements themselves are not adjusted to include the financial impact of it.

7 FINANCIAL INSTRUMENTS

In accordance with IFRS 7 and IFRS 9, financial assets and financial liabilities are recognised in the Authority's Balance Sheet when the Council becomes a party to the contractual provisions of the instrument.

Financial assets

The Authority has three classes of financial assets being:
(a) cash and cash equivalents
(b) investments
(c) trade receivables.

Trade receivables are recorded within debtors and payments in advance and included in note 34.
Investments are shown either as long term investments or temporary investments in the Balance Sheet and analysed in note 31.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account (though this itself netted off within the receivables total). Changes in the carrying amount of the provision account are recognised in the Comprehensive Income & Expenditure Statement.

Cash and cash equivalents
Cash is defined as cash in hand and deposits with any financial institution repayable without penalty or notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial liabilities
The Authority's financial liabilities are classified within the other creditor or liability headings as appropriate and disclosed within the notes to the Financial Statements.

Short term financial liabilities
Short term liabilities including short term borrowing and trade payables are carried at fair value.

Long term financial liabilities
Borrowings are initially measured at fair value, net of transaction costs. PFI liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

The accounting policy will be reviewed upon introduction of IFRS9 Financial Instruments for the 2018/19 accounts.

8 CONTINGENT LIABILITIES
In accordance with IAS 37, a contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority, or;
(b) a present obligation that arises from past events but is not recognised because;
(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or;
(ii) the amount of the obligation cannot be measured with sufficient reliability.

No provision is made in the accounts for contingent liabilities. Details of any other liabilities are disclosed in the notes to the Financial Statements.

9 AGENCY ACCOUNTING
Council Tax and Non-Domestic Rates (NDR) revenues are reported in the Comprehensive Income and Expenditure Statement on a full accruals basis. The County Council also shows a share of the Billing Authorities' debtors and creditors for Council Tax and NDR, proportionate to the relative demand on the Collection Fund.

10 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Where capital expenditure does not result in the acquisition of a non-current asset, or is incurred on an asset not belonging to the County Council (such as a Voluntary Aided school), the expenditure is charged directly to the relevant service in the year it occurs, with the necessary appropriations from the Capital Adjustment Account shown in the Statement of Movement in Reserves.

11 INTANGIBLE ASSETS

i Recognition

Expenditure on the purchase of computer software licences is capitalised as intangible non-current assets. Internally developed intangible assets can only be capitalised where they satisfy the criteria set out in IAS 38; there are no such assets for Dorset County Council.

ii Measurement

Purchased intangible assets are capitalised at cost, and are unlikely to be revalued unless there is a readily ascertainable market value.

iii Amortisation

Intangible assets are amortised on a straight line basis over their useful economic lives, with no residual value. Intangible assets are amortised over periods ranging from 2 to 4 years.

iv Charges to revenue

Capital charges to services are for depreciation or impairment. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) so the cost to the local taxpayer is unaffected by capital accounting requirements.

v Impairment

Impairment of intangible assets is taken to the Revaluation Reserve in the first instance, and will only be charged to Surplus or Deficit on the Provision of Services once the balance on the reserve in relation to the intangible asset has been reduced to zero.

vi Reversal of impairment

Intangible assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years is treated as a revaluation gain and charged to the Revaluation Reserve.

12 FOREIGN CURRENCY TRANSLATION

In accordance with IAS 21, income and expenditure arising from transactions in foreign currency are translated into sterling at the exchange rate in operation on the date on which the transaction occurred. Balances denominated in a foreign currency are translated at the prevailing exchange rate at the Balance Sheet date.

13 GRANTS & THIRD PARTY CONTRIBUTIONS

All grants and contributions are realised in the Comprehensive Income & Expenditure Statement once there is reasonable assurance that any conditions applying to the income will be fulfilled, in accordance with IAS 20. Capital grant is initially transferred to the Capital Grants Unapplied Account. When the associated capital expenditure has been incurred, the grant is transferred to the Capital Adjustment Account. Unspent revenue grants are transferred to an earmarked revenue reserve. Once the expenditure is incurred the reserve is applied to fund that expenditure.

14 INTEREST

Interest receivable on temporary investments is reported in the Comprehensive Income & Expenditure Statement in the period to which it relates. Interest payable on external borrowing is fully accrued in order that the period bears the full cost of interest relevant to actual borrowing. Other types of interest (e.g. for finance leases) are reported in service accounts. An analysis of all interest payable is disclosed in the notes to the Financial Statements.

15 INVESTMENTS

The Authority holds no investments in companies or marketable securities. Short-term cash surpluses are invested with other Local Authorities, banks and building societies in accordance with the CIPFA Code on Treasury Management as detailed in the notes to the Financial Statements. Details of investments held by the Pension Fund are disclosed in the notes to the Pension Fund Financial Statements.

16 LEASES

In accordance with IAS 17, leases are classified as finance leases when substantially all the risks and rewards of ownership transfer to the lessee. All other leases are classified as operating leases.

For operating leases where DCC is the lessee, lease payments are recognised as an expense in the Comprehensive Income & Expenditure Statement over the life of the lease on an accruals basis.

For finance leases where DCC is the lessee, at the start of the lease term, the Authority records an asset and a corresponding liability at the lower of the fair value of the asset and the present value of the minimum lease payments. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. Depreciation on finance leases is consistent with that for other property, plant and equipment.

For operating leases, where Dorset County Council is the lessor, lease receipts are recognised as income in the Comprehensive Income & Expenditure Statement over the life of the lease on an accruals basis. Where Dorset County Council is the lessor for a finance lease, at the commencement of the lease term, the Authority records a finance lease in the Balance Sheet as a receivable, at an amount equal to the net investment in the lease.
The Authority recognises finance income based on a pattern reflecting a constant periodic return on its net investment outstanding in respect of the finance lease.

Land and buildings elements of a lease of land and buildings are classified and accounted for separately. Leased land is always treated as an operating lease; buildings are assessed separately to determine whether they are finance or operating leases.

The accounting policy will be reviewed upon introduction of IFRS16 Leases for the 2019/20 accounts.

17 LEASE TYPE ARRANGEMENTS
IFRIC4 sets out the principle that in recent years, arrangements have developed that do not take the legal form of a lease, but which convey rights to use assets in return for a payment, or series of payments. Such arrangements are deemed to be leases where:

(a) fulfilment of the arrangement depends on a specific asset
(b) the arrangement conveys a right to control the use of the asset.

In such cases, the transaction is deemed to be a lease and is assessed as to whether it is an operating or finance lease and accounted for accordingly. Dorset County Council has no such arrangements in place.

18 PFI schemes
The County Council is party to two long term contracts under the Private Finance Initiative (PFI); one for the provision of a replacement secondary school, the other for the provision of street lighting. The Authority accounts for both of these schemes in accordance with IFRIC 12 (Service Concessions). Both schemes are recorded as assets in the Council's Balance Sheet with corresponding liabilities which are discharged over the period of the contract.

19 OVERHEADS (SUPPORT COSTS)
Support Services are corporate activities of a professional, technical and administrative nature that are carried out in support of the direct service provision of the Authority. The Service Reporting Code of Practice requires authorities to adopt consistent policies when allocating the costs of these services to users. These activities are fully allocated over all services on the basis of use. Time recording systems are operated by central support services to enable more accurate recharges of costs to customers. Charges for office accommodation are based on the floor area allocated to services. Other centrally provided services are recharged on the basis of actual usage, e.g. IT Services, or by direct charges to customers, e.g. printing.

Service level agreements defining the agreed quantity, cost and types of service to be provided for individual managers are also used in relation to the limited number of internal trading organisations operated by the Council. Contractual agreements have been established by a number of Directorates of the

Authority to provide services to, amongst others, further education colleges, Care South, Dorset Police, Dorset & Wiltshire Fire and Rescue Authority, Dorset Waste Partnership and Tricuro.

20 PENSIONS

The cost of pensions is accounted for in accordance with IAS 19.

The net total of the following amounts is recognised in the Surplus or Deficit on the Provision of Services except to the extent that the Code requires or permits their inclusion in the cost of an asset:

a) current service cost
b) interest cost
c) the expected return on any plan assets and on any reimbursement right recognised as an asset
d) past service cost
e) the effect of any curtailments or settlements.

21 PROVISIONS

In accordance with IAS 37, the County Council maintains provisions to meet liabilities arising from past events, where it is deemed that there will be a future obligation, but the timing and precise amount are uncertain. The adequacy of the County Council's provisions is reviewed annually. Provisions are measured at the present value of the expenditure required to settle the obligation, where the time value of money is significant.

The Council maintains external insurance only for major risks, self-funding the remaining significant elements of risk. A provision has been established to meet insurance liabilities not covered externally. Provisions are separately disclosed on the face of the Balance Sheet, classified as to current or non-current liabilities (all are deemed to be current liabilities).

22 REDEMPTION OF DEBT

The County Council finances a proportion of its capital spending by borrowing and is required to charge a prudent percentage of the previous year's Capital Financing Requirement in the Comprehensive Income & Expenditure Statement in each financial year as a Minimum Revenue Provision (MRP). Details are shown in the notes to the Financial Statements.

23 RESERVES

A number of earmarked reserves have been established to meet future expenditure. These include reserves to finance particular capital projects and reserves to smooth irregular expenditure.

24 INVENTORIES

In accordance with IAS 2, stocks and stores held at the year-end are valued at the lower of cost and net realisable value. Certain minor stocks are not valued (e.g. stationery) and are therefore excluded from the Balance Sheet. The requirement for stock is regularly reviewed.

25 PROPERTY, PLANT & EQUIPMENT

i Recognition

The Code requires Authorities to maintain asset registers to record information on their capital assets. These assets are valued and revalued periodically by professional valuers, for inclusion in the Balance Sheet in accordance with IFRS 13 and IAS 16.

A de-minimis level of £25,000 has been applied to Land and Buildings. There is no de-minimis for other asset classes.
Property, plant and equipment is capitalised if:

(a) it is held for use in delivering services or for administrative purposes
(b) it is probable that future economic benefits will flow to, or service potential will be supplied to the Authority
(c) it has a useful economic life of more than one year
(d) the cost of the item can be measured reliably.

The main assets will be classified as follows (RICS Valuation – Professional Standards UK 2014 (updated April 2015) – UK Appendix 5: 2.1):

Property, plant and equipment (PPE):
These assets form the majority of the County Council's portfolio and are used in the delivery of services and/or the production of goods. These operational assets may be rented to others, but would not be held solely for that purpose or they would be re-classified as investment assets (INV). The County Council holds no investment assets which fall to be valued in the 2018 valuation report.
PPE assets are tangible fixed assets that bring longer-term economic benefits or service potential to the authority

Property, plant and equipment - Surplus (PPES):

Surplus Assets are formerly PPE assets which have been declared surplus to service needs and the needs of the County Council. These are non-operational assets which are yet to meet the criteria of asset held for sale (AHS)

Assets held for sale (AHS):

Assets held for sale is the next classification afforded to PPES assets which are being marketed for disposal. The asset must be immediately available for sale and the sale of the property must be highly probable and anticipated to be within a year. AHS should be measured at the lower of carrying amount and fair value less costs to sell.

ii Measurement

Assets will be valued to either Fair Value (FV) or Current Value (CV):

Fair Value (FV) - defined under IFRS as: ‘The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date’. Fair Value applies to the measurement of PPES and AHS categories of assets. For most practical purposes the figure to be reported as the Fair Value of an asset is likely to be conceptually the same as that which would be reported as market value and implies the highest and best use of that asset in the principal or most advantageous market.

Current Value (CV) – defined as: the amount that would be exchanged for the asset in its existing use. Several methods are identified as appropriate for arriving at a CV

Existing Use Value (EUV) - is to be used only where the asset is occupied by the authority and which provides a service potential where an active market exists. EUV is defined as: The estimated amount for which a property should exchange on valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market Value to differ from that needed to replace the remaining service potential at least cost.

Depreciated Replacement Cost (DRC) is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. Where DRC is used as the valuation methodology the ‘instant build’ approach is used. This method of valuation is applied to assets for which there is a good degree of observable specialisation or for which there is no readily reliable or observable market data. It should be noted that the DRC method of valuation does not represent the figure that could be achieved if the asset were to be placed on the market for sale. It is a representation of the value of the asset to the authority while it is providing service potential.

Assets are re-valued with sufficient regularity to ensure that the carrying amount (net book value) of an asset does not differ materially from that which would be determined at the end of the financial year in which the 2018 valuation report is prepared.

Comparable evidence, BCIS build costs and Baseline build costs will be compiled and assessed and utilised as appropriate to provide the values for each asset. Dorset Property Buildings and Design services will be utilised to provide component details for each asset as required, including updates to previously componentised assets as required and where replacement of elements has occurred.

In respect of DRC valuations the Valuer will rely on projected BCIS data utilising the first quarter 2017 average prices index for the relevant class of asset. Due regard will be given to the Baseline cost directive where appropriate.

In respect of DRC calculations where multiple age buildings exist on one site, an average age and obsolescence factor will be applied, taking into account the age and type of structures and the anticipated replacement cycle of the asset as assessed by the service head/asset team

Valuations of land may include calculations utilising a Residual Valuation approach to arrive at a Fair Value where there is limited suitable comparable data to available.

Section 2.10.2.29 of the Code iterates IFRS 13 in the provision of valuation hierarchy levels for assets classified as PPES and AHS to increase consistency and comparability in fair value measurements and related disclosures. These are categorised into three levels:

Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs – unobservable inputs for the asset or liability.

The highest priority is given to quoted prices (unadjusted) in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The assets valued in the 2018 valuation report are not identical and therefore hierarchy 1 reporting and disclosure is not possible. All assets held at PPES and AHS attract a hierarchy level 2 unless specifically stated in the special assumptions of the 2018 valuation report.

Where the MV of an asset valued using the DRC method is:

- significantly lower than that attributed to the continued occupation and use by the authority it will be noted in the notes section of the summary valuation.
- significantly higher for a readily identifiable use the value will also be given in the same notes section.

County Farms are categorised as Property Plant and Equipment (PPE) and have been valued on a EUV basis as tenanted farms to be re-let on a rolling and planned basis for the foreseeable future due to established County Council policy drivers. There will be occasional rationalisation of farm units which may release additional value but which would not be appropriate to report against any of the assets due to the overriding principle of maintaining a County Farm asset base. The County Farms are valued using capitalised net income flows: this approach excludes any alternative use, FV basis or break-up value: if those policies were reversed all County Farms would display considerably higher FV figures

As part of the 2018 Report the Valuer undertook impairment and material economic change reviews to ensure that assets are carried at no more than their recoverable amount (i.e. the amount to be recovered through use or sale of the asset). This year end assessment is required to indicate if an asset might be impaired or had any material economic change to its value.

iii Impairment

Assets are reviewed annually for evidence of impairment. Impairment is the reduction in the recoverable amount of a non-current asset below the amount at which it is being carried in the Balance Sheet. It can be the result of physical damage, use, obsolescence or the passing of time. If any indication of impairment exists, the recoverable amount is estimated. Upward revaluation of an asset is matched by an increase to the Revaluation Reserve to reflect an unrealised gain. Where an asset is impaired (downward revaluation), the value of the asset is written down to the recoverable amount as soon as the impairment is recognised. Impairment losses on revalued assets are recognised in the Revaluation Reserve, up to the amount in the Reserve for each respective asset and thereafter charged to Surplus or Deficit on the Provision of Services.

iv Reversal of impairment

Assets are reviewed annually to determine whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If there is an indication that the impairment loss recognised for an asset may no longer exist or may have decreased, this may indicate that the useful life, the depreciation method or the residual value need to be reviewed, even if no impairment loss is reversed for the asset.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years, is treated as a revaluation gain and charged to the Revaluation Reserve.

v Disposals

Capital receipts from the disposal of property and other assets owned by the Council, less up to 4% of the cost of the sale, are credited to the usable capital receipts reserve and used to finance new capital expenditure.
However, during 2015/16, Government issued guidance setting out new flexibilities for the use of capital receipts, which the County Council has started to apply from 2016/17 onwards. The flexibility involved the use of capital receipts for transformation costs which would normally have fallen to the revenue budget. More details of the Council's agreed use for capital receipts can be found in the January 2017 Cabinet report which is available at dorsetforyou.com.

vi Gains and losses on disposal of assets

A gain or loss arises when the proceeds from the sale of an asset differ from the net book value of that asset in the Balance Sheet. The gain or loss is shown in the Other Operating Income & Expenditure section of the Comprehensive Income & Expenditure Statement and reversed out in the Statement of Movement in Reserves (General Fund Balance).

vii Depreciation

Tangible non-current asset depreciation is charged in the Comprehensive Income & Expenditure Statement where the assets have a finite useful life. This includes buildings in accordance with the requirements of IFRS. As part of the annual valuation of assets, the Valuation and Estates Manager determines the estimated useful life of the properties.

The depreciation charge is based on equal annual instalments over the expected life of the asset with no allowance for residual value. Generally, vehicles and equipment are depreciated over periods of 2 to 10 years and buildings over periods of 20 to 60 years. No depreciation charge is made for land or community assets. Infrastructure assets are treated on a pooled basis and are depreciated on a reducing balance basis.

viii Charges to revenue
Capital charges to services are for depreciation and/or impairment only. These charges are reversed in the Statement of Movement in Reserves (General Fund Balance) in order that the cost to the local taxpayer is unaffected by capital accounting requirements.

ix Subsequent expenditure
Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Subsequent expenditure which does not add to the future economic benefits or service potential of the asset, is expensed in the Comprehensive Income and Expenditure Statement in the year in which it is incurred.

x Componentisation
Component accounting has applied (prospectively) since 1 April 2010. Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (ie as if each component were a separate asset in its own right) where the useful life is substantially different.

Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Assets are reviewed for componentisation whenever they are acquired, revalued, or enhanced.

The annual valuation exercise that is carried out by the Authority revalues a proportion of the Council's assets each year. A policy for assessing these assets for componentisation was developed with the Valuations & Estates Team and approved by the Auditors in 2010/11. All assets that are above the materiality threshold have now been componentised.

xi Component derecognition
Where a component is replaced or restored, the carrying amount of the old component is derecognised to avoid double-counting and the new component reflected in the carrying amount, subject to the recognition principles set out in accounting policy 25(i) and 25(ix). This includes derecognition of parts of an asset not previously recognised as a separate component, the componentisation of which has been triggered by the replacement or restoration.

xii Residual values
DCC does not use residual values in its asset accounting or depreciation calculations. The accounting policy is to depreciate the full cost of the asset over the useful economic life.

26 DONATED ASSETS
Donated assets, transferred to the Authority for nil consideration, are recognised immediately at fair value as assets on the Balance Sheet. The asset is recognised in the Comprehensive Income & Expenditure Statement as income unless the transfer has a condition that the Authority has not satisfied. In which case the asset is credited to the Donated Assets Account and recognised in the Comprehensive Income & Expenditure Statement once the condition has been met. Donated assets are valued, depreciated and impaired in accordance with the accounting policies for other noncurrent assets.

27 VAT

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT is recoverable from them.

28 HERITAGE ASSETS

FRS 30 defines a heritage asset as one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Code offers further interpretation of this definition: "heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the reporting entity in pursuit of its overall objectives in relation to the maintenance of heritage."

DCC has interpreted this to mean that an asset is not classified as a heritage asset merely because it has certain qualities (e.g. a listed building). It is the intention to preserve the asset for future generations that is important, coupled with a demonstrable contribution to knowledge and culture.

Operational heritage assets have always been shown in the Balance Sheet under their appropriate classifications. These assets continue to be shown in this way and carried in accordance with the other asset accounting policies set out herein. FRS 30 and the Code (4.10.2.7) do not apply to such assets.

Heritage assets (other than operational heritage assets) are measured at a valuation in line with FRS 30. The standard states that the valuation may be made by any method that is appropriate and relevant. Buildings are valued at depreciated replacement cost. Other Heritage assets are not deemed to have a material value and the cost involved in valuing them would be disproportionate to the benefit received by the users of these Financial Statements.

Dorset also owns significant volumes of archive information and collections. These are not included in the Balance Sheet as the cost of valuation would not be commensurate with the benefits of the information and the valuations would not be readily ascertainable in many cases.

29 INVESTMENT PROPERTY

Investment property is defined by IAS 40 as property (land or a building, or part of a building, or both) held to earn rentals or for capital appreciation or both, rather than for:
(a) use in the production or supply of goods or services or for administrative purposes, or
(b) sale in the ordinary course of operations.

Changes to fair value of Investment Property are taken to Surplus or Deficit on the Provision of Services and then reversed out to the Capital Adjustment Account.

30 ACQUIRED AND DISCONTINUED OPERATIONS

Activities are considered to be acquired only if they are acquired from outside the Public Sector. The Code does not include local government reorganisation since any ‘machinery of government’ changes are neither acquired nor discontinued operations. Similarly, activities are deemed to be discontinuing only if they are transferring outside of the Public Sector, or if they are ceasing completely.

Notwithstanding this, note 5 provides information about schools which achieved/plan to achieve Academy status in 2017/18 and 2018/19.

31 EMPLOYEE BENEFITS

Salaries, wages and employment-related payments and any termination benefits are recognised in the period in which the service is received from employees. Annual leave not taken at the end of the financial year is accrued for in the Surplus or Deficit on the Provision of Services, in accordance with IAS 19.

32 DCC GROUP – BASIS OF CONSOLIDATION

DCC Group Accounts have been produced using the Equity Method of consolidation. The DCC Group position is shown either in separate, or alongside the Authority only single-entity Financial Statements. Disclosure notes to the Accounts relate to the Authority single-entity only unless otherwise stated.

33 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DCC GROUP ACCOUNTS

Accounting Policies of entities for which financial statements have been consolidated into the DCC Group Accounts are treated as below:

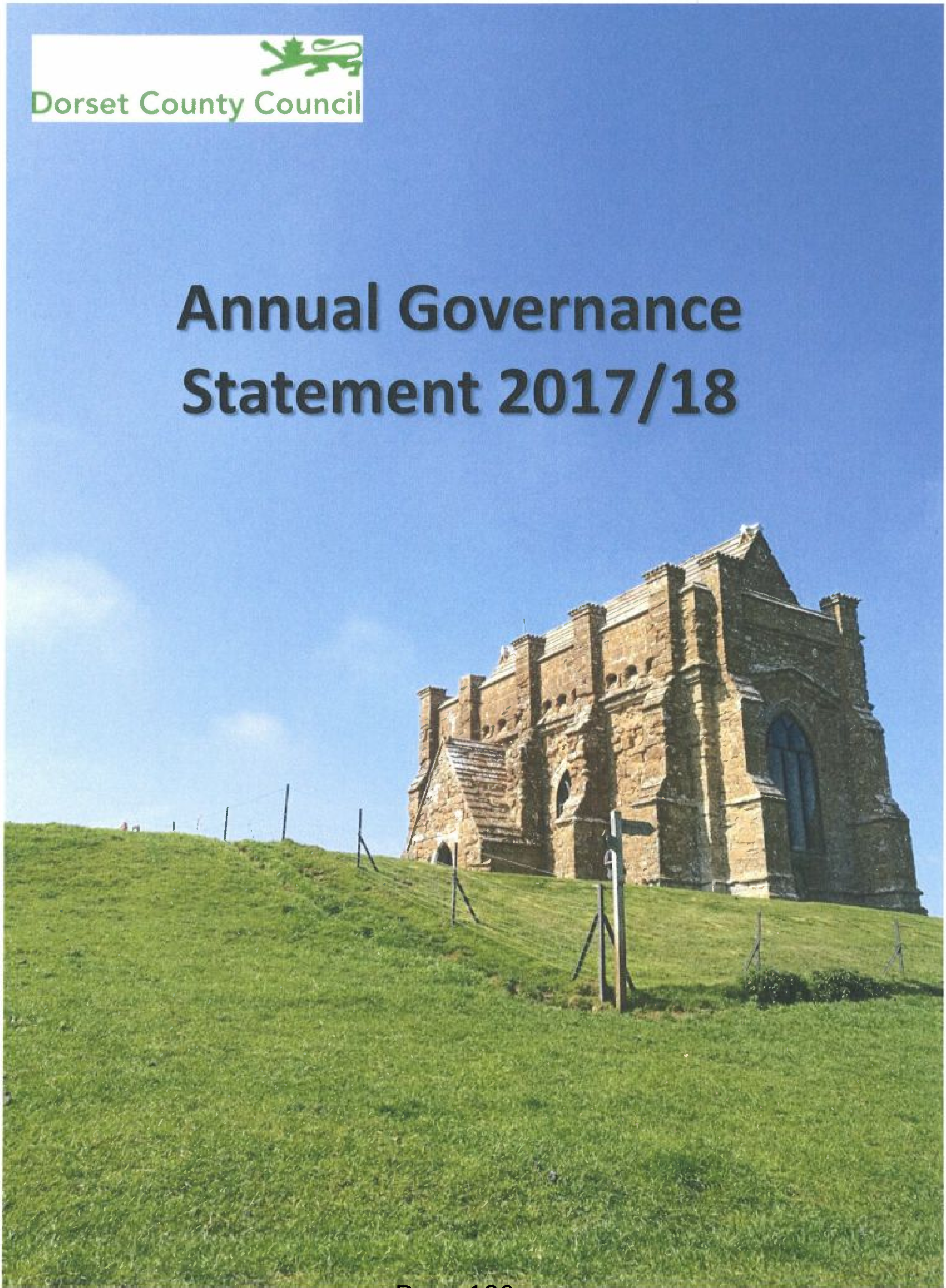
(a) the Accounting Policies of Tricuro Support Ltd joint venture are aligned where applicable with those of Dorset County Council.

(b) Consolidation of the South West Audit Partnership (SWAP) has been dealt with using the Equity method. The Accounting Policies cannot be determined by DCC and consolidation is undertaken using the financial statements made available by SWAP.

(c) Consolidation of the TRICS Consortium Ltd has been dealt with using the Equity method. The Accounting Policies cannot be determined by DCC and consolidation is undertaken using the financial statements made available by TRICS.

Dorset County Council

Annual Governance Statement 2017/18



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Introduction

Dorset County Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for and that funding is used economically, efficiently and effectively. Dorset County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility Dorset County Council is responsible for putting in place suitable arrangements for the governance of its affairs, which facilitate the effective exercise of its functions and include arrangements for the management of risk.

Dorset County Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance & Accountancy) /SOLACE (Society of Local Authority Chief Executives) *Delivering Good Governance in Local Government* framework (2016). These include the additional requirements as recommended by CIPFA in March 2010. A report on the code and the latest assessment of compliance with it was published with the Audit and Governance Committee papers for 12th March 2018 or can be obtained from the County Council Offices, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ.

This statement explains how Dorset County Council has complied with the code. It also meets the requirements of the Accounts and Audit Regulations (England) 2015 in relation to the consideration of the findings of a review of the system of internal control and approval and publication of an annual governance statement. This Local Code provides the evidence base for the Review of Effectiveness that supports this Governance Statement.

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Dorset County Council's desired outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This Governance Statement is therefore also informed by those risks identified as High in the Corporate Risk Register.

The governance framework has been in place at Dorset County Council for the year ended 31 March 2018 and up to the date of approval of the annual statement of accounts.

Approval of the Annual Governance Statement 2017/18

We are satisfied that this statement provides a substantial level of assurance that good governance is in place in Dorset County Council and that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements and on addressing and mitigating the risks will be monitored through the year by senior officers and the Audit and Governance Committee.

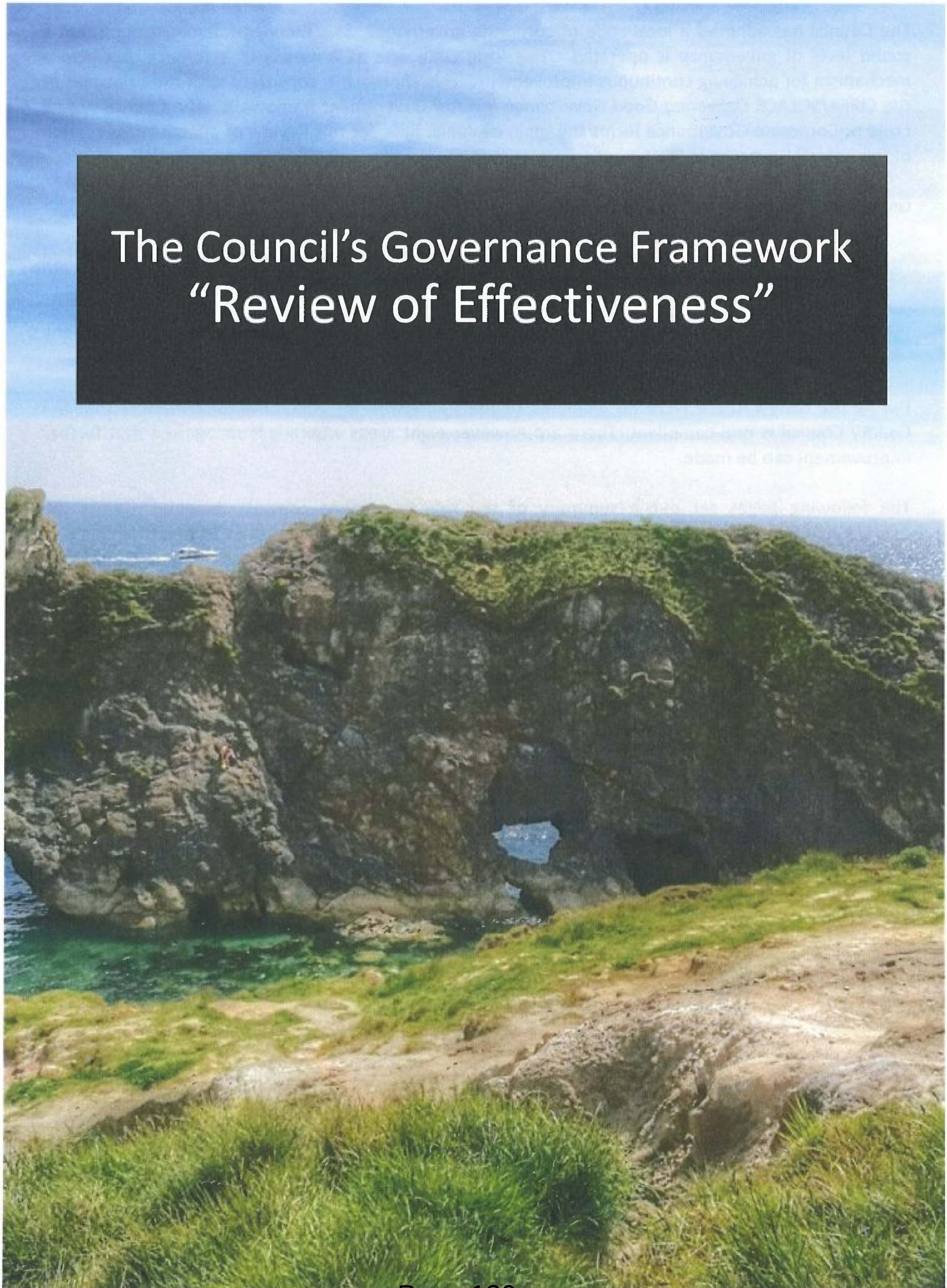
Signed: .... **Date:** 6.6.18

Debbie Ward, Chief Executive

Signed: Rebecca Knox .... **Date:** 6.6.18

Rebecca Knox, Leader of the Council

The Council's Governance Framework "Review of Effectiveness"



The Council has adopted a local code of corporate governance, as a means of demonstrating that a sound level of governance is operated. This local code acts as a means of assurance, but also a mechanism for achieving continuous improvement. This approach is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. The Council's Local Code of Corporate Governance forms the main evidence base for this Review of Effectiveness section of the Annual Governance Statement.

Governance issues can be put into two groups:

(i) elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance;

(ii) issues that the governance framework has identified and which require action to mitigate the exposure of the County Council.

During the review, there were no elements of the framework for which the judgement is that the County Council is non-compliant. There are however eight areas where it is recognised that further improvement can be made.

The following pages set out a summary of the key governance controls, mapped against the CIPFA/SOLACE agreed principles (see diagram). It is supported by case studies to help demonstrate where positive improvement action has already been taken, and a note of improvement actions that the Council will take.

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Our **Constitution** establishes the roles and responsibilities for members of the executive (the Cabinet), Overview and Scrutiny, Audit and Governance and Regulatory Committees, together with officer functions. It includes details of delegation arrangements, codes of conduct and protocols for member/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose, with any proposed changes being considered by the Audit and Governance Committee.

The Members' **Code of Conduct** advises an elected member (or voting co-opted member) what conduct is expected of them and whether their conduct constitutes a criminal offence.

A Code of Conduct also exists for staff which sets out the standards of conduct expected of all council employees and prevents employees from being in a situation where they may be vulnerable to an accusation of favouritism or bias or other improper motives, whether this is real or perceived.

The Constitution also contains procedure rules, standing orders and financial regulations that define clearly how decisions are taken and where authority lies for decisions.

The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their respective roles and contributions to provide for robust assurance on governance and to ensure that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of and attendance at the Corporate Leadership Team.

We have adopted a **Behaviours Framework** which sets out five behaviours reflecting Dorset County Council's values, and that every member of staff, regardless of their role and grade should be able to demonstrate: Future Focus; Leadership; Integrity; Collaboration; and Responsibility.

Example : Gender Pay Gap

We believe strongly in equal pay for roles regardless of gender. Our gender pay gap, which shows the difference between the average earnings of men and women, is well below the average for public and private sector organisations.

The total overall gender pay level gap is just 1.26 per cent across the Council. The national average is 18.2 per cent.

The Council operates under an Executive (**Cabinet**) model, which oversees the formulation of all major policies, strategies and plans. The Cabinet also lead on the preparation of the Council's budget.

The primary counterbalance to our Cabinet is through the Overview and Scrutiny Committees and the Audit and Governance Committee. These Committees are in place to provide support and a robust level of challenge to the Executive.

Our **Overview and Scrutiny committee** structure is based on the outcomes defined in the Corporate Plan with Committees for Economic Growth, People and Communities and Safeguarding. Each of them having responsibility for monitoring a number of specified objectives within it.

The workplans for the Overview and Scrutiny committees have included a number of focused scrutiny reviews to assess the Council's effectiveness.

The **Dorset Health Scrutiny Committee** also continues in its previous role, delivering scrutiny of external health partners and agencies.

The **Audit and Governance Committee** provides a constructive, proactive and objective consideration of the Council's financial, risk, governance, internal control framework, ethical principles and standards.

It has a **"Call to Account"** power to scrutinise and review decisions made or actions taken in connection with the discharge of any of the Executive functions of the Council. The Committee did not need to exercise its 'call to account' powers during 2017/18.

It also has a **Call-in process** to consider executive decisions and can also consider matters referred through the **Councillor Call for Action**. Again, these were not exercised during 2017/18.

Example : Ironman Event 2017
A positive example of the effectiveness of the Call to Account powers relates to the inaugural Ironman Event in Weymouth which took place in 2016. The findings of the scrutiny process focussed in particular on marshalling arrangements and road closures for the 2016 event and established the need for a memorandum of understanding to set out clear roles and responsibilities.

Throughout 2017/18 the Committee scrutinised the preparations for the follow-up event, in partnership with officers and organisers, and were reassured over improvements made. The 2017 was assessed to have been a positive success.

The **Chief Executive** has responsibility for:

- overseeing the implementation and monitoring the operation of the Code of Corporate Governance;
- maintaining and updating the Code in the light of latest guidance on best practice;
- reporting annually to the Corporate Leadership Team and to Members on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

The statutory role of **Monitoring Officer** is held by the Head of Organisational Development. The Monitoring Officer is responsible for ensuring that the Council acts within and through the law. Parallel to the responsibilities of the Chief Financial Officer the Monitoring Officer has a duty to report to the Cabinet and / or the County Council where it appears to him that any action or intended action by the Council is unlawful or amounts to maladministration. The Monitoring Officer also has responsibilities in relation to the Council's constitution and in relation to councillor conduct.

The **Chief Financial Officer** has responsibility for the proper administration of the County Council's financial affairs. This includes responsibility for maintaining and reviewing Financial Regulations to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. The Chief Financial Officer is also responsible for reporting, where appropriate, breaches of the Regulations to the Cabinet and/or the County Council. A Scheme of Financial Management is operated to discharge these responsibilities.

It is confirmed that the Council's financial arrangements comply with the CIPFA statement on the Role of the Chief Financial Officer in Local Government.

We are committed to promoting equality of opportunity, valuing **diversity** and eliminating discrimination.

This principle is supported by a **Diversity and Inclusion** policy and Joint Equality Scheme. Two corporate working groups oversee our approach. The Inequalities Group is outward focussed, whereas the People and Wellbeing Group oversees internal impacts.

How can we improve?

A Diversity and Inclusion improvement action plan has been agreed, focussing on improving the Dorset Equality Scheme; our Corporate Working Groups; training and systems/processes.

Cabinet approved a new Dorset Equality Scheme for 2018/19 on 23 May 2018.

Principle B – Ensuring Openness and Comprehensive Stakeholder Engagement

A **complaints procedure** and a whistle-blowing policy and procedure are maintained and kept under review, providing the opportunity for members of the public and staff to raise issues when they believe that appropriate standards have not been met.

An annual report analysing complaints received and their resolution is presented to the Audit and Governance Committee. This Committee also has responsibility for overseeing the investigation of complaints against members.

Our **Communications** team provides a wide range of support for the whole council including using social media, internal communications, marketing and promotions advice, media relations

Committee meetings are open to the public, and **agenda papers and minutes** are transparently available on the internet.

Your Dorset is the council's newspaper and is one of our main channels for communicating with the people of Dorset about the services we provide. It's delivered to almost every household in the county (more than 207,000 homes), and feedback from residents consistently shows it is widely read and well regarded.

Public consultation plays a key part in the decision making process, across the full range of the Councils services.

We are committed to **partnership working**. The Dorset Compact sets out a framework for voluntary and public sector relationships in Dorset.

Guidance on best practice in partnership governance, together with the development of an alternative service delivery model governance and due diligence checklist, helps to ensure that partnership arrangements are as productive and secure as possible.

How can we improve?

We are looking to review and centralise our communication, consultations and engagement functions to make us more resilient, flexible and minimise duplication, helping to make our resources stretch further.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

Our **corporate plan** sets out the contribution we will make to enabling communities in working together for a successful Dorset.

Delivery of this plan is supported by service plans, team plans and individual performance development reviews. These all include targets and, where appropriate, service standards against which service quality and improvement can be judged.

A performance management framework is operated to underpin and monitor the corporate plan, using **Outcomes Based Accountability**.

Committees receive quarterly outcomes focused monitoring reports to assess the performance of the Council and its partners in meeting our outcomes.

Two corporate working groups have an input and assurance role for delivery of our Outcomes Framework: The **Inequalities Group** and the **Policy, Planning and Performance Group**.

Example : Superfast Broadband
The Economic Growth Overview and Scrutiny Committee undertook a focussed scrutiny review of our Superfast Broadband Delivery Programme. It considered and assessed the Council's contribution to transforming Dorset into a digital economy in order to fully realise strategic benefits of economic growth, digital inclusion, transformation of public services and opportunities for individuals and communities.

Our **Overview and Scrutiny committee** structure is based on the outcomes defined in the Corporate Plan with Committees for Economic Growth, People and Communities and Safeguarding. Each of them having responsibility for monitoring a number of specified objectives within it.

The workplans for the Overview and Scrutiny committees have included a number of focused scrutiny reviews to assess the Council's effectiveness.

How can we improve?

We are undertaking a review of our operating model to improve how we use our collective resources and arrange our operations to deliver outcomes for our residents.

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Each Cabinet member has been assigned as a specific **Portfolio Holder** with roles and responsibility for different themes, such as Health and Care; Safeguarding; Economy, Education, Learning and Skills; Community and Resources; Natural and Built Environment; and Workforce.

The Leader of the Council's portfolio includes Organisational Development, to ensure that the organisation is equipped strategically to provide the best value service. The Leader chairs the **Organisational Transformation Board**

How can we improve?

We will centralise our data, intelligence and performance resources to help us become a more data driven organisation.

There are four **Overview and Scrutiny Committees**, aligned to our Outcomes Framework: Safeguarding; Dorset Health; People and Communities; and Economic Growth.

Officer corporate working groups provide both a challenge and assurance role, with their remit mapped against the Healthy Organisation Model. These groups are: Inequalities; Policy, Planning and Performance; People and Wellbeing; Managing Our Assets; and Risk and Resilience. These Groups have a two-way reporting line to both the Corporate Leadership Team and One Council Group.

How can we improve?

We wish to improve how we are sighted early on any short, medium and long-term financial pressures in services. We are seeking to achieve this through improved identification and notification of performance issues that have the potential to increase budgetary pressures. This approach forms part of the remit of the proposed new centralised Data, Intelligence and Performance team.

The Local Audit and Accountability Act 2014 requires External Auditors to be satisfied that proper arrangements have been made for securing economy, efficiency and effectiveness in the use of resources (**Value for Money**).

The 2016/17 report provided a judgement that proper arrangements were in place to ensure informed decisions were made and resources deployed to achieve planned and sustainable outcomes for taxpayers and local people.

How can we improve?

We need to be better at aligning our finances with our outcomes framework. Value for money therefore continues to be an area of focus.

Principle E – Developing the County Council's capacity, including the capability of its leadership and the individuals within it

Appraisal and review processes are the general means of identifying the training needs of members and officers. Appropriate training is made available to staff to ensure that individuals are able to undertake their present role effectively and that they have the opportunity to develop to meet their and the County Council's needs.

An extensive **member induction** programme is put in place after the County Council elections to ensure that newly elected members can quickly make an effective contribution to the work of the authority. This is supported by regular member briefing sessions to ensure that members are kept up to date on key issues.

We have an adopted **Health, Safety and Wellbeing at Work** Strategy, supported by Intranet pages with sample risk assessments and good practice guidance.

The **Staff Consultative Panel** is responsible for reviewing matters relating to the health, safety and well-being for all county council employees, supported by Directorate level committees. This provides union engagement.

The **Employee Wellbeing** team provide support to all employees and can offer links to a wide range of external sources of support for employees to look after both their physical and mental wellbeing.

The **People and Wellbeing Group** brings together officers across all Directorates to provide direction, challenge and assurance over employee related issues.

Our **People Plan** for 2015-2020 sets out how we will be working differently to help achieve our vision of 'working together for a strong and successful Dorset'.

The **Staffing Committee** determines staff terms and conditions; appoints and manages performances issues relating to senior officers.

How can we improve?

We need to improve the frequency and effectiveness of our People and Wellbeing corporate working group, to ensure better sharing of good practice and 'One Council' focus on improvement. This could be achieved through greater integration with the Inequalities Group.

Principle F – Managing risks and performance through robust internal control and strong public financial management

We have a strong risk management function, which has received positive national recognition from ALARM (the national public risk management association). A risk management policy and strategy has been adopted, and this is reviewed on an annual basis. All reports to committees include a statement to identify any high risks that may relate to the decision to be made.

Risk management is within the remit of the Council's Risk and Resilience Group which draws together lead officers from across the authority to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the organisation. The Risk and Resilience Group also has a focus on emergency planning, business continuity, information governance and governance more generally.

Risk Registers are maintained at a corporate, service and project level to ensure that the authority is able to make risk informed decisions. Corporate risks identified as high are set out in the "Risk Management" section of this Governance Statement, including a summary of improvement actions being taken.

As local government reorganisation approaches for Dorset, the County Council is working with the Programme Office, District, Borough and Unitary Councils to ensure that risk is managed to ensure a smooth transition to the new Authority and beyond. This includes maintaining and reviewing risk registers at both a partnership and County Council level. Similarly work is underway with Health colleagues to better align risk management practices.

A Records Management unit facilitates our approach to information governance. We have temporarily increased capacity within this area, to respond to recommendations made by the Information Commissioners Office and in response to the General Data Protection Regulations (GDPR) which come into effect in May 2018.

We complete an Information Governance Toolkit annually to demonstrate that the organisation can be trusted to maintain the confidentiality and security of personal information, increasing public confidence that the NHS and partner organisations can be trusted with personal data.

How can we improve?

The Information Commissioner's Office were invited in to carry out a review of our information governance arrangements during 2017 and identified a number of areas for improvement. A project team has been established to deliver any outstanding improvements and ensure that the Authority is in a good position to meet its obligations under the new General Data Protection Regulations.

Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Our **Internal Audit Service**, via a specific responsibility assigned to the Head of Internal Audit (the Group Manager, Governance and Assurance), is required to provide an annual independent and objective opinion to the Authority on its risk management, governance and control environment.

Since April 2010, our operational internal audit work has been carried out under contract by the South West Audit Partnership (SWAP).

External audit arrangements provide a financial audit statement, as per the Code of Practice on Local Authority Accounting.

A Value for Money statement is also provided annually. In 2016/17 provided a judgement that proper arrangements were in place to ensure informed decisions were made and resources deployed to achieve planned and sustainable outcomes for taxpayers and local people.

The Council is committed to achieving high standards of integrity and accountability. Our **Anti-fraud, Bribery and Corruption** Strategy sets out our zero policy approach to such acts and records a clear commitment to deal with any cases robustly.

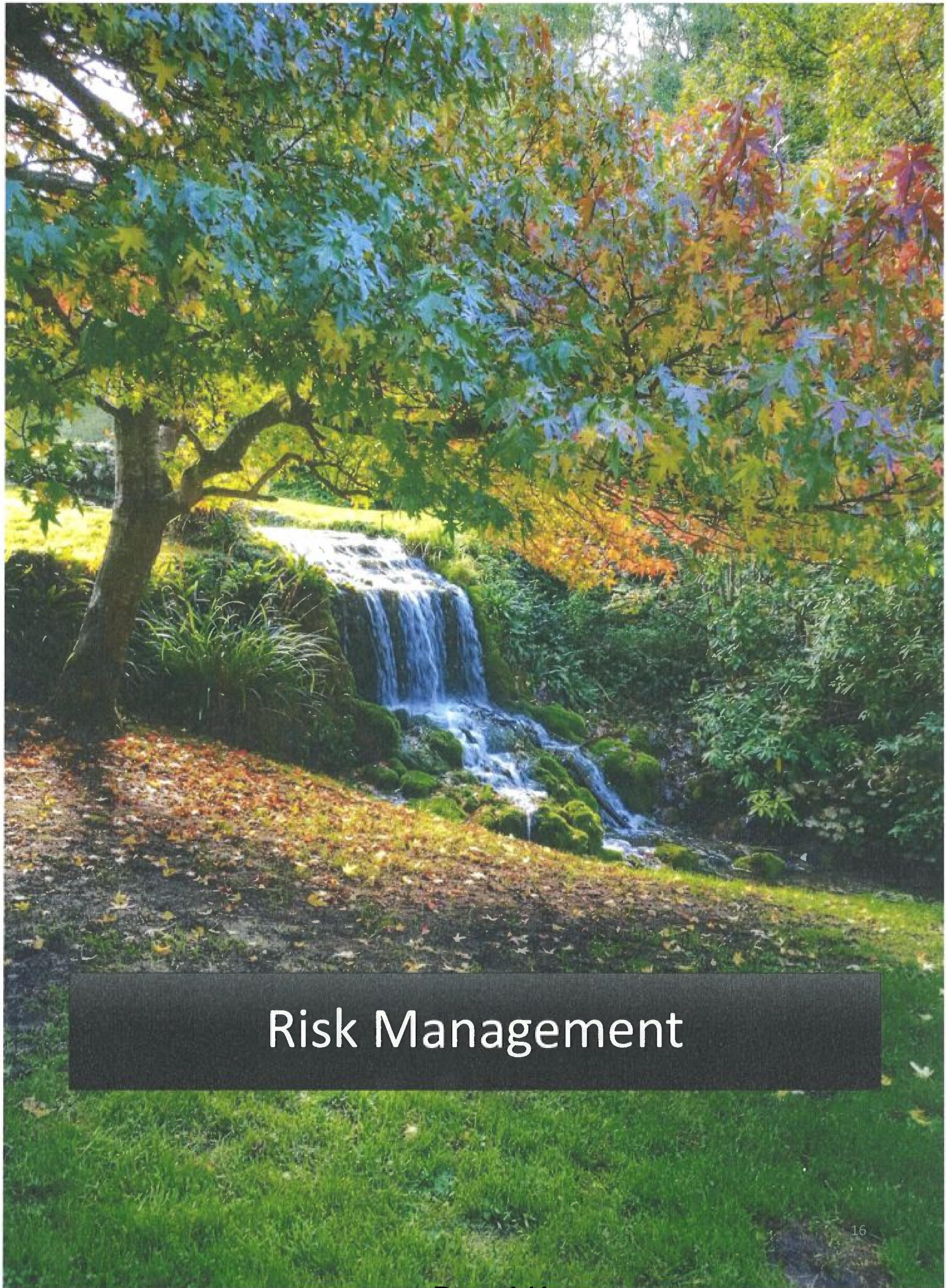
We aim to provide an open environment whereby employees and those working for the Council can raise issues that they believe to be in the public interest.

This policy sits alongside our **Whistleblowing** Policy and procedures which provides protection from any harassment, victimisation or other detriment to any whistleblowing on serious wrong doing.

Example : Insurance Fraud
Our Insurance Team take potential fraud very seriously and will pursue action against individuals.

A Dorset man was ordered to pay £12,000 to the Council after a court found he falsely claimed he was injured by tripping in a pothole.

The case received positive exposure in both the local and national press, and led to the withdrawal of four further claims.


Risk Management

Risk Management

As the Annual Governance Statement requires the Council to include those 'significant' governance issues, it is also informed by significant risks which have been assessed as high risks within the Corporate Risk Register in accordance with the councils approved risk criteria.

A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise are highlighted so that appropriate mitigating action can be taken. These issues are largely substantial challenges to be managed over the long term. A summary of these 'significant' issues are outlined below, together with the council's response and actions to deal with these issues:

What is the identified risk?		What are we doing to reduce the risk?
Financial Risks		
Failure to ensure that learning disability services are sustainable and cost-effective	Mitigation	A complex care panel was established in October 2017 and work undertaken with the CCG to look at joint funded packages of care. A review of existing commissioned service is underway. Red Quadrant were commissioned to review high value packages of care, including learning disability.
A lack of sufficiency (placements/residential/foster care) impacts negatively on the demands led budget for children in care	Mitigation	The transformation programme has specific workstreams to address this risk. As a result of the work done to date, the numbers of looked after children are reducing, but budget pressures remain. Work continues to increase placements within the Dorset estate and increase capacity within the private residential sector. The programme of work includes enabling voluntary sector involvement in the delivery of a work package to support the emergency placement process.

General balances are depleted to a level below operating range

Mitigation

Any in-year overspend will reduce the general balances. If these fall below the lower end of the operating range (£10m) it would be raised as a matter for concern by our auditors. In response, Group Finance Managers continue to liaise with Assistant Directors to develop mitigating actions. There is an increased focus on in-year financial positions via informal Cabinet and significant resource allocation work was carried out during the MTFP and budget strategy work for 2018/19, as reported to Council in February 2018.

Additional savings cannot be identified to bridge the unfunded gap

Mitigation

The largest risk to the programme currently is that even with the identified major transformation programmes there remains a need to deliver substantial savings, particularly in 19/20 but also for delivery of the 2017/18 and 2018/19 programmes. An external transformation adviser has been appointed to challenge future service delivery options.

Failure to keep school finances in balance

Mitigation

There is a continuing concern that Ofsted are putting more schools into a category which will require them to convert to sponsored academy leaving any deficit behind. A loan agreement has been established for schools with a deficit requiring a fixed repayment schedule. However, recent DfE national consultation suggests that this may not be permissible longer term. This would require an alternate response to this worsening risk.

Slippage in achieving savings targets

Mitigation

Ongoing monitoring and challenge continues, via the Organisational Transformation Board. Where appropriate, reserves and balances and central budgets are used to mitigate.

Failure to stabilise the budget for the High Needs Block

Mitigation

High Needs Block Recovery is a key project within the FT for Childrens Services "SEND Improvement" workstream. Schools Forum have not yet agreed the final figures, but will receive a further paper

Failure to achieve capital and revenue budget / savings targets for the Dorset Waste Partnership Medium Term Financial Plan

Mitigation

Pay awards and minimum wage increases provide emerging budget pressures above initial assumptions. DWP will continue to promote educational campaigns (such as 'Right Stuff, Right Bin') to maintain and increase material capture rates for recycling and composting. Further efficiencies to be driven from the existing Recycle for Dorset Service using the in-cab BARTEC system. Move ahead with the development of a central strategic waste transfer station to avoid an uncompetitive situation for disposal / treatment prices in Dorset.

What is the identified risk?

What are we doing to reduce the risk?

Children and Young People

Failure to deliver Education, Health and Care Plans (EHCP) within Statutory Timelines

Mitigation

All statements have been successfully transferred to EHCPs, meeting the deadline of 31st March 2018. However, meeting the 20 week statutory timescale remains challenging. Over the coming months this will be addressed as the team will not be focussing on transfers and the risk will rapidly reduce

.

Failure to meet statutory and performance outcomes for young people in transition

Mitigation

Dedicated capacity for commissioning and additional social work staffing has been identified in local teams. The transformation programme includes a Transitions project within the Demand Management workstream.

What is the identified risk?	What are we doing to reduce the risk?

Health and Safety

Risk		Mitigation
Health and safety risks associated with occupation of premises	Mitigation	The majority of sites now have a nominated Premises Responsible Person. However, restructuring of services and adoption of Corporate Landlord model has reduced local understanding of the Directorate Duty Holder Strategy. Following the Grenfell Tower fire tragedy, a review of fire safety was carried out, including a specific review of individual property risks.

Resilience

Risk		Mitigation
Loss of ICT service or data through a cyber attack	Mitigation	Officer awareness and vigilance is key and it has been mandated that all ICT users complete the cyber e-learning module. Currently in the region of 60% have completed the module. A gap analysis of our cyber defences has been completed and a review of market solutions offering stronger technical defences is underway leading to a proposal for further investment. Review and refresh of our security policy suite and any associated corrective actions is underway

Local Government Reform

Risk		Mitigation
Insufficient professional capability/ capacity to deliver the full without impacting negatively on transformation savings programme	Mitigation	Joint Area Committee agreement for a Shadow Authority will have a significant impact on Council capacity. Limited amount of action can be taken until a clear decision is reached on local government reorganisation. Resourcing plans will be developed, and consideration given to additional capacity. Separate risk registers are maintained to reflect both the County Council's own readiness for reorganisation, but also the wider programme level register maintained across the partnership.

What is the identified risk?	What are we doing to reduce the risk?

Infrastructure

Risk	Mitigation
Unable to provide sufficient school places (Basic Need)	A programme of delivery of Basic Need Schools in accordance with agreed timescales/costs is being monitored through relevant groups. Whilst the framework has been agreed, a sufficiency strategy for school places is being developed to ensure that there is a long term view of school requirements. The Audit & Governance Committee have requested that the Corporate Risk Register is extended to reflect wider infrastructure risks (i.e. interim solutions for key worker housing; GP surgeries etc).
Inability to maintain the highways infrastructure to an acceptable standard in the face of changing circumstances (eg budget reductions; climate change)	For the first time in five years the percentage of the highway network has risen. A 1% increase to 4% coincides with a reduction in the level corporate top up to the structural maintenance budget in 2017/18 of £500,000 with a further reduction of £250,000 planned for 2018/19. With Band 3 status being maintained for 2018/19, the full allocation from the Department For Transport`s Incentive Fund has been secured. Further submissions for central government funding will be made as and when the opportunities arise.

Information Governance

Risk	Mitigation
Inadequate information governance framework and culture	Risk increased to High based on the audit carried out by the Information Commissioner in March/April 2017. A SWAP GDPR readiness review in November 2017 has highlighted the issues required to enable compliance with the legislation in May 2018 and an implementation project has commenced and is making positive progress.

What is the identified risk?	What are we doing to reduce the risk?

Technological

Risk		Mitigation
ICT solutions are not fit for purpose, sustainable or delivering intended service benefits	Mitigation	Mosaic went live for adults, childrens services and finance on Nov 20th. Since Mosaic went live there has been continued disruption to the availability of Mosaic with periods of poor performance and system unavailability. The current project team support arrangements will be extended reflecting the disruption and inability to transfer to business as usual.
Mismatch between Council's appetite for ICT enabled change and the overheads of maintaining the ICT estate against the sources of funding for that work	Mitigation	A technology strategy, setting out a change to the deliver of core infrastructure and productivity services as part of a transition to adopting a 'cloud-first' ICT approach has been prepared to underpin the Digital Strategy aspirations. Work is underway to scope and provide an indicative cost for significant areas of work (Digital Strategy; ICT technical components to support local government re-organisation; Mosaic Project phases 1b, 2a & 2b and General Data Protection Regulations compliance.

What is the identified risk?	What are we doing to reduce the risk?

Workforce

Risk	Mitigation
Inability to attract and retain suitably qualified specialist safeguarding staff within Childrens Services	The Forward Together for Childrens Services programme includes a significant focus on reducing this risk, via the Reinvigorating Social Work and Reducing Agency Spend workstreams.
The implications of Brexit (impacts on Dorset businesses and employees)	Policy and funding challenges and opportunities will occur as a result of the withdrawal of the UK from the European Union. Key risks include: Risk to Dorset business; Concerns of employees who are non-UK EU citizens; Wage pressure and availability of Health & Social care; and financial pressure on health and care. A Brexit Advisory Group has been proposed to explore implications and response further.

Partnership

Risk	Mitigation
Capacity, capability and financial pressures on partner organisations impact negatively on the delivery of the Better Care Fund objectives	There is a risk that any decrease or removal of the IBCF in 18/19 will threaten the ability to invest to support HIC Model delivery and DCC's protection of Adult Social Care. Financial position of all pooled budgets to be monitored and managed in line with Section 75 agreements. Regular updates to be provided from all partners on any changes in financial position , to enable early consideration of any corrective action. System-wide workforce transition plans to be developed to support each programme. An external workforce plan is under development with the provider market, led by DCC.

PENSION FUND ACCOUNT

2016/17 £'000	2016/17 £'000		Note	2017/18 £'000	2017/18 £'000
		Dealings with members, employers and others directly involved in the Fund			
		Contributions	*8 & 9*		
82,168		Employer contributions		92,166	
26,978	109,146	Member contributions		27,371	119,537
	3,494	**Transfers in from other pension funds**	*8*		8,615
	112,640	**Total additions from dealing with members etc.**			**128,152**
		Benefits	*9*		
87,976		Pensions		92,186	
17,421		Commutations and retirement grants		18,989	
2,678	108,075	Death benefits		2,048	113,223
		Payments to and on account of leavers			
364		Refunds of contributions		340	
71	435	State scheme premiums		111	451
	4,024	**Transfers to other pension funds**			6,237
	106	**Net additions/(withdrawals) from dealings with members etc.**			**8,241**
	13,751	Management expenses	*10*		14,388
	(13,645)	**Net additions/(withdrawals) including Fund management expenses**			**(6,147)**
		Investment Income *			
33,632		Dividends from equities		36,751	
11,828		Rents from properties		12,584	
228		Interest		134	
197	45,885	Other investment income	*14*	184	49,653
		Profit on disposal of and changes in the market value of investments			
54,234		Profit/(loss) on disposal of investments		176,585	
383,077	437,311	Increase/(decrease) in market value of investments		(87,870)	88,715
	483,196	**Net return on investments**			**138,368**
	469,551	**Net increase/(decrease) in assets available for benefits during the year**			**132,221**
	2,266,446	**Opening net assets of the fund 1 April**			**2,735,997**
	2,735,997	**Closing net assets of the fund 31 March**			**2,868,218**

* The absence of fixed interest income is a result of all of the Fund's fixed interest holdings in this category of investment being held in Pooled Investment Vehicles. These vehicles retain income within their structure and consequently are not separately identified in the financial statements but are reflected in the valuation of the units in that pooled investment.

NET ASSETS STATEMENT

31 March 2017				31 March 2018	
£'000	**£'000**		***Note***	**£'000**	**£'000**
		Long term investments	*11*		
-		Brunel Pension Partnership Ltd			840
		Investment assets	*12*		
504,282		UK equities (quoted)		448,550	
629,158		Overseas equities (quoted)		644,160	
1,279,377		Pooled investment vehicles		1,388,985	
77,003		Private equity		76,486	
216,790		Property		255,830	
-		Temporary investments		-	
2,369	**2,708,979**	Other investment asset balances		6,053	**2,820,064**
	(4,109)	**Investment liabilities**			(3,778)
	2,704,870	**Total net investments**			**2,817,126**
	3,860	Long term debtor			2,895
		Current assets			
9,287		Trade & other receivables		12,249	
29,778		Cash & cash equivalents		39,995	
	39,065				**52,244**
		Current liabilities			
(4,213)		Trade & other payables		**(4,047)**	
(7,585)	(11,798)	Deferred income		-	(4,047)
	2,735,997	**Net assets available to fund benefits at 31 March**			**2,868,218**

The above Pension Fund Account and Net Assets Statement, and the following Notes, form part of the financial statements. These financial statements summarise the Fund's transactions during the year and the position as at 31 March 2018.
The Net Asset Statement does not reflect any obligations to meet pension and benefit costs beyond the end of the 2017-18 financial year. However, under the requirements of the IFRS accounting standard and in compliance with IAS26 this liability for future benefits is shown in an appendix to the accounts and notes in the form of the disclosure report produced by the Fund's Actuary, Barnett Waddingham. This report forms part of the accounts.

1. GENERAL
The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset County Council ("the Council").

The Council administers the Fund on behalf of its own full time and part-time staff and employees of other local authorities and similar bodies within the County (known as scheduled bodies), including the Unitary, District and Borough Councils, School Academies and Police and Fire non-uniformed staff. The uniformed police and fire services and teachers are not included as they are members of their own unfunded schemes.

In addition to the scheduled bodies, there are a number of 'admitted' bodies. These are mainly charities and external employers who have taken over certain functions of the administering or scheduled bodies and the relevant staff employed on those functions.

In its role as the administering authority, the Council's responsibilities include the collection of contributions, the payment of pension benefits, the investment of surplus funds, managing the fund valuation, monitoring all aspects of performance and managing communications with employers, members and pensioners. These activities are governed by the Public Services Pensions Act 2013 and administered in accordance with the LGPS Regulations 2013 (as amended), the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2016 (as amended).

Performance of these above responsibilities is overseen by the Dorset County Pension Fund Committee ("the Committee") comprising elected members of the Council and other local authorities together with a scheme member representative (nominated by the unions), with day to day administration of the Fund's activities undertaken by Council officers headed by the Fund Administrator. Also, with effect from 1 April 2015, a Local Pension Board ("the Board") was established by the Committee to secure compliance with regulations, legislation and other requirements relating to the governance and administration of the Fund.

For more detailed information, please refer to the Fund's Annual Report.

2. BASIS OF PREPARATION
The statement of accounts summarise the Fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account:

Contribution income: Contributions from both the members and the employers are accounted for on an accruals basis in the payroll period to which they relate. Contributions from employers for early retirement costs are accrued for based on the date of retirement.

Transfers to and from other schemes: Transfer values both in and out are accounted for on a cash basis as the date of payment or receipt is deemed to be the time at which any liability is accepted or discharged.

Investment income: Dividend income is recognised on the date the shares are quoted ex-dividend, rents from properties are recognised on an accruals basis in the accounting period they relate to.

Benefits payable: Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as trade and other payables (current liabilities).

Management expenses: Fund management expenses are accounted for in accordance with the CIPFA guidance "LGPS Management Expenses".

Net Assets Statement:

Financial assets: Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Investments with a stock exchange listing are valued at bid prices as at the reporting date, investments in pooled vehicles are stated at bid price for funds with bid / offer spreads, or single price where there are no bid / offer spreads, as provided by the investment manager. Unquoted securities are included at an estimated fair value based on advice from the investment manager. All foreign currencies are translated at the rate ruling at the net assets statement date.

Freehold and leasehold properties: Direct holdings of property are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the prevailing valuation standards of the Royal Institution of Chartered Surveyors (RICS).

Derivatives: The Fund uses derivative financial instruments to manage its exposure to currency risk. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. There were no open forward foreign exchange contracts as at 31 March 2018.

Cash and cash equivalents: Cash comprises cash in hand and demand deposits, and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, subject to minimal risk of changes in value.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund's net liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used in is line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in note 17 below. These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenue and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Fund with expert advice about the assumptions to be applied.

6. EVENTS AFTER THE REPORTING DATE

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. Such events are classified as:

Adjusting events: events that provide evidence of conditions that existed at the end of the reporting period, for example new information coming to light regarding the methodology employed in the valuation of an asset.

Non-adjusting events: events that are indicative of conditions that arose after the end of the reporting period, for example a marked decline in global stock markets that would impact on the market value of the Fund's investments were they to be valued as at the date when the accounts were authorised for issue.

There are no adjusting or non-adjusting events after the reporting date to disclose.

7. MEMBERSHIP

Under the new LGPS scheme effective 1 April 2014 membership of the Fund is automatic for staff with a contract of employment of more than three months. Those with a contract of less than three months can opt to join by request.

Employees of scheduled bodies have the right to join the scheme and membership is automatic. Membership for employees of designating bodies is also automatic but subject to the employer having opted for employees in general to be eligible to join the scheme. Employees of admitted bodies will have separate individual arrangements on admission depending on their employer's agreement in place. Membership of the new LGPS scheme is offered to teachers where membership of their normal scheme is not available to them. All employees can opt out of the scheme at any time.

The following table summarises the numbers of contributors and pensioners in the scheme at 31 March 2018 and 31 March 2017.

31 March 2017	Contributors	31 March 2018
7,309	Dorset County Council	**7,155**
17,295	Scheduled Bodies	**17,899**
662	Admitted Bodies	**616**
25,266	**Total Contributors**	**25,670**
	Pensioners	
7,961	Dorset County Council	**8,198**
10,848	Scheduled Bodies	**11,479**
1,210	Admitted Bodies	**1,277**
20,019	**Total Pensioners**	**20,954**

In addition there were 22,877 deferred members as at 31 March 2018 who have entitlement to a benefit at some time in the future (22,970 as at 31 March 2017).

8. EMPLOYER CONTRIBUTIONS / TRANSFERS IN FROM OTHER PENSION FUNDS

The normal contributions made by employers consist of two elements: (1) to fund pensions on future service and (2) to meet deficits existing on past service costs. The triennial valuation of the fund sets a combined total contribution rate for individual employers and for various pooled groups of employers.

The average contribution rates for the year 2017-18 set by the 2016 valuation were 15.6% for future service and 4.4% for deficit funding. These rates reflect funding levels at the valuation date of 83% and assumes full deficit recovery over a period not exceeding 22 years depending on each employer's circumstances.

The table below provides an analysis of all contributions from scheme employers.

2016/17		2017/18
£'000	**Employer Contributions**	**£'000**
56,938	Contributions re future service costs	66,550
22,690	Contributions re past service costs	18,771
148	Voluntary additional contributions	76
2,392	Capital cost of early retirements	3,562
-	Exit payments from employers	3,207
82,168	**Total Contributions**	**92,166**

All transfers in from other pension funds were individual transfers, there were no group transfers to the Fund.

9. ANALYSIS OF CONTRIBUTIONS AND BENEFITS

The following table shows the total contributions receivable and benefits payable, analysed between the administering authority (Dorset County Council), scheduled bodies and admitted bodies.

2016/17			2017/18	
Contributions £'000	**Benefits £'000**		**Contributions £'000**	**Benefits £'000**
31,461	37,133	Dorset County Council	**32,547**	**37,408**
73,461	64,123	Scheduled Bodies	**79,464**	**67,824**
4,224	6,819	Admitted Bodies	**7,526**	**7,991**
109,146	**108,075**		**119,537**	**113,223**

10. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

2016/17		2017/18
£'000		**£'000**
1,425	Administration Expenses	1,775
524	Oversight and Governance	532
11,802	Investment Management Expenses	12,081
13,751	**Total Management Expenses**	**14,388**

Investment Management Expenses for 2017/18 consist of management fees of £9.3M (£8.2M in 2016-17), performance related fees of £0.5M (£0.7M), transaction costs of £0.5M (£0.8M), custody fees of £0.2M (£0.2M), direct operating expenses relating to investment properties of £0.7M (£1.0M) and other fees and costs of £0.9M (£0.9M), in accordance with the CIPFA guidance "LGPS Management Expenses".

11. LONG TERM INVESTMENTS

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel Ltd) has been formed to oversee the investment assets for the Avon, Buckinghamshire. Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds. Each of the ten funds own an equal share of Brunel Ltd, with share capital invested by each fund of £840k.

12. INVESTMENT ASSETS

The following table summarises details of the market valuation of the Fund's investments as at the reporting date.

31 March 2017 Market Value %	£'000	Portfolio / Manager / Pooled Vehicle	31 March 2018 Market Value £'000	%
		Segregated Investments		
18.40%	**504,282**	**UK Equities - Quoted**	**448,550**	**15.70%**
	461,719	Dorset County Council	401,402	
	14,699	Allianz	16,771	
	12,910	Investec	14,586	
	14,954	Wellington	15,791	
23.00%	**629,158**	**Overseas Equities - Quoted**	**644,160**	**22.60%**
	256,188	Allianz	265,107	
	181,056	Investec	181,341	
	191,914	Wellington	197,712	
2.80%	**77,003**	**Private Equity**	**76,486**	**2.70%**
	42,903	HarbourVest	41,438	
	34,100	Standard Life	35,048	
7.90%	**216,790**	**Property (directly owned)**	**255,830**	**9.00%**
	216,790	CBRE Global Investors	255,830	
52.10%	**1,427,233**	**Total - Segregated Investments**	**1,425,026**	**49.90%**
		Pooled Investments		
11.50%	**313,505**	**Bonds**	**204,505**	**7.20%**
	313,505	RLAM / Unit Linked Inv Fund - Life Policy	204,505	
8.50%	**233,028**	**UK Equities - Quoted**	**245,842**	**8.60%**
	185,413	AXA Framlington / Unit Trust	190,746	
	47,615	Schroders / Unit Trust	55,096	
3.30%	**91,232**	**Overseas Equities - Unquoted**	**103,281**	**3.60%**
	91,232	JP Morgan / Unit Trust	103,281	
0.00%	**-**	**Multi Asset Credit (MAC)**	**136,206**	**4.80%**
	-	CQS /	136,206	
0.00%	**426**	**Absolute Return Funds**	**-**	**0.00%**
	426	Gottex Fund Management / Open Ended Fund	-	
0.90%	**24,281**	**Property**	**39,547**	**1.40%**
	9,650	Lend Lease Retail Partnership	8,897	
	14,631	Standard Life UK Shopping Centre Trust	14,577	
	-	UK Long Income Property Fund	16,073	
4.40%	**119,069**	**Diversified Growth Funds**	**173,342**	**6.10%**
	119,069	Barings Asset Management / Non UCITS (PIF)	173,342	
3.60%	**98,043**	**Infrastructure**	**106,545**	**3.70%**
	36,711	Hermes GPE / Infrastructure Fund	32,964	
	61,332	IFM / Global Infrastucture Fund	73,581	
14.60%	**399,793**	**Liability Driven Investment**	**379,717**	**13.30%**
	399,793	Insight / LDI Active 16 Fund	379,717	
46.80%	**1,279,377**	**Total - Pooled Investments**	**1,388,985**	**48.70%**
1.10%	**29,778**	**Cash & Cash Equivalents**	**39,995**	**1.40%**
100.0%	**2,736,388**	**Total Investments**	**2,854,006**	**100.0%**

Any single investments exceeding 5% of total net assets are in pooled investment vehicles made up of underlying investments each of which represent substantially less than 5% of total net assets.

13. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

The following table summarises details of purchases, sales and changes in the market valuation of investments in the fund during the financial year.

	Value 1 April 2017 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2018 £'000
Equities - Quoted	1,133,440	263,190	303,642	(278)	1,092,710
Pooled Investment Vehicles	1,279,377	210,165	147,991	47,434	1,388,985
Private Equity	77,003	16,436	23,937	6,984	76,486
Property	216,790	29,730	5,641	14,951	255,830
Forward Foreign Exchange	-	1,377	21,001	19,624	-
Sub-Total	**2,706,610**	**520,898**	**502,212**	**88,715**	**2,814,011**
Temporary investments	-	-	-	-	-
Cash & Cash Equivalents	29,778	344,386	334,169	-	**39,995**
Total	**2,736,388**	**865,284**	**836,381**	**88,715**	**2,854,006**

Transaction costs associated with pooled investment vehicles are taken into account in calculating the bid/offer spread of these investments and are therefore embedded within the purchase and sales costs and not separately identifiable. All other transaction costs have been charged to the Fund Account.

14. STOCK LENDING

The Fund continues to lend UK and overseas equity stock held in the portfolio. All benefits as a stockholder are retained except for the voting rights. The income from stock lending was £184k comprising £157k from UK equities and £27k from overseas equities, net of charges. The value of stock on loan as at 31 March 2018 was £37.2M secured by total collateral worth £40.0M.

15. FAIR VALUE OF ASSETS

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

Level 1: where fair values are derived form unadjusted quoted prices in active markets for identical assets;

Level 2: where market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;

Level 3: where at least one input that could have a significant effect on the valuation of the asset is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2018 and at 31 March 2017 measured at fair value according to the above fair value hierarchy.

31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	448,550	-	-	448,550
Overseas equities - Quoted	644,160	-	-	644,160
Pooled Investment Vehicles	-	1,242,893	146,092	1,388,985
Private Equity	-	-	76,486	76,486
Property	-	-	255,830	255,830
Temporary Investments	-	-	-	-
Sub Total	**1,092,710**	**1,242,893**	**478,408**	**2,814,011**
Cash & Cash Equivalents	39,995	-	-	39,995
Total	**1,132,705**	**1,242,893**	**478,408**	**2,854,006**

31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	504,282	-	-	504,282
Overseas equities - Quoted	629,158	-	-	629,158
Pooled Investment Vehicles	-	1,156,627	122,750	1,279,377
Private Equity	-	-	77,003	77,003
Property	-	-	216,790	216,790
Temporary Investments	-	-	-	-
Sub Total	**1,133,440**	**1,156,627**	**416,543**	**2,706,610**
Cash & Cash Equivalents	29,778	-	-	29,778
Total	**1,163,218**	**1,156,627**	**416,543**	**2,736,388**

During the year ended 31 March 2018 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy .

The basis of the valuation of each class of investment asset is summarised below.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
Level 1:			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
Level 2:			
Pooled investments - unit trusts	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
Level 3:			
Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled investments - hedge funds	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
Level 3:			
Pooled investments - property funds	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Committee. The Committee receives regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and their associated risks.

(a) Market Risk

Market risk is the risk of loss resulting from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities, and by gaining exposure to different markets through different investment managers. Exposure to specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the Committee.

(a) (i) Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding temporary investments and cash deposits.

As at 31 March 2018	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	448,550	15.00%	67,283	(67,283)
Overseas equities - Quoted	644,160	15.00%	96,624	(96,624)
Pooled Investment Vehicles	1,388,985	15.00%	208,348	(208,348)
Private Equity	76,486	15.00%	11,473	(11,473)
Property	255,830	15.00%	38,375	(38,375)
Temporary investments	-	0.00%	-	-
Cash Deposits	39,995	0.00%	-	-
Total	**2,854,006**	**14.79%**	**422,103**	**(422,103)**

As at 31 March 2017	**Value £'000**	**Change %**	**Increase £'000**	**Decrease £'000**
UK equities - Quoted	504,282	15.00%	75,642	(75,642)
Overseas equities - Quoted	629,158	15.00%	94,374	(94,374)
Pooled Investment Vehicles	1,279,377	15.00%	191,907	(191,907)
Private Equity	77,003	15.00%	11,550	(11,550)
Property	216,790	15.00%	32,519	(32,519)
Temporary investments	-	0.00%	-	-
Cash & Cash Equivalents	29,778	0.00%	-	-
Total	**2,736,388**	**14.84%**	**405,992**	**(405,992)**

(a) (ii) Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments on behalf of scheme members. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to interest rate movements on those investments at 31 March 2018 and 2017 are provided below, based on underlying financial assets at fair value.

(a) (ii) Interest Rate Risk - Sensitivity Analysis

Interest rates vary and can impact the value of the net assets available to pay benefits to scheme members. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2017.

An increase or decrease of 1% (100 basis points) in interest rates at the reporting date would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2018	**Market Value £'000**	**Change in net assets +1% £'000**	**-1% £'000**
Cash & cash equivalents	39,995	400	(400)
Temporary investments	-	-	-
Assets held in pooled investment vehicles:			
Bonds	204,505	2,045	(2,045)
Multi Asset Credit (MAC)	136,206	1,362	(1,362)
Liability Driven Investment (LDI)	379,717	3,797	(3,797)
Total	**760,423**	**7,604**	**(7,604)**

As at 31 March 2017	**Market Value £'000**	**Change in net assets +1% £'000**	**-1% £'000**
Cash & cash equivalents	29,778	298	(298)
Temporary investments	-	-	-
Assets held in pooled investment vehicles:			
Bonds	313,505	3,135	(3,135)
Multi Asset Credit (MAC)	0	-	-
Liability Driven Investment (LDI)	399,793	3,998	(3,998)
Total	**743,076**	**7,431**	**(7,431)**

(a) (iii) Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (UK sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

To mitigate the affect of movements in foreign exchange rates against its overseas equities investments, the Fund has in place a 50% passive currency hedge against the three major currencies, the US Dollar, the Euro and the Japanese Yen. This hedge is settled in full on a quarterly basis. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of this hedge.

Currency	31 March 2018 £'000	31 March 2017 £'000
US Dollar	279,401	258,366
Euro	51,133	63,364
Japanese Yen	26,319	25,509
Canadian Dollar	20,557	27,423
Hong Kong Dollar	14,942	10,128
Swiss Franc	12,872	11,278
Australian Dollar	9,728	9,956
Singapore Dollar	7,344	9,754
Danish Krone	6,063	5,996
Swedish Krona	3,435	1,542
Norwegian Krone	2,067	6,432
Israeli Shekel	1,865	4,759
New Zealand Dollar	1,394	0
Total Net Exposure	**437,120**	**434,507**

(a) (iii) Currency Risk - Sensitivity Analysis

Following analysis of historical data, it is considered that likely volatility associated with foreign currency rate movements (as measured by one standard deviation) are set out below. These changes in the currencies are considered to be reasonable based on historical movements in exchange rates over the past three years. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the year ended 31 March 2017.

A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages below) at 31 March 2018 would have increased or decreased the change for the year in net assets available to pay benefits by the amount shown below.

As at 31 March 2018

Currency	%	Change in net assets £'000	£'000
US Dollar	3.14%	8,773	(8,773)
Euro	2.63%	1,345	(1,345)
Japanese Yen	3.38%	890	(890)
Canadian Dollar	2.23%	458	(458)
Hong Kong Dollar	0.41%	61	(61)
Swiss Franc	2.60%	335	(335)
Australian Dollar	2.57%	250	(250)
Singapore Dollar	1.71%	126	(126)
Danish Krone	0.35%	21	(21)
Swedish Krona	0.28%	10	(10)
Norwegian Krone	0.35%	7	(7)
Israeli Shekel	0.77%	14	(14)
New Zealand Dollar	2.83%	39	(39)
Total		**12,290**	**(12,290)**

As at 31 March 2017

Currency	%	Change in net assets £'000	£'000
US Dollar	3.24%	8,371	(8,371)
Euro	2.98%	1,888	(1,888)
Canadian Dollar	1.98%	543	(543)
Japanese Yen	3.25%	829	(829)
Swiss Franc	2.70%	305	(305)
Hong Kong Dollar	0.41%	42	(42)
Australian Dollar	2.56%	255	(255)
Singapore Dollar	1.66%	162	(162)
Norwegian Krone	0.46%	30	(30)
Danish Krone	0.40%	24	(24)
Israeli Shekel	0.39%	19	(19)
Swedish Krona	0.32%	5	(5)
Total		**12,473**	**(12,473)**

(b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur though the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of temporary investments and bonds held in pooled investment vehicles. The contractual credit risk is represented by the net payment or receipt that remains outstanding.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund also sets limits as to the maximum percentage of deposits placed with any one individual institution. In addition, to enable diversification, the Fund is able to invest in Money Market Funds, all of which have a AAA rating from the leading credit rating agencies.

The Fund's exposure to credit risk at 31 March 2018 is the carrying amount of the financial assets.

Investment	31 March 2018 £'000	31 March 2017 £'000
Temporary Investments	-	-
Bank Account Deposits	2,895	2,628
Money Market Funds	37,100	27,150
Assets held in pooled investment vehicles:		
Bonds	204,505	313,505
Multi Asset Credit (MAC)	136,206	-
Liability Driven Investment (LDI)	379,717	399,793
Total	**760,423**	**743,076**

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months notice, subject to normal market conditions. As at 31 March 2018, liquid assets were £2,376M representing 83% of total net assets (£2,320M at 31 March 2017 representing 85% of total net assets at that date).

17. FUNDING ARRANGEMENTS

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2016, setting employer contribution rates for the period 1 April 2017 to 31 March 2020.

Contribution rates for the year ending 31 March 2018 were set at the latest valuation calculated as at 31 March 2016. The common contribution rates set at the 2016 valuation for the three year period ending 31 March 2020 are as follows.

	2017/18	2018/19	2019/20
Future service contributions	15.60%	15.60%	15.60%
Deficit recovery contributions	4.40%	5.10%	5.80%
Total employer contributions	**20.00%**	**20.70%**	**21.40%**

The contribution rates paid by each employer, in addition to those paid by members of the scheme, are set to be sufficient to meet the liabilities that build up each year within the Fund in respect of the benefits earned by each employer's active members of the Fund during the year plus an amount to reflect each participating employer's share of the value of the Fund's assets compared with the liabilities that have already accrued at the valuation date. Each employer pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund. The contribution rates were calculated using the projected unit method taking account of market conditions at the valuation date.

At the 2016 valuation, the Fund was assessed as 83% funded, compared to 82% at the 2013 valuation, and the deficit recovery period was reduced from 25 years to 22 years. The key assumptions applied by the actuary for the 2016 and 2013 valuations are summarised below. To be consistent with the market value of assets, the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date.

	Valuation 2016	**Valuation 2013**	
Rate of return on investments	5.40%	6.00%	per annum
Rate of increases in pay (long term)	3.90%	4.20%	per annum
Rate of increases in pay (short term)	2.40%	2.70%	per annum
Rate of increases to pensions in payment	2.40%	2.70%	per annum

18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the Fund's liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2018 is set out in Appendix C Pension Fund - IAS 26 Disclosures to these financial statements 2017/18.

19. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Council administers an in-house AVC Scheme with two designated providers, Prudential and Equitable Life. The amounts contributed to AVC plans by employees who are members of the pension scheme do not form any part of, and are not included in, the Fund Accounts.

Each employer in the Fund is responsible for collecting from their own employees and paying to the AVC provider those contributions due on AVC plans. Dorset County Council as employer deducted and paid to the AVC providers a total of £321k in 2017-18 (£322k in 2016-17).

20. RELATED PARTIES

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Council remits monthly contributions to the Fund in arrears, and March 2018 contributions of £2.5M were accrued as at 31 March 2018. Management and administration costs of £1.9M were incurred by the Council and recharged to the Fund in 2017/18. In addition at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2018, one member of the Committee was a contributing member of the Fund and one member of the Committee was a deferred member of the Fund. The key management personnel of the Fund are the members of the Committee and the Council's Chief Financial Officer, who is the Fund Administrator. The £1.9M recharge from the Council includes a charge of £17,000 for the Fund Administrator's time spent working for the Fund.

21. CONTINGENT ASSETS AND LIABILITIES

The Fund is continuing the process required to recover withholding tax from various EU investments following rulings requiring equal treatment for all EU investors. These claims will be retrospective and will cover a varying number of years depending on the domicile. Neither the amount nor the expected time of settlement are known so consequently the financial statements as at 31 March 2018 do not reflect any potential recovery of tax.

Dorset County Pension Fund

Pension accounting disclosure as at 31 March 2018

Prepared in accordance with IAS26

Barnett Waddingham LLP

27 April 2018

Contents

Introduction

We have been instructed by Dorset County Council, the administering authority to the Dorset County Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2018.

This report is addressed to the administering authority and its advisers; in particular, this report is likely to be of relevance to the Fund's auditor.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19.

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

Valuation data

Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Dorset County Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2017 IAS26 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2018;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2017 and 31 March 2018; and
- Details of any new early retirements for the period to 31 March 2018 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund membership statistics

The table below summarises the membership data, as at 31 March 2016.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	26,402	419,329	46
Deferred pensioners	27,749	30,926	46
Pensioners	18,673	85,599	71

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2018.

We have been notified of 140 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £1,101,300.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 5%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Dorset County Pension Fund as at 31 March 2018 is as follows:

Asset breakdown	31 Mar 2018		31 Mar 2017	
	£000s	%	£000s	%
Equities	1,518,319	53%	1,534,704	56%
Liability Driven Investment	379,717	13%	399,793	15%
Cash	53,367	2%	29,387	1%
Other Bonds	204,505	7%	313,504	11%
Diversified Growth Fund	173,342	6%	119,069	4%
Property	295,377	10%	241,071	9%
Infrastructure	106,545	4%	98,043	4%
Hedge Fund	n/a	n/a	426	0%
Multi Asset Credit	136,206	5%	n/a	n/a
Total	**2,867,378**	**100%**	**2,735,997**	**100%**

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2018 is likely to be different from that shown due to estimation techniques.

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2018, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2018 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2018 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 Mar 2018	31 Mar 2017
Retiring today			
	Males	24.0	23.9
	Females	26.1	26.0
Retiring in 20 years			
	Males	26.2	26.1
	Females	28.4	28.3

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

Assumptions as at	**31 Mar 2018**	**31 Mar 2017**	**31 Mar 2016**
	% p.a.	**% p.a.**	**% p.a.**
Discount rate	2.55%	2.80%	3.70%
Pension increases	2.30%	2.70%	2.40%
Salary increases	3.80%	4.20%	3.90%

These assumptions are set with reference to market conditions at 31 March 2018.

Our estimate of the Fund's past service liability duration is 20 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.3% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a slightly higher deduction than at the last accounting date where we assumed that CPI was 0.9% lower than RPI.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that 140 former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £8,186,000. This figure has been included within the service cost in the statement of profit or loss.

Results and disclosures

We estimate that the net liability as at 31 March 2018 is a liability of £2,035,448,000.

The results of our calculations for the year ended 31 March 2018 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2018;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Graeme Muir FFA
Partner

Appendix 1 Statement of financial position as at 31 March 2018

Net pension asset as at	31 Mar 2018 £000s	31 Mar 2017 £000s	31 Mar 2016 £000s
Present value of the defined benefit obligation	4,902,826	4,821,680	3,802,083
Fair value of Fund assets (bid value)	2,867,378	2,735,997	2,266,446
Net liability in balance sheet	**2,035,448**	**2,085,683**	**1,535,637**

*Present value of funded obligation consists of £4,728,382,000 in respect of vested obligation and £174,444,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2018

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2018 £000s	Year to 31 Mar 2017 £000s
Opening defined benefit obligation	**4,821,680**	**3,802,083**
Current service cost	171,159	121,527
Interest cost	133,963	139,222
Change in financial assumptions	(148,237)	953,344
Change in demographic assumptions	-	57,811
Experience loss/(gain) on defined benefit obligation	-	(173,300)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(111,296)	(108,061)
Past service costs, including curtailments	8,186	2,076
Contributions by Scheme participants and other employers	27,371	26,978
Unfunded pension payments	-	-
Closing defined benefit obligation	**4,902,826**	**4,821,680**

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2018 £000s	Year to 31 Mar 2017 £000s
Opening fair value of Fund assets	**2,735,997**	**2,266,446**
Interest on assets	76,716	83,865
Return on assets less interest	49,217	387,144
Other actuarial gains/(losses)	-	-
Administration expenses	(2,307)	(1,834)
Contributions by employer including unfunded	91,680	81,459
Contributions by Scheme participants and other employers	27,371	26,978
Estimated benefits paid plus unfunded net of transfers in	(111,296)	(108,061)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**2,867,378**	**2,735,997**

The total return on the Fund's assets for the year to 31 March 2018 is £125,933,000.

Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation	4,902,826	
Sensitivity to	**+0.1%**	**-0.1%**
Discount rate	4,808,846	4,998,737
Long term salary increase	4,912,612	4,893,101
Pension increases and deferred revaluation	4,989,093	4,818,253
Sensitivity to	**+1 Year**	**- 1 Year**
Life expectancy assumptions	5,085,398	4,727,014

ACADEMY	An academy is a school that is directly funded by central government (specifically, the Department for Education) and which is independent of control by a Local Authority.
ACCOUNTING DATE	The date to which an organisation makes up its Financial Statements. Like all Local Authorities, DCC's accounting date is 31 March.
ACCOUNTING PERIOD	The period of time covered by the accounts, which for this Authority means a period of twelve months commencing on 1 April through to the following 31 March.
ACCOUNTING POLICIES	The principles, conventions, rules and practices that specify how the effects of transactions and other events are recognised, measured and presented in the financial statements.
ACCRUAL	Sums included in the final accounts to cover income and expenditure attributable to the accounting period but for which payment has not been made or received by 31 March.
ACTUARIAL GAINS AND LOSSES	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses where events have not coincided with actuarial assumptions or actuarial assumptions have changed.
ACTUARIAL VALUATION	An independent report on the financial status of the Pension Fund, which determines its ability to meet future payments.
AGENCY SERVICES	The provision of services by one body (the agent) on behalf of and generally with reimbursement from the responsible body.
AMORTISATION	Amortisation is the equivalent of depreciation for intangible assets (see below).
ASSET	Something of worth that can be measured in monetary terms and which has an economic value that spans more than one financial year. Assets can be tangible (e.g. land and buildings) or intangible (e.g. computer software).
ASSETS HELD FOR SALE	Assets which are no longer intended for operational use in the Authority and which are being actively marketed with likely sale within 12 months.
BALANCES	The accumulated surplus of income over expenditure.
BUDGET	A statement of the Council's plans expressed in financial terms.
CALL TO ACCOUNT	The Audit & Governance Committee may 'call to account' members of the Cabinet and senior officers to explain any particular decision they have made and, the extent to which actions taken implement Council policy and to account for their performance.
CAPITAL CHARGE	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. This equates to depreciation and impairment charges under the IFRS based Code.
CAPITAL EXPENDITURE	Expenditure on the acquisition, construction or enhancement of significant assets (e.g. land and buildings, vehicles and equipment) which have a long term value to the Authority (also referred to as capital spending or capital payments).
CAPITAL RECEIPTS	Income from the sale of capital assets (land, buildings, etc.).
CARRYING AMOUNT	The amount at which an asset or liability is shown in the balance sheet at a specified date; for example, the cost of a vehicle, less the accumulated depreciation.

COLLECTION FUND	A fund maintained by District, Unitary and Borough councils for the collection and distribution of council tax receipts. County, District, Unitary and Parish Council precepts are met from these funds. Surpluses or deficits are carried forward and included in the following year's council tax calculation.
COMMUNITY ASSETS	Assets that an Authority holds, that have no determinable useful life and may have restrictions on their disposal. An examples would be a country park.
COMPONENT ACCOUNTING	Component accounting is the separate recognition of two or more significant components of an asset for depreciation purposes (i.e. as if each component were a separate asset in its own right) where the useful life is substantially different.
CONSISTENCY	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
CONTINGENCY	A sum of money set aside to meet unforeseen expenditure.
CONTINGENT LIABILITY	A possible obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
CORPORATE & DEMOCRATIC CORE	Those activities which local authorities engage in specifically because they are elected, multi-purpose authorities. There is no basis for apportioning these costs to services.
COST CENTRE	A specific area of activity where control of certain budgets has been delegated.
COUNCIL TAX	A property based tax, with discounts for those living alone, which is administered by District, Borough and Unitary Councils.
CREDITORS	Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made by the end of the accounting period.
CURRENT ASSETS	Current assets are those which can either be converted to cash or used to pay current liabilities within 12 months.
CURRENT LIABILITIES	Amounts owed by the Local Authority which are due to be settled within 12 months.
CURRENT SERVICE COST	The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
CURTAILMENT	For a defined benefit pension scheme, an event that reduces expected future years' service or accrual of benefits. Examples include redundancies from discontinuing an activity or amendment of scheme terms.
DEBTORS	Amounts due to the Authority but unpaid by the end of the accounting period.
DEPRECIATION	The measure of the use or consumption of a fixed asset during the accounting period.
DONATED ASSET	An asset which is acquired by the Authority for no cost. Not the same as assets which are transferred to the Authority as part of the "machinery of Government".
EMOLUMENTS	All sums paid to an employee, including any allowances chargeable to UK income tax, but excluding pension contributions payable by either employer or employee.
ESTIMATION TECHNIQUES	The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. These implement the measurement aspects of the accounting policies, and include selecting methods of depreciation and making provision for bad debts.

FINANCIAL ASSET	Financial assets are cash and cash equivalents, plus any other assets that can be converted into cash in a reasonably short period of time.
FINANCIAL INSTRUMENT	Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.
FINANCIAL LIABILITY	Financial liabilities are liabilities that are contractual obligations to deliver cash or other financial assets to another entity.
FORMULA SPENDING SHARE (FSS)	The Government's assessment of each Authority's spending needs, used as the mechanism to distribute government grants (RSG and NNDR).
FULL TIME EQUIVALENT (FTE)	In terms of staffing time, a full time equivalent is 37 hours per week. So if two staff are employed working 18.5 hours per week each, they can be said to constitute one FTE.
HERITAGE ASSET	A heritage asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
IAS	International Accounting Standards are statements of standard accounting practice issued by the International Accounting Standards Committee and with which all Local Authorities are now required to comply.
IFRS	International Financial Reporting Standards are statements of standard accounting practice issued by the International Accounting Standards Board and with which all Local Authorities are now required to comply.
IMPAIRMENT	A reduction in the value of a fixed asset or financial instrument below its carrying amount, arising from physical damage such as a major fire or a significant reduction in market value, or a situation where capital spending on an asset has no effect on the value of the asset.
INFRASTRUCTURE ASSETS	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.
INVENTORIES	The amount of unused or unconsumed stock held for future use. Examples include consumable stores and services in intermediate stages of completion.
INVESTMENT PROPERTY	Investment property is property (land or a building) held by the Authority to earn rental income or for capital appreciation or both.
LEASE (EMBEDDED LEASE)	While it does not necessarily take the form of a lease, an embedded lease is an arrangement that conveys the right to use an asset in return for payment.
LEASE (FINANCE LEASE)	A finance lease is an arrangement where substantially all of the risks and rewards of ownership of the leased asset pass to the lessee, regardless of whether the lease arrangement provides for actual transfer of ownership.
LEASE (OPERATING LEASE)	Any lease which is not a finance lease.
LOCAL MANAGEMENT IN SCHOOLS (LMS)	Control of a significant proportion of school budgets is devolved to schools for them to manage under the LMS scheme. Balances held by schools under this scheme are ring-fenced and are not available to the remainder of the County Council.
MEASUREMENT	Measurement is the process of determining the monetary amounts at which the elements of financial statements are to be recognized and carried in the balance sheet and comprehensive income and expenditure statement. Measurement bases include historical cost, current cost, present value, depreciated replacement cost and fair value.

MEDIUM TERM FINANCIAL PLAN (MTFP)	The Council's three-year, rolling, financial plan.
NATIONAL NON-DOMESTIC RATES (NNDR)	Billing Authorities (District and Borough Councils) collect this tax locally and pay it to the Government. It is then redistributed to County, Unitary, Borough and District councils, and Fire Authorities on the basis of the resident population.
NON-CURRENT ASSETS	Assets that provide benefits to the Authority and the services it provides, for a period of more than one year.
NON-DISTRIBUTED COSTS (NDC)	Overheads for which no user benefits, and therefore not apportioned over services.
NON-OPERATIONAL ASSETS	Fixed assets that are not occupied or used in the delivery of services. Examples are investment properties and assets surplus to requirements, pending sale.
OPERATING SEGMENTS	Local Authorities are required to present information on reportable segments within the notes to the Financial Statements. Reportable segments must be based on an Authority's internal management reporting, for example departments, directorates or portfolios. DCC has chosen Directorates as its operating segments.
OTHER OPERATING INCOME AND EXPENDITURE	Items that are required to be shown in the Authority's Comprehensive Income and Expenditure Statement but which should not be charged to specific services.
PAST SERVICE COST	For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
PRECEPT	A levy requiring the District and Borough Councils to collect income from council taxpayers on behalf of the County Council. Sums collected are held in the Collection Fund (see above) and paid to the preceptor in ten instalments.
PROVISIONS	Amounts set aside to meet liabilities or losses which arise in the accounting period and which are likely to be incurred, but where the actual sum and timing are uncertain.
RELATED PARTY	A related party is a person or entity that is related to the reporting entity. There are different rules and definitions for public and private sector bodies. An entity can be regarded as a related party to DCC if, for example, a person employed by DCC has significant influence over the entity or is a member of the key management personnel of that entity.
REFCUS	Revenue Expenditure Funded from Capital Under Statute. This is principally capital expenditure on properties which the County Council does not own and which are not included in its asset register. This expenditure is reported in the Comprehensive Income and Expenditure Statement in the year it is incurred with the necessary appropriations in the Statement of Movement in Reserves between the General Fund and the Capital Adjustment Account to reflect that although financing is from a capital source, it funds revenue expenditure in the Authority's accounts.
RESERVES	Sums set aside and earmarked to meet the cost of specific future expenditure.
RESIDUAL VALUE	The amount at which an asset will be carried in the Authority's accounts after it has been depreciated.

REVALUATION RESERVE	Revaluation reserves (or, more precisely, revaluation surplus reserves) arise when the value of an asset becomes greater than the value at which it was previously carried in the Balance Sheet. When accounting rules allow/require the Authority to revalue the amount at which the asset is carried in the Authority's Balance Sheet, there is an increase in the Authority's net worth.
REVENUE EXPENDITURE	The day to day costs (pay, premises, transport, supplies and services, etc.) incurred by the Authority in providing services.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Expenditure of a capital nature, which does not result in the acquisition or enhancement of a fixed asset owned by the Authority. Such expenditure is written out of the accounts in the year it is incurred, but is financed by a capital stream.
REVENUE SUPPORT GRANT (RSG)	A general central government grant paid to the Council in support of its day to day expenditure and distributed on a formula basis.
RUNNING COSTS	Expenditure incurred on the use of premises, transport and equipment, together with other general expenditure necessary to enable the service to be provided.
SEGMENTAL ANALYSIS	A breakdown of the Authority's income and expenditure by major business segment (Service Area).
SERVICE CONCESSION	Service concessions are arrangements whereby a government or other body grants contracts for the supply of public services (such as roads, energy distribution, prisons or hospitals) to private operators.
SOFT LOAN	A loan with an interest rate below market rates.
SPECIFIC GRANTS	Grants paid by government, government agencies and similar bodies, to local authorities in support of particular services. These are often in return for past or future compliance with certain conditions relating to the activities of the Authority.
SUBSEQUENT EXPENDITURE	Expenditure which is incurred on an asset after it has begun its useful economic life.
SURPLUS ASSETS	Non-current assets which are surplus to service needs, but which do not meet the criteria required to be classified as Investment Property, or Assets Held For Sale.
THIRD PARTY PAYMENTS	The cost of specialist or support services purchased by the County Council from outside contractors or other bodies.
TOTAL COST	The total cost of a service includes all revenue expenditure (see above) and support services, overheads and capital charges.
TRADING UNDERTAKING	A workforce employed by the authority to carry out work in competition with the private sector. These were formerly called Direct Service Organisations (DSOs) or Direct Labour Organisations (DLOs).
TRUST FUNDS	Funds administered by the Authority for such purposes as prizes, charities and special projects.
UNUSABLE RESERVES	Those that cannot be applied to fund expenditure or reduce local taxation as they are required for statutory purposes.
USABLE RESERVES	Those that can be applied to fund expenditure or reduce local taxation.

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Audit & Governance Committee

Dorset County Council

Date of Meeting	29 June 2018
Officer	Richard Bates – Chief Financial Officer
Subject of Report	**Financial Management Report**
Executive Summary	This report provides members of the Audit & Governance Committee with an early update on budget management for 2018-19. It also includes performance information for debt management and supplier payments for 2017-18. There is a separate paper on the agenda dealing with the outturn and accounts for 2017-18.
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 projections for 2018-19. It also considers how this is impacting on the budget for 2018-19 and the following years of the MTFP.

	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
	Outcomes:
	Other Implications:
Recommendation	The Committee is asked to consider the contents of this report and: (i) note the Directors' latest estimates included in the early forecast of outturn for 2018-19 and the risks inherent in the forecast; (ii) note the latest projections for savings from the Forward Together programme; (iii) note the results of the most recent iteration of the work carried out by Capita to review the council tax single person discount; (iv) note the continuing challenges - and progress - on the debt position since the last report; and (v) note the contents and key statistics in the payment performance section.
Reason for Recommendation	It is important for Members to monitor and understand the forecast position in any year and consider the action being taken to manage any issues. Delivery of Forward Together savings is critical to the financial performance and position of the County Council especially in the transition to the new authority. Members will also wish to be updated on operational performance including debt management and the performance on Capita around council tax single persons discount.
Appendices	None
Background Papers	Previous MFTP reports to Cabinet Previous financial management reports to Audit & Governance Committee

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. This paper is coming to the Committee so that Members are made aware of the County Council's early forecast of outturn for the year and to review various other matters of operational performance.

1.2 The County Council approved a balanced budget at its meeting on 15th February 2018. This was based on a council tax increase of 5.99% for 2018-19; including 3% as the Social Care Precept, taking this to the 6% that can be levied in the three year period to 31 March 2020. Notwithstanding this increase in council tax and 1.26% growth in council tax base, demand and cost pressures are such that there is still a requirement for more than £18m in savings to tackle the budget gap and base budget overspends being carried into 2018-19.

2. Forecast of outturn for 2018-19

2.1 Whilst a robust process of assurance, review and authorisation surrounds the budget, it is clearly not without risk and early monitoring of the 2018-19 performance and position will continue to be critical. The Finance Team is always well advanced with early monitoring arrangements and Directors have confirmed the early predictions (AP2) for 2018-19 as set out 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	135,072	136,634	(1,562)	(765)	(797)
Children's Services	65,085	67,680	(2,595)	(2,595)	0
Environment & Economy	34,722	34,708	14	(90)	104
Partnerships	19,866	19,866	(0)	0	(0)
Chief Executive's Dept	9,290	9,570	(280)	(250)	(30)
Total Service Budgets	264,034	268,458	(4,424)	(3,700)	(724)
Central/Corporate Budgets	(256,002)	(256,673)	671	0	671
Whole Authority	8,032	11,785	(3,753)	(3,700)	(53)

2.2 The main reasons for projecting variation from budget at this time are…

<u>Children's Services</u>

2.3 The target for the financial year is to reduce the number of children in care to 390 by March 2019. At the end of May 2018, there were 443, six fewer than at the end of April. The riskiest area is the number of complex children in high cost residential placements (46) and independent fostering placements (IFA) (105). These numbers are most volatile and hardest to plan for and forecast.

2.4 The priority is to reduce the number of children in the high cost residential and IFA placements and instead use our own, in-house foster carers whose recruitment process is currently in train. Running alongside this process we must reduce the run rate of children entering care, getting us down to 390 as soon as safely possible. The pace of change required is both challenging and ambitious and there are risks associated with delivery. There are currently six children near the cusp of requiring complex, expensive care. For now they are being managed but it can sometimes only require a small event to tip the balance and they could incur significant, additional cost.

2.5 Because of the risks and because it is still so early in the financial year we are taking a deliberately cautious, conservative view of likely financial performance. This means we are predicting a £2.6m overspend. It should be said that current activity levels are not "overheating" but it is equally true to say that some of the deliverables (eg new foster carers) have to deliver as the financial year progresses.

2.6 Dedicated Schools Grant

2.7 The 2018-19 budget for the high needs block element of the dedicated schools grant assumed the delivery of some significant cost reductions. There are a number of variables influencing the delivery of some of these reductions, and the risk around their delivery should be recognised. In addition despite building for growth, demand appears to be ahead of predictions at this stage in the year and must be managed as the year progresses.

Adult & Community Services

2.8 The Adult & Community Services budget is currently forecast to be overspent by £1.6m. Built into the budget is a savings plan totalling £9.382m. High-risk areas within the plan include £4m savings from Adult Care Operations where assumptions are that this will not be achieved in full. This is a risk-averse position at this stage and work continues to address the savings.

Environment & Economy

2.9 The Environment and Economy Directorate is forecasting a £14k underspend. The main risk to the Directorate is in the Building & Construction Service where there is reliance on fee-earning income. With LGR and certain projects being stalled (Blandford Waste Station) there is a concern that the Service may overspend in the year.

Partnerships

2.10 The Dorset Waste Partnership is forecasting an overspend of £985k. The most significant factor is the increased cost of dealing with Dry Mixed Recyclate (DMR) as a result of quality restrictions imposed by China. The expectation is that any overspend will be met from a draw-down from the budget equalisation reserve (BER). At the beginning of 2018-19, the BER stood at just over £1.2m. Any overspend in excess of this figure would need to be funded from partner authorities. Members of the Joint Committee have already challenged the DWP to develop plans for additional savings to reduce the overspend.

2.11 Public Health – the Public Health budget is managed within a ring-fenced grant contributed by the three partner authorities.

Chief Executive's

2.12 The Chief Executive's Dept is forecasting an overspend of £280k, mainly due to the uncertainty of achieving all of the targeted savings (£504k) from the Way We Work Programme. Further work needs to be carried out in this area to ensure all savings are harvested when possible.

Central/Corporate budgets

2.13 A favourable performance is being forecast at this stage.

3 Council tax single person's discount (SPD)

3.1 During the year, Members have been kept abreast of the work being carried out by Capita - checking that people claiming SPD were entitled to receive it. This is an exercise that was first carried out two years ago and which we repeated during 2017-18.

3.2 In all, Capita identified 1,232 properties in the County Council's area where SPD was withdrawn. There were a further 583 properties in the Borough of Poole. The summary table below, sets out how the distribution of these properties and how much council tax (full-year basis) has been saved by this work.

COSTS	No. of successful cases	Individual council % share of cost	£	DCC % share of cost	£	Police % share of cost	£	Fire % share of cost	£
Poole	583	83.14%	£10,086.72			12.47%	£1,513.06	4.39%	£532.45
EDDC	238	12.74%	£630.74	72.81%	£3,605.94	10.69%	£529.69	3.76%	£186.40
NDDC	212	7.00%	£309.00	77.59%	£3,422.96	11.40%	£502.81	4.01%	£176.94
Christchurch	82	11.82%	£201.68	73.57%	£1,255.43	10.81%	£184.42	3.80%	£64.90
WDDC	310	7.91%	£510.18	76.83%	£4,956.60	11.29%	£728.10	3.97%	£256.22
WPBC	259	15.15%	£816.82	70.79%	£3,815.30	10.40%	£560.45	3.66%	£197.22
Purbeck	131	10.03%	£273.36	75.07%	£2,046.37	11.03%	£300.60	3.88%	£105.78
	1,815		**£12,828.51**		**£19,102.60**		**£4,319.13**		**£1,519.91**
Total cost									**£37,770.15**

Yield (approx)	No. of successful cases	Individual council % share	£	DCC % share	£	Police % share	£	Fire % share	£
Poole	583	83.14%	£168,080.44			12.47%	£25,212.89	4.39%	£8,872.50
EDDC	238	12.74%	£10,543.82	72.81%	£60,279.05	10.69%	£8,854.67	3.76%	£3,115.99
NDDC	212	7.00%	£5,597.86	77.59%	£62,009.51	11.40%	£9,108.86	4.01%	£3,205.44
Christchurch	82	11.82%	£3,529.32	73.57%	£21,969.60	10.81%	£3,227.22	3.80%	£1,135.67
WDDC	310	7.91%	£9,240.12	76.83%	£89,771.42	11.29%	£13,186.94	3.97%	£4,640.53
WPBC	259	15.15%	£14,138.07	70.79%	£66,037.89	10.40%	£9,700.61	3.66%	£3,413.68
Purbeck	131	10.03%	£5,217.72	75.07%	£39,059.66	11.03%	£5,737.65	3.88%	£2,019.10
	1,815		**£216,347.36**		**£339,127.12**		**£75,028.83**		**£26,402.89**
Total benefit									**£656,906.20**

3.3 The County Council's yield can therefore be summarised as £339k for a cost of £19k. We will reconsider another iteration of this work in 2019-20 but the plan for this will need to run alongside LGR so members will be kept informed of proposals in due course.

4 Forward Together

4.1 The FT programme continues to be monitored by the Organisation Transformation Board and the financial implications of the programme are also reported through CPMI. At this stage of the year, there is nothing further to update, separately from the forecast position notes in section 2.

4.2 Delivering the Forward Together savings is critical to the financial performance for the year and to our future viability. The 2018-19 programme includes £18.8m of savings which are critical in getting us to a starting position for the 2019-20 budget round.

2018/19 Savings measure			Assessment of Savings achievement Achieved	On course	More Work Needed	Not achievable
	£000's		£000's	£000's	£000's	£000's
Adults	9,382		2,379	6,238	765	-
Childrens	6,333		700	3,038	2,595	-
Env & Economy	1,749		1,399	260	-	90
Chief Exec's	854		190	414	250	-
Public Health	-		-	-	-	-
Dorset Waste Partnership	455		-	455	-	-
Summary - All Savings 2018/19	**18,773**		**4,668**	**10,405**	**3,610**	**90**

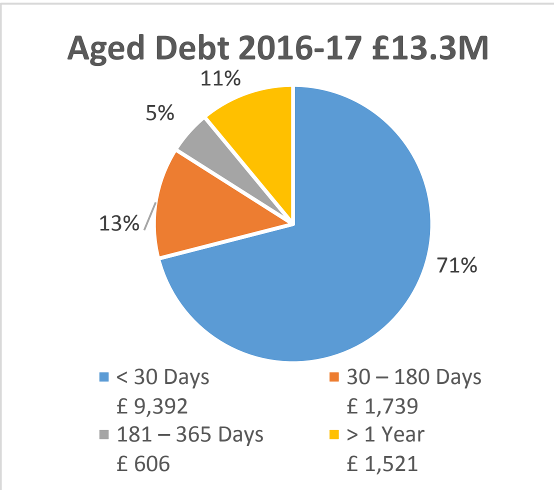
5 Debt information

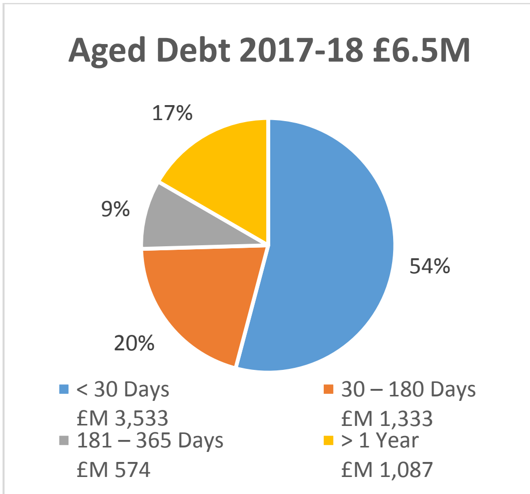
5.1 The County Council's "trade" debt at 31 March 2018 was just over £6.5m; a reduction of around £1.4m since the last report and £6.7m (49%) lower than 31 March 2017. The table, below, shows the age profile of the debt, with comparator figures.

5.2 Debt less than 30 days old makes up 54% of the total. However, the actual value of this debt is down from £9.4m in 2016-17 to £3.5m at year end year. The debt over a year old is also down by £0.5m from the previous year.

Financial year	**< 30 Days £ 000**	**30 – 180 Days £000**	**181 – 365 Days £000**	**> 1 Year £000**	**Total £000**
2016-17 (as at 31/03/17)	9,393	1,739	606	1,521	**13,258**
	71%	13%	5%	11%	
2017-18 (as at 31/01/18)	4,324	2,011	606	971	**7,912**
	55%	25%	8%	12%	
2017-18 (as at 31/03/18)	3,534	1,333	575	1,087	**6,529**
	54%	20%	9%	17%	

5.3 The value of debt has reduced across all aged debt classification compared to the same time last year due to the implementation of our debt policy and the hard work and diligence of the staff managing these processes. We continue to encourage more customers to sign-up to direct debit payments and other payment-in-advance methods. However, it is critical that we keep on top of these processes through the regular, corporate performance review sessions and effective credit control methods.

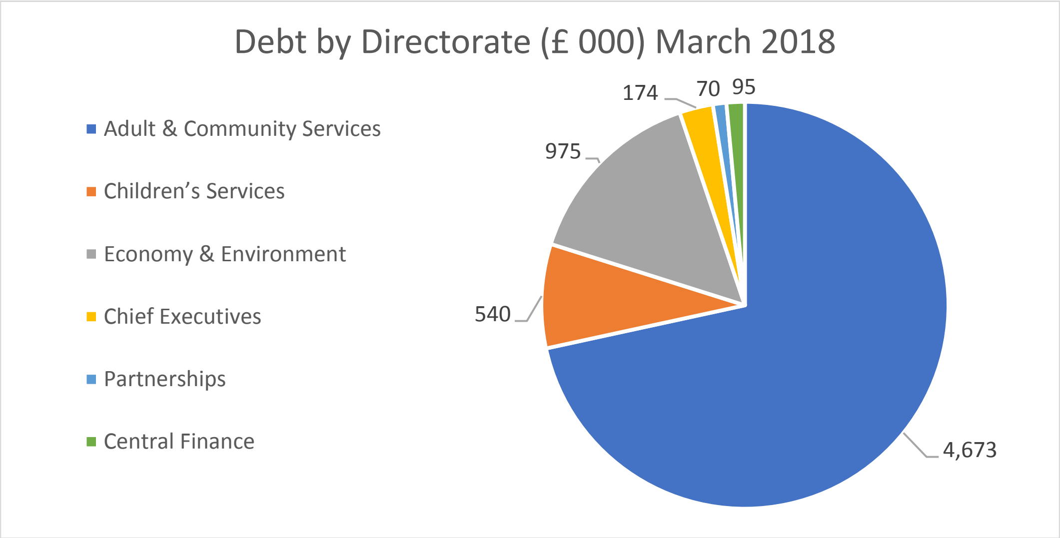




5.4 The table below shows the debt position by directorate. In the past 12 months, overall debt has fallen significantly. Adult and Community Services debt has decreased by over £2m as older debt has been cleared, now 70% of the debt is less than 6 months old. Environment and Economy debt is down by £0.5m and Chief Exec's down more than £3.6m.

Total Debt by Directorate 31/03/18 (£ 000)							
Directorate	**< 30 Days**	**30 – 180 Days**	**181 – 365 Days**	**> 1 Year**	**Total (31/03/18)**	**Previous Total £ (31/03/17)**	**Variance (-ve is adverse)**
Adult & Community Services	2,333	922	460	958	**4,673**	6,784	2,111
Children's Services	391	107	25	17	**540**	857	317
Economy & Environment	618	246	69	41	**975**	1,496	521
Chief Executives	101	51	20	3	**174**	3,816	3,642
Partnerships	60	7	1	3	**70**	134	64
Central Finance	31	0	0	65	**95**	171	76
Total	**3,534**	**1,333**	**575**	**1,087**	**6,529**	**13,258**	6,729

5.5 The chart below reminds us that nearly ¾ of 'trade' debt relates to Adult and Community Services, with the majority of this being generated from over 8,000 invoices raised for individuals accessing social care. Environment and Economy account for over half of the remaining debt with over 1,000 outstanding invoices, again the majority of this debt is less than 6 months old and is being actively pursued.



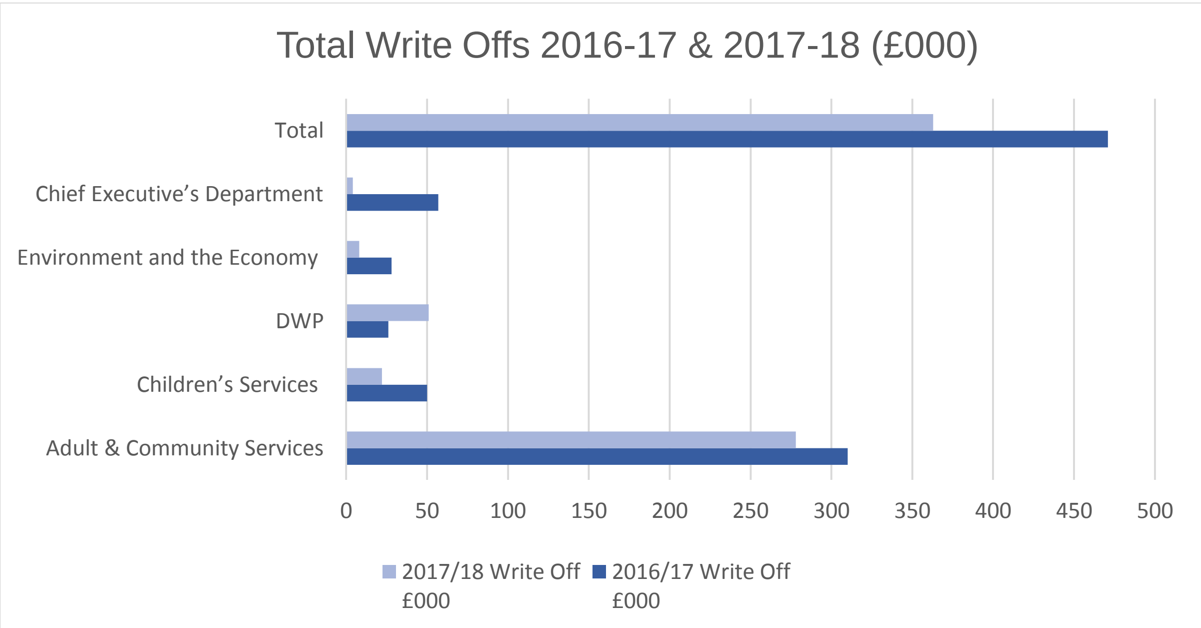
5.6 A detailed debt report is generated each month and published on SharePoint for inclusion in the CPMI report. Group Finance Managers and their teams are routinely supporting Budget Holders to manage debt and to encourage and support pre-payment whenever possible.

5.7 The bad debt provision at the end of year was £1.4m. This was calculated fully in line with our policy, meaning that as a default position, service budgets are charged with a 100% provision for all debts that are over six months old.

5.8 Individual Debtors; The list of the top ten debtors by value (£) is shown in the table below. The majority of this debt is owed by other public-sector bodies and over 80% currently less than 30 days old. All of the outstanding debt is being chased.

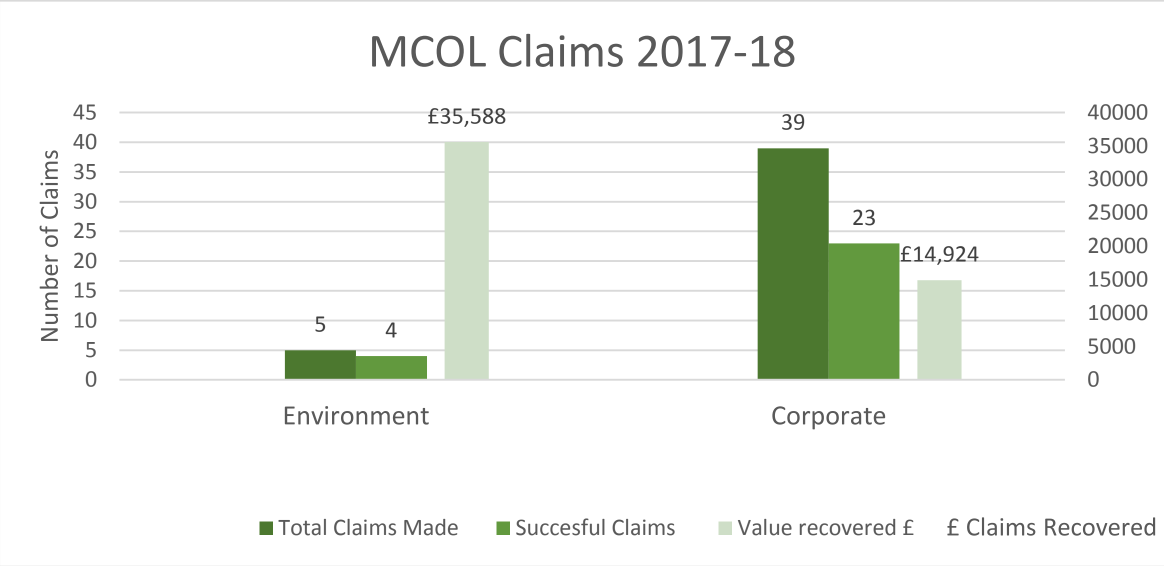
Top Ten Debtors by Value £						
Individual Debtors	**<30 days**	**<60 days**	**<90 days**	**<365 days**	**>365 days**	**Total**
NHS Dorset	552,845	0	0	0	0	552,845
Budmouth Technology College	99,860	97,054	95,133	194,716	0	486,763
Royal Bournemouth Hospital	400,135	1,685	33,584	31,933	0	467,337
Poole Borough Council	305,479	0	3,851	0	0	309,330
Poole Hospital NHS Trust	307,955	485	0	200	0	308,640
Dorset H/Care Uni Foundation Trus	297,887	2,660	191	191	0	300,929
Skills and Learning	217,064	7,517	0	35	0	224,616
Dorset County Hospital NHS	148,144	0	0	0	0	148,144
Bournemouth Borough Council	62,399	15,945	10,000	38,898	0	127,242
West Dorset District Council	49,382	51,520	0	0	0	100,902
Total	**2,441,150**	**176,866**	**142,759**	**265,973**	**0**	**3,026,748**

5.9 The total debt written-off in 2017-18 was £363k compared with £471k the year before; a reduction of 23%. As in 2016-17, Adult and Community Services accounted for the majority of the write-offs (77%). Work continues to improve the process and the speed at which these debts are recovered which should reduce the volume and value of the debts written-off again in 2018-19.



5.10 The Financial Assessments and Credit Control Teams have recently moved into Financial Services as part of the reorganisation within Adult & Community Services. We are working together to streamline and align their processes with the Corporate Credit Control Team. Monthly, formal reviews of debt continue with the ambition of full recovery. These meetings include representatives from each Service area and the Legal Team.

5.11 Since April 2017, 44 debtors have been pursued through money claims online (MCOL) and have 27 of these debts have now been paid recovering over £51k. Most of these claims relate to the recovery of staff salary overpayments and charges against utility companies for overrunning works resulting in delays and road closures. The remaining 17 cases are still in progress.



6 Supplier payments

6.1 The principle aim of the Accounts Payable (AP) Team is to ensure that all invoices are paid accurately, within 30 days, in line with Public Contracts Regulations (PCR2015). PCR2015 also require payment data to be published.

6.2 The AP Team manages payments for more than 12,000 live suppliers. A review of payment terms is currently underway with an aim to bring all vendors in line with the council's 30-day payment terms.

6.3 Many process improvements have been implemented over the last three years which have saved time and money, allowing a more efficient service. For example, all vendors are now paid via BACS with very few exceptions, making savings on processing and mailing cheques and the vast majority of our remittance advices are sent via email.

Cheque Payments	**Count**	**£**
Cheque payments this month	1	£32
Last month	1	£400
March 2017	13	£14,279

6.4 The latest payment performance figures show an annual improvement in the financial year just ended. The AP Team works to a target of 85%. The decrease in September 2017 (see table below) was due to the school summer holidays, there was an increase in late payments when the schools returned and processed the August backlog. This year AP are working more closely with the school teams to predict and prevent this backlog.

	2016-2017		2017-2018	
Month	**Number of invoices paid within 30 days in accordance with regulation 113 (%)**	**Number of invoices paid within 30 days in accordance with regulation 113**	**Number of invoices paid within 30 days in accordance with regulation 113 (%)**	**Number of invoices paid within 30 days in accordance with regulation 113**
April	89	15,534	89	16,753
May	88	16,131	85	18,854
June	86	19,370	88	17,077
July	88	16,968	89	18,165
August	89	19,354	90	18,676
September	79	15,222	82	14,379
October	84	17,051	90	18,354
November	84	18,307	91	22,299
December	84	15,887	87	15,551
January	77	16,048	88	19,159
February	87	18,293	90	16,671
March	87	24,329	89	19,095

6.5 From April 2018, PCR2015 also require DCC to publish the amount of interest paid to suppliers due to a breach of regulation 113. The table below documents the actual amount paid and the potential amount that could have been due.

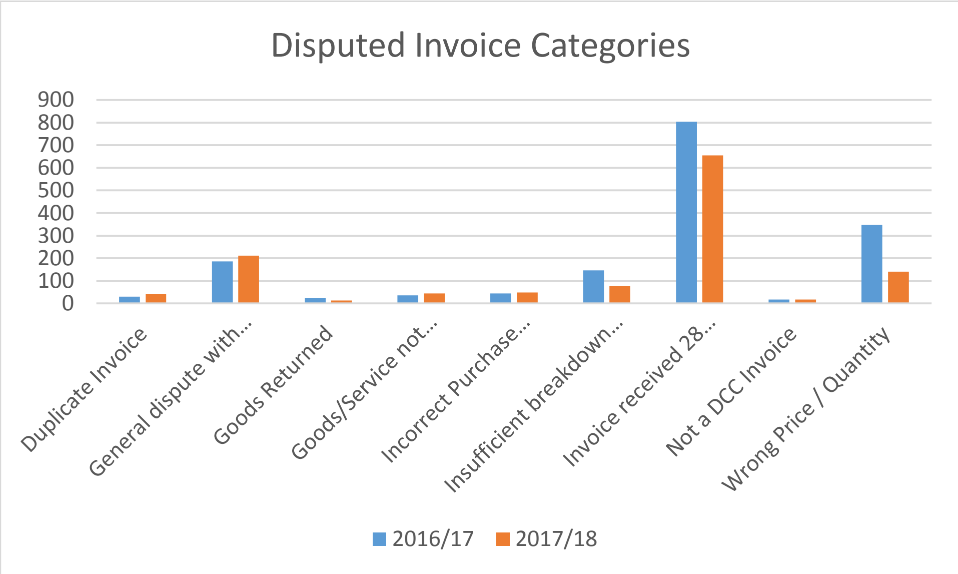
6.6 Both figures have reduced and interest on late payments was avoided completely in 2017-18. These figures are also published at:

https://www.dorsetforyou.gov.uk/article/422597/Public-Contract-Regulations-2015.

	2016-2017		2017-2018	
Month	**The amount of interest paid to suppliers (£)**	**The amount of interest liable to pay to suppliers (Paid or unpaid) (£)**	**The amount of interest paid to suppliers (£)**	**The amount of interest liable to pay to suppliers (Paid or unpaid)(£)**
April	0.00	-70,699	0.00	-76,675
May	0.00	-51,772	0.00	-77,560
June	0.00	-50,182	0.00	-55,965
July	0.00	-53,287	0.00	-58,535
August	0.00	-63,295	0.00	-50,789
September	290.42	-129,389	0.00	-67,347
October	27.00	-75,021	0.00	-71,140
November	0.00	-67,806	0.00	-83,497
December	0.00	-584,633	0.00	-50,090
January	0.00	-95,506	0.00	-72,220
February	334.70	-121,052	0.00	-65,995
March	0.00	-111,983	0.00	-76,555
Totals	**652.12**	**-1,474,624**	**0**	**-806,369**

6.7 These figures exclude disputed invoices, which are marked and categorised individually. This allows us to analyse patterns and identify areas for improvement. The biggest area is invoices received 28 days after the invoice date leaving no chance of making payment within 30 days. Over the last year the number of invoices received via email has increased and the AP Team is currently reviewing supplier relationships in an effort to avoid all paper/posted invoices.

6.8 Another area that has seen significant decrease is invoices disputed due to incorrect price and quantity. The introduction of the Source-to-Pay Hub and a closer working relationship between the AP Team and the hub has had a significant impact on the number of invoice payment delayed for these reasons.



6.9 The AP Team plans to improve these figures further still, by expanding the scope of auto-goods-receipting functionality to a wider section of suppliers. This functionality has been trialled for over a year and is very successful. The chart below shows the activity levels around the process and the hours and money saved over the entire time it has been running.

Auto Goods Receipting	Vendors	Transactions	Orders	Hours	Cost
<£100	8	2655	1263	47.90	£ 545.71
£101 to £1,000	37	3085	1631	102.83	£1171.55
>£1,000	15	17719	6287	359.47	£4095.30

6.10 This year, we are considering further rollout and we are currently evaluating the risks and benefits of extending the functionality to all suppliers for payments up to the value of £1,000. This would deliver further, significant savings.

7 Summary

7.1 At this early stage of the year, it is important for Directors to highlight concerns where there are areas of variance from budget so the organisation can understand the risks in the remainder of the year, plan for these during budget-setting and develop and implement plans to tackle the overspends. It is also important for Members of this Committee to be comfortable that all the right things are being done to manage within the budget available.

7.2 Children's Services continues to be a key area of risk, volatility and spend for the County Council with sudden changes in the looked-after-children cohort often causing significant and sustained cost pressures.

7.3 The Medium Term Financial Plan for 2019-20 shows a potential budget gap of £16.5m, the new Dorset Council's will need to deliver its proportionate share of this. Plans are being formulated to help address this. We are also still waiting for the Government to consult on negative RSG; this area alone causes £10.1m of cost pressure for the authority.

7.4 The Organisation Transformation Board will be considering proposals for savings for the 2019/20 budget when it meets on 27th June. After that information will be shared more widely as well as with the budget task & finish group.

Richard Bates
Chief Financial Officer
June 2018

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Audit and Governance Committee

Dorset County Council

Date of Meeting	25 June 2018
Officer	Local Members All Members Lead Director Debbie Ward, Chief Executive
Subject of Report	**Monitoring Corporate Plan Outcomes: Summary of issues being addressed by the Overview and Scrutiny Committees, July 2018**
Executive Summary	In March 2018, as requested, the Audit and Governance Committee received a summary of the approaches taken by the OSC committees to address issues relating to Corporate Plan delivery, so that they could seek assurance that the OSCs were looking at the right areas and addressing them adequately. The current meeting comes before the three OSC meetings in July. Therefore, this report provides a summary of the key issues relating to Corporate Plan delivery that will be discussed by members at those three meetings. It would be helpful if members of this committee who also attend OSC meetings could take away any reflections on these issues from the Audit and Governance Committee and bear them in mind during OSC discussions. The July OSCs are also receiving draft annual reports on their activities for discussion and agreement. One they have signed these off, members of this committee will be sent a link to them. Also, copies will be placed in the members' room, along with full performance reports as with previous cycles.
Impact Assessment:	**Equalities Impact Assessment:** There are no specific equalities implications in this report. However, the prioritisation of resources in order to challenge inequalities in outcomes for Dorset's people is fundamental to the Corporate Plan.
	Use of Evidence: The outcome indicator data submitted to the Overview and Scrutiny Committees is drawn from a number of local

	and national sources, including: Business Demography (ONS); the Employer Skills Survey (UK CES); the Adult Social Care Outcomes Framework (ASCOF) and the Public Health Outcomes Framework (PHOF). There is a lead officer for each outcome whose responsibility it is to ensure that data is accurate and timely and supported by relevant commentary.
	Budget: None in the context of this specific report. The information herein is intended to facilitate evidence driven scrutiny of the interventions that have the greatest impact on outcomes for communities, as well as activity that has less impact. This can help with the identification of cost efficiencies that are based on the least impact on the wellbeing of customers and communities.
	Risk: Having considered the risks associated with this report using the County Council's approved risk management methodology, the level of risk has been identified as: Current: Medium Residual: Low
	Outcomes: The Overview and Scrutiny Committees each have a primary focus on one or more of the outcomes in the County Council's Outcomes Framework: Safe, Healthy, Independent and Prosperous. This reports summaries the issues that are being put before all three committees during the current cycle, and therefore relates to all four of these outcomes.
	Other Implications: None
Recommendation	That the committee: i) considers the accounts in this report of the issues being addressed by the Overview and Scrutiny Committees in the current round, and: ii) if necessary, recommends that one or more of the Overview and Scrutiny Committees focuses attention on an issue or issues requiring particular investigation and scrutiny.
Reason for Recommendation	The 2017-19 Corporate Plan provides an overarching strategic framework for monitoring progress towards good outcomes for Dorset. The Overview and Scrutiny Committees provide corporate governance and performance monitoring arrangements so that progress against the corporate plan can be monitored effectively, and the Audit and Governance Committee needs to ensure that this process is effective, and issues of concern are adequately addressed.
Appendices	None

Background Papers	*Dorset County Council Corporate Plan 2017-19*, Cabinet, 28 June 2017 https://www.dorsetforyou.gov.uk/corporate-plan-outcomes-framework
Officer Contact	Name: John Alexander, Senior Assurance Manager Tel: (01305) 225096 Email: j.d.alexander@dorsetcc.gov.uk

1. Background

1.1 The corporate plan is based on the four **outcomes** that we seek to achieve for Dorset, alongside our partners and communities – that people are safe, healthy and independent, with a prosperous economy. For each outcome there is a small set of "**population indicators**", selected to measure progress towards the four outcomes. No single agency is accountable for these indicators - accountability is shared between partner organisations and communities themselves. These include, for example: levels of crime in Dorset (Safe); rates of early death from cardiovascular disease (Healthy); Delayed Transfers of Care (Independent); and the productivity of Dorset's businesses (Prosperous).

1.2 The outcome reports that are presented to the Overview and Scrutiny Committees consist of single page summaries for each of these population indicators. Each page shows the latest data, trend, and commentary for the indicator, **benchmarking** information, and the status of any associated corporate **risks**.

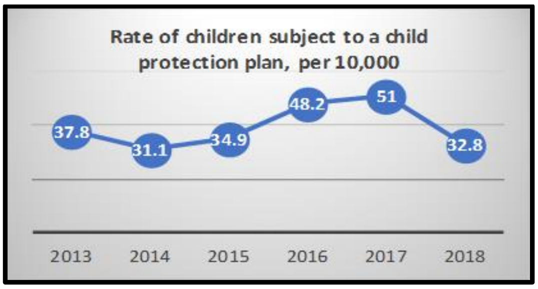
1.3 Each page also includes service performance measures, which measure the County Council's own specific contribution to, and impact upon, corporate outcomes. For example, one of the outcome indicators for the "Safe" outcome is "The number of people who are killed or seriously injured on Dorset's roads". Some of the performance measures for the County Council on this relate to road conditions, since we are accountable for the condition of a large part of the highway network, and this is one factor that contributes to road safety. Performance measures therefore reflect the degree to which we are making the best use of our resources to make a positive difference to the lives of our own customers and service users.

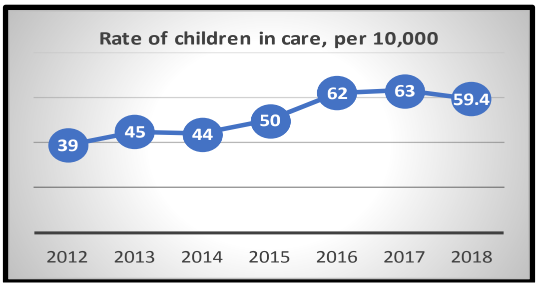
1.4 Likely areas of focus for the three committees in July 2018 are as follows:

2.0 Safeguarding Committee (Outcome: "Safe")

2.1 **Child Protection**

2.1.1 The July Outcomes Monitoring report brings the welcome news that after rising significantly over the last few years, the rate of children subject to a Child Protection Plan, and the rate of Children in Care, had fallen by the end of 2017-18. Some of this is due to improved multi-agency working, the hard work of social workers, improvements to decision making on initiating child protection investigations and conferences, embedding child protection conference chairs in area teams so that there is better joint working, and ensuring that plans do not drift.





2.1.2 There has also been a focus on preventing children coming into care in the first place. One of the ways of doing this is through the Family Focus Team, which undertakes intensive family work to try to prevent children coming into care or in supporting children to return home. The Family Focus Team was one of the first teams to adopt the 'whole family' approach to working, which is the principle that underpins Dorset Families Matter (DFM) and Family Partnership Zones. Because the DFM approach has been mainstreamed, it would be wrong to say that any single team is part or not part of the DFM programme any more, as the entire workforce is expected to work in this way. In addition, the percentage of Looked After Children adopted in the year rose from 4% in 2016-17 to 16% in 2017-18. Adoption is an important part of the strategy for reducing the number of Children in Care, so this is positive news.

2.1.3 However, some of the performance measures related to Child Protection present a less consistent picture:

- The percentage of re-referrals to children's social care within 12 months rose from 28.1% to 28.9% between Quarter 3 and Quarter 4;
- The percentage of children who become the subject of a plan for a second or subsequent time rose from 19.6% to 24.7% over the same period; and:
- The Children in Need rate per 10,000 rose again between Quarter 3 and Quarter 4, from 186.3 to 196.4.

The changes to the first two of these indicators is quite small and within normal parameters. However, the Service Improvement Board investigates every case closely in case remedial activity is required. If early help services are working successfully, then there should ultimately be a reduction, not an increase, in the number of Children in Need, so this needs continued monitoring. The Committee has had a strong focus on Early Intervention and Prevention in Children's Services during the last year, and the Interim Director, Nick Jarman, will be bringing a further update report on the subject to July's meeting. He will also update the Committee on Elective Home Education, which has been a further topic of interest for the Committee.

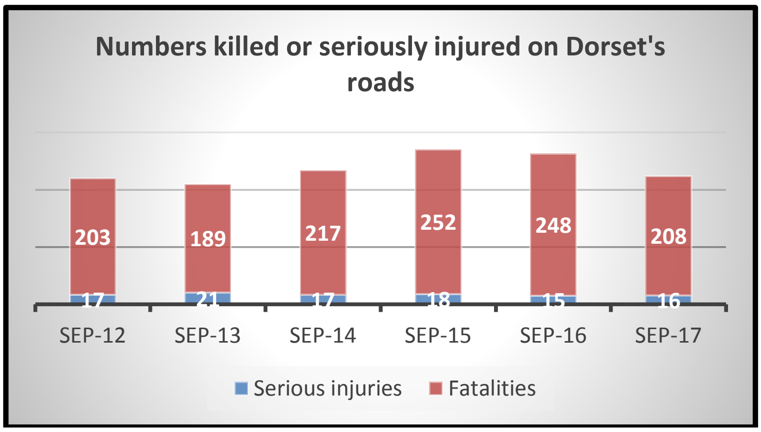
2.2 <u>Persistent Absence from School (Secondary)</u>

2.2.1 Persistent absence is defined as missing 10% of sessions, equivalent to about 19 school days in any one academic year. For secondary schools this rose from 13.9% of pupils in 2015-16 to 14.6% in 2016-17. This is in line with a national upward trend, although the gap between Dorset's rate and the national rate has widened (England figures increased from 13.1 to 13.5). Possible factors could include an increase in mental health/anxiety issues, and an increase in unauthorised absence due to family holidays. County Council strategies for improving school attendance include:

- a traded attendance service to schools;
- issuing penalty notices to parents;
- providing early help through Family Partnership Zones;
- providing intensive family support packages through Dorset Families Matter.

2.3 Road Accidents

The Committee has had a regular focus on this during the year, and a committee sub-group has been exploring the County Council's approach to the issue. The sub-group will report to the Committee again in July. Meanwhile, the downward trend in the number of people killed or seriously injured on Dorset's roads continues:



Casualty data for 2018 remains subject to change until it is signed off by the Department for Transport (DfT) in spring 2019. The number of people killed or seriously injured during the 12 months to March 2018 was 218. The trend for all casualties (KSI and slight injury) is an additional measure to help set context. There has been a relatively consistent downward trend in the total number of road traffic casualties in recent years. The 2005-09 baseline for all casualties was 1830, and the figure for the 12 months to March 2018 was 1093, 40% fewer.

3.0 People and Communities Committee (Outcomes: "Healthy"; "Independent")

3.1 Alcohol, Drugs and Healthy Weight

There has been a decline in reported performance for some of the "healthy lifestyle" performance measures, as follows:

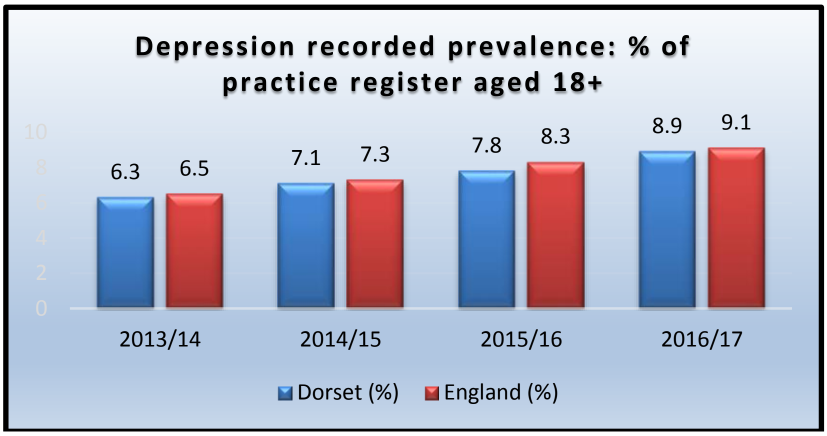
- The proportion of clients of the alcohol treatment service drinking less at 3 months has fallen from 80% to 60% between Quarter 3 and Quarter 4;
- Proportion of LiveWell Dorset clients making a 5% weight loss has fallen from 47% to 37% between Quarter 3 and Quarter 4;
- The percentage of young people successfully completing substance use treatment has fallen from 100% to 90% between Quarter 3 and Quarter 4.

The fall in the proportion of clients of the alcohol treatment service drinking less at three months, and also the proportion of clients making a 5% weight loss, could be explained by a change in recording practice. The service has recently been brought in-house and is in the first period of trialling new reporting practices and systems. By the next quarter it will be clearer if the change is real or not.

The new figure (90%) for the percentage of young people successfully completing substance use treatment is likely to be more accurate than before. Public Health Dorset now commissions the service directly, and previously people leaving were being recorded as exiting successfully if they had derived any benefit from their treatment. Now, success is only recorded if clients exhibit some form of recovery from their particular issues.

3.2 Mental Health

3.2.1 A new population indicator for mental health prevalence has been introduced this quarter - *"Depression recorded prevalence: % of practice register aged 18+".* This measures the percentage of people registered with their doctor as suffering from depression, and is likely to be more accurate, and more up to date, than the previous indicator, which was based on the number of people answering "Long-term mental health problem" to the question in the GP Patient Survey "Which, if any, of the following medical conditions do you have?"



This confirms the widely reported year on year increase in the number of people suffering from depression, which is slightly lower than the national figure. The People and Communities Committee has had a strong focus on mental health this year, including a dedicated inquiry day on the issue, and there is a further update on the July agenda as a substantive item.

3.3 Delayed transfers from hospital care

3.3.1 Revised year-end data was released in May 2018, which brought the total number of social care attributable delay days to 7,036 for the full year. This resulted in a year-end position of 121st out of 151 local authorities - an improvement from 124th last year, but still in the bottom quartile nationally. DCC performance in the second half of the year was considerably better than the first, and early indications are that this is continuing in the new year. We ended the year 390 days better than our Better Care Fund target. Provisional 2018-19 DTOC targets have recently been provided. These targets represent a 38% reduction in delays compared to 2017-18, and we are required to achieve them by the end of September 2018. The July Committee will be receiving some DTOC case studies, as requested at their previous meeting.

3.4 Other issues

3.4.1 The July Committee will also be receiving follow up reports on social isolation and integrated transport, both of which have been ongoing areas of focus through the year.

4.0 Economic Growth Committee (Outcome: “Prosperous”)

4.1 The percentage of residents educated to level 4 (or equivalent) and above

4.1.1 Level 4 is equivalent to having a Higher National Certificate (HNC). In Dorset, the percentage of residents qualified to NVQ4+ is mostly above the national average but appears to have fallen from 35.9% in 2015-16 to 32.7% in 2016-17. This data needs to be treated with some caution however - data is drawn from a household sample survey so year to year changes can reflect statistical error.

4.1.2 However, this follows the last two outcomes monitoring reports which have shown a decline in Key Stage 4 performance in Dorset, and if true, adds to a picture of educational attainment in decline. Level 4 skills are key to future jobs. Raising skill levels in the workforce would help reduce skill shortage vacancies, especially for skilled trade occupations. Ageing of the workforce means employers need to upskill their workforces for succession planning. Higher skill levels give workers the opportunity to apply for better jobs and have greater job satisfaction and wellbeing. The availability of a higher skilled labour pool would attract new employers and investment, thus raising the quality of jobs and productivity.

5.0 Overview and Scrutiny Committee Annual Reports

5.1 Each OS Committee will receive a draft 2017-18 Annual Report at their July meeting. These are intended to give a flavour of the types of issues and the work that comes before the Committees for their consideration, and the approaches they have taken in response. Once the Committees have considered and agreed these reports and the Committee Chairmen have added their own introductions, links will be sent to the Audit and Governance Committee, and copies will be placed in the Members' Room.

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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
25 July 2018 (10.00am)	1	**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)
	2	**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
	3	**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	**Financial Management 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
January 2019 (date to be advised)	1	**Financial Management Report**	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	**Jim McManus** Chief Accountant
	2	**External Audit Plan**	To consider the External Audit Plan for the forthcoming year.	**Darren Gilbert** Director, KPMG

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
	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	**Treasury Management Year to Date Update**	To consider the update on treasury management 2017-18.	**David Wilkes** Finance Manager (Treasury and Investments)
	5	**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
	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
March 2019 (date to be advised)	1	**Financial Management 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)
	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	**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	**Annual Audit Letter**	This report summarises the key findings from the external audit of Dorset County Council.	**Darren Gilbert** Director, KPMG

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
	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 Eyre** Senior Assurance 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
Other draft items / issues identified for potential review				

Debbie Ward
Chief Executive
June 2018