



Meeting: Audit and Governance Committee
Time: 10.00 am
Date: 25 October 2018
Venue: Committee Room 2, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ

David Harris (Chairman)
Cherry Brooks
Colin Jamieson

Clare Sutton
Ray Bryan
William Trite

Richard Biggs
Andrew Cattaway
Vacancy x 2

Notes:

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- We can provide this agenda and the reports as audio tape, CD, large print, Braille, or alternative languages on request.

- **Public Participation**

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

Public Speaking

Members of the public can ask questions and make statements at the meeting. The closing date for us to receive questions is 10.00am on 22 October 2018, and statements by midday the day before the meeting.

Debbie Ward
Chief Executive

Contact: Denise Hunt, Senior Democratic Services Officer
County Hall, Dorchester, DT1 1XJ
01305 224878 - d.hunt@dorsetcc.gov.uk

Date of Publication:
Wednesday, 17 October 2018

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 29 June 2018.

4. **Public Participation**

(a) Public Speaking

(b) Petitions

5. **Points from the Chairman**

11 - 12

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

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

13 - 18

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.

7. **Annual Audit Letter 2017-18**

19 - 26

To consider a report by the external auditor KPMG.

8. **Report of Internal Audit Activity - Plan Progress 2018/19**

27 - 58

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

9. **Financial Management Report**

59 - 70

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

10. **Treasury Management and Prudential Code Review 2017/18**

71 - 90

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

11. **External Funding Monitoring Report 2018** 91 - 102
To consider a report by the Chief Executive (attached).
12. **Monitoring Corporate Plan Outcomes: Summary of Issues being addressed by the Overview and Scrutiny Committees, October 2018** 103 - 110
To consider a report by the Chief Executive (attached).
13. **Work Programme** 111 - 114
To consider the Committee's current work programme.
14. **Questions from County Councillors**
To answer any questions received in writing by the Chief Executive by not later than 10.00am on 22 October 2018.

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Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,
Dorset, DT1 1XJ on Friday, 29 June 2018

Present:

David Harris (Chairman)
Clare Sutton, Richard Biggs, Cherry Brooks and William Trite.

Members Attending:

Cllr Jon Andrews attended the meeting as an observer for the public participation item (minute 36).

Officers Attending: John Alexander (Senior Assurance Manager), Rupert Bamberger (Assistant Director - South West Audit Partnership), Jonathan Brown (Partner - KPMB), Richard Ironside (Finance Manager), Jim McManus (Chief Accountant), Alex Nash (Manager - KPMG), (Mark Taylor (Group Manager - Governance and Assurance) 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 **Thursday, 25 October 2018.**)

Apologies for Absence

33 Apologies for absence were received from Steven Lugg and Ray Bryan.

Code of Conduct

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

Minutes

35 The minutes of the meeting held on 12 March 2018 were confirmed and signed subject to the inclusion of Cllr Bill Trite as an apology for this meeting.

Public Participation

36 Public Speaking

There were three public questions received at the meeting in accordance with Standing Order 21(1). The questions and responses are attached as an annexure to these minutes.

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

37 The Chairman reported that the issue of Local Government Reorganisation (LGR) had been recently discussed by the Overview and Scrutiny Management Board. The committee chairmen had been asked to identify areas where scrutiny of topics would be completed prior to 1 April 2019 and to identify those areas that would be passed on to either the Shadow Overview and Scrutiny Committee or the new Dorset Council.

Terms of Reference

38 The Committee received its terms of reference.

Noted

Progress on Matters Raised at Previous Meetings

39 The Committee considered a report containing outstanding actions since the last meeting on 12 March 2018 and the following matters were highlighted:-

29 - Brexit Advisory Group

Cllr Brooks advised that at the Brexit Advisory Group on 3 May 2018 a decision had been taken to disband the group in light of LGR and in the knowledge that the districts and boroughs were not focussing on this issue.

Members considered that there was a risk to the new Dorset Council of not assessing the impact of Brexit now and it was agreed that the Shadow Executive was informed and consideration given for its inclusion as part of a portfolio responsibility and associated relevant workstream.

23 - Scrutiny Review of the costs of care of Looked After Children in foster or residential placements

Cllr Biggs reported that no progress had been made with the review.

30 - Internal Audit of Equality Impact Assessments (EQiAs)

Some concern was expressed that the update indicated that the audit had been included on a reserve list. An assurance was given that this audit would be undertaken during 2018-19, as it had been specifically requested by the Committee.

Resolved

1. That the Shadow Executive is informed that, further to disbanding of the Economic Growth Overview and Scrutiny Committee's Brexit Advisory Group, that consideration be given for Brexit to be included as part of a portfolio responsibility and included in a relevant workstream.
2. That an audit of Equality Impact Assessments is undertaken as part of the internal audit programme in 2018-19.

Internal Audit Annual Opinion Report 2017-18

40 The Committee considered a report by the South West Audit Partnership (SWAP) concerning the Internal Audit Annual Report 2017-18.

Members asked about the disagreement in ownership of the accepted risk in relation to ICT contract management and it was confirmed that contract managers were responsible for the management of contracts rather than procurement officers. However, as part of the refresh of the Procurement Strategy and Policy, procurement and legal services staff had worked together to devise a contract management training programme. This should be piloted in September 2018 in order to support managers and ensure that the contract management policy was effective and pursued value for money from contractual arrangements. Contract management arrangements were regularly reported to the Corporate Leadership Team and update reports could be brought to the Audit and Governance Committee if required.

The Chairman commented that once a service had been outsourced it would not be subject to the same savings targets as those services that remained under the Council's control. This had an impact on the shape of the Council's own services and it would be useful to consider this aspect in future.

Members highlighted the failure to implement some of the high level recommendations as a cause for concern and it was explained that outstanding

recommendations in relation to significant audit risks would always be reported back to the Committee until such time as they were implemented. The Committee could invite relevant officers to meetings to provide an account if necessary.

Members debated the future activity by the Committee to assist with the outstanding recommendations in relation to use and management of the High Needs Block, budget management within Children's Services and Section 17 payments made to safeguard and promote the welfare and upbringing of children in need.

The Chairman stated that there was a need to know whether some of the elements contained in the budget assumptions were being delivered, such as the recruitment of foster carers, the recruitment of social workers and the Family Partnership Zones. He suggested that the outcomes to be reported in the Children's Services Budget Management follow up report were considered by the Chairman, Vice-Chairman and Cllr Bryan to assess whether to arrange a further meeting of the Committee to specifically look at these areas.

Members asked whether a contingency budget was set aside to account for unplanned events that had a high impact on the budget and the Chief Accountant advised that the Children's Services budget had already been based on high risk factors. However, there remained difficulties around high cost placements and reducing the numbers of Looked After Children (LAC). The organisation had some general funding and an overall contingency budget of £2.9m, but there was no specific contingency budget for Children's Services.

Members also drew attention to how savings from the closure of the 2 children's homes would be used and were particularly interested in exploring how good outcomes for children were being achieved, including getting children out of care. Mindful of the crossover with the Safeguarding Overview and Scrutiny Committee, members noted that it would be important to link the work and involve the Chairman of this Committee in discussions.

In response to a question, the SWAP Assistant Director stated that the annual opinion of reasonable assurance that had been given was a positive message and that there was a fairly consistent split of Reasonable and Partial assurance audits when compared with other organisations. The number of Partial assurance opinions given could potentially reflect that the internal audit activity was looking at the right areas of highest risk and concern.

Resolved

1. That the Chairman, Vice-Chairman and Cllr Bryan consider the outcomes in the Children's Services Budget Management follow up report when available;
2. That the Chairman, Vice-Chairman and Cllr Ray Bryan of the Audit and Governance Committee and the Chairman of the Safeguarding Overview and Scrutiny Committee meet with the Interim Director of Children's Services to discuss the position and undertake a scoping exercise.
3. That the scoping exercise includes the scoping document for the Scrutiny Review of Looked after Children in foster or residential placements; and
4. That, following discussion with the Interim Director of Children's Services, a joint activity (informal or formal) of the Audit and Governance and Safeguarding Overview and Scrutiny Committees is arranged in early September 2018.
5. That the Committee liaise with the Interim Director of Children's Services in relation to the risks accepted as part of the Section 17 payments review.

Report of Internal Audit Activity Plan Progress 2018/19 - June 2018

- 41 The Committee considered a report by the South West Audit Partnership (SWAP) concerning the audit plan progress in 2018-19.

The Committee discussed the significant audit risk in relation to the council's current arrangements for oversight of the Governance Framework for Tricuro and sought reassurance that the correct procedures were being followed and that appropriate contract management was in place.

The Chairman explained that he had recently become a member of the Tricuro Shareholder's Group and that he would pursue the concerns expressed by the Committee and look at whether the Audit and Governance Committee was looking at Tricuro effectively and receiving the necessary assurances.

Noted

Statement of Accounts and Outturn 2017-18

42 The Committee received a presentation by the Chief Accountant on the Financial Statements 2017-18 prior to consideration of the report.

The accounts had been certified on 30 April 2018, the Council being one of the early adopters of the 2015 regulations and one month faster than the statutory deadline of 31 May 2018.

Members highlighted the cumulative £8.7m overspend in relation to the High Needs Block of the Dedicated Schools Grant and the ability of schools already in difficulty to assist in closing this gap in future and the lack of funding to support the legislative changes in respect of Education and Health Care Plans (EHCPs).

It was confirmed that the debt in relation to Budmouth College, which was of significant local concern, was not the same debt linked to the development of the sports centre.

The Committee sought reassurance from the external auditor, KPMG following its audit of the financial statements and were assured that there had been no audit adjustments and some minor recommendations to be picked up going forward.

Resolved

That the Statement of Accounts for the year ended 31 March 2018 be approved and the accounts and associated paperwork be signed by the Chairman.

Reason for Decision

Under the Accounts and Audit (England) Regulations 2015, the Statement of Accounts and Annual Governance Statement must be approved by the Council, or a Committee to which the Council has delegated authority by 31 July 2018.

External Audit Report 2017-18

43 The Committee considered a report by KPMG, the Council's external auditors which set out the key findings in relation to the 2017-18 external audit.

The external audit had been completed in June 2018 and an unqualified audit opinion on the financial statements was anticipated before 31 July 2018, subject to the outstanding queries being resolved.

Members drew attention to a general comment in the report about the opportunity for savings presented by LGR. They noted that if transformation work continued rather than simply joining the councils together then there would be an opportunity to identify areas of synergy where further savings could be made.

Members questioned how the conclusion had been reached regarding the significant value for money risk in relation to the Children's Services overspend of £6.7m. The external auditor advised that the audit was satisfied that adequate arrangements were

in place to reduce the overspend and deliver a balanced position in future as well as delivering quality at the right price.

The Chairman highlighted that reductions in the budget continuously challenged the delivery of a quality service. He noted that the social care precept had enabled the Adult & Community Services budget to be increased and there had been previous requests to increase the Children's Services budget.

The Chief Accountant confirmed that the plans that had been put in place were not going as well as expected although some work had been completed with transitional funding arrangements, as approved by Cabinet. Although the external auditor had recognised that there was a process and governance in place to deliver a balanced budget, performance management was a separate area for management and the Audit & Governance Committee to consider as part of its own review of the Council's performance during the year.

Noted

Financial Management Report

44 The Committee considered a report by the Chief Financial Officer that provided an early update on budget management for 2018-19, performance information on debt management and supplier payments for 2017-18.

The Chief Accountant highlighted the £3.7m forecast overspend for 2018-19 and Children's and Adult and Community Services as particular areas of concern, the reasons for which had been outlined in the report.

The trade debt at 31 March 2018 was £6.5m, a significant improvement on position last year, largely due to improved information and the proactive approach and early actions taken by officers responsible for the debt. The most complex debt remained within Adult and Community Services and continued to have best potential for improvement.

The Chairman requested an update on the savings proposals considered by the Organisation Transformation Board (OTB) at its meeting on 27 June 2018.

The Committee was advised that the OTB had considered the directorate savings options for 2019-20. The final figures could not yet be circulated as more deliberation was required on risk.

Members expressed concern that proposals were being based on cost savings rather than transformation and that more narrative was required alongside savings figures in order to provide further explanation to Members.

Noted

Monitoring Corporate Plan Outcomes: Summary of Issues being Addressed by the Overview and Scrutiny Committees - July 2018

45 The Committee considered a report by the Chief Executive that contained the likely areas of focus for the three overview and scrutiny committees in July 2018 that were outlined in some detail by the Senior Assurance Manager.

Members asked about the timeliness of the statistical information in relation to road safety and also noted that the performance measures relating to Child Protection were inconsistent with the payment of Section 17 payments.

Noted

Work Programme

46 The Committee received its workplan and agreed the following:-

- That the meeting scheduled on 25 July 2018 would be cancelled and the two reports due for consideration on this date circulated to the Committee for information; and
- That, following discussion with the Interim Director of Children's Services, that an additional meeting may be required in September 2018 that focussed on Children's Services outcomes and budgets.

Resolved

That the work programme be amended accordingly.

Questions from County Councillors

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

Meeting Duration: 10.00 am - 12.40 pm

Points from the Chairman

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

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Audit and Governance Committee

Dorset County Council



Date of Meeting	25 October 2018
Officers	<u>Lead Cabinet Member</u> Rebecca Knox – Leader <u>Local Members</u> All Members <u>Lead Director</u> Debbie Ward, Chief Executive
Subject of Report	Progress on Matters Raised at Previous Meetings
Executive Summary	This report records:- (a) Cabinet 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 and 29 June 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.

Progress on Matters Raised at Previous Meetings

	<p>Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk: LOW</p> <p>Outcomes:</p> <p>Other Implications: None</p>
Recommendation	That Members consider the matters set out in this report.
Reason for Recommendation	To support the Council's corporate aim to provide innovative and value for money services.
Appendices	Appendix 1 – Outstanding Actions
Background Papers	None
Officer Contact	<p>Name: Denise Hunt, Senior Democratic Services Officer Tel: (01305) 224878 Email: d.hunt@dorsetcc.gov.uk</p>

Progress on Matters Raised at Previous Meetings

Date of Meeting	Note Number and subject reference	Action Required	Responsible Officer	Completed (incl comments)
12 March 2018	29 - Draft Annual Governance Statement 2017-18	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.	Chairman EGOSC	The Chairman will be asking for a report to come to the Economic Growth Overview and Scrutiny Committee on Broadband and Mobile phone reception.
29 June 2018	39 - Progress on Matters Raised at Previous Meetings	<p>That the Shadow Executive is informed that, further to disbanding of the Economic Growth Overview and Scrutiny Committee's Brexit Advisory Group, that consideration be given for Brexit to be included as part of a portfolio responsibility and included in a relevant workstream.</p> <p>That an audit of Equality Impact Assessments is undertaken as part of the internal audit programme in 2018-19.</p>	<p>Democratic Services</p> <p>Rupert Bamberger, SWAP</p>	<p>The Chairman of the Shadow Executive who has responsibility for the allocation of portfolios and lead member was informed following the meeting.</p> <p>An audit of Equality Impact Assessments has been formally added to the 2018-19 internal audit programme of work.</p>

Progress on Matters Raised at Previous Meetings

Date of Meeting	Note Number and subject reference	Action Required	Responsible Officer	Completed (incl comments)
	40 - Internal Audit Annual Opinion 2017-18	<p>That the Chairman, Vice-Chairman and Cllr Bryan consider the outcomes in the Children's Services Budget Management report when available.</p> <p>That the Chairman, Vice-Chairman and Cllr Ray Bryan of the Audit and Governance Committee and the Chairman of the Safeguarding Overview and Scrutiny Committee meet with the Interim Director of Children's Services to discuss the position and undertake a scoping exercise (to include the scoping document for the Scrutiny Review of Looked after Children in foster or residential placements).</p> <p>That the Chairman liaises with the Interim Director of Children's Services in relation to the risks accepted as part of the Section 17 payments review.</p> <p>That, following discussion with the Interim Director of Children's Services, a joint activity (informal or formal) of the Audit and Governance and Safeguarding Overview and Scrutiny Committees is arranged in early September 2018.</p>	Rupert Bamberger to forward the report when available	<p>The Children's Services Budget Management Final Follow-Up Report was circulated via e-mail on 10 August 2018.</p> <p>An initial scoping meeting for a scrutiny review of the Children's Services Budget with officers took place on 13 September 2018 and further planning meetings have been arranged in October and December 2018.</p> <p>An Inquiry Day for the Children's Services Budget has been arranged on Tuesday 15 January at the Dorset History Centre.</p>

Progress on Matters Raised at Previous Meetings

	41 - Report of Internal Audit Activity Plan Progress 2018/19 - June 2018	The Chairman would pursue the concerns expressed by the Committee and look at whether the Audit and Governance Committee was looking at Tricuro effectively and receiving the necessary assurances.	Committee Chairman	
	46 - Work Programme	That, further to the cancellation of the meeting on 25 July 2018, that the two reports due to be considered at this meeting are circulated to the Committee by e-mail.	Democratic Services	The annual complaints report 2017-18 was circulated to the Committee by e-mail on 30 July 2018. The External Funding Monitoring Report has been included as an item on the agenda for the October committee meeting.

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Annual Audit Letter 2017/18

Dorset County Council

September 2018



Section one

Summary for Audit and Governance Committee

Section one:

Summary for Audit and Governance Committee

This Annual Audit Letter summarises the outcome from our audit work at Dorset County Council ("the Authority") in relation to the 2017-18 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 23 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund and the consolidated financial statements for the Authority's Group, which consists of the Authority itself and its joint ventures.

Financial statements audit

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £10 million which equates to around 1.8 percent of gross expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision. Materiality for the Pension Fund was set at £30 million which is approximately 1 percent of gross assets.

We report to the Audit and Governance Committee any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £0.5 million for the Authority and £1.5 million for the Pension Fund.

We have identified one audit adjustment with a total value of £7.4 million in relation to the valuation of PPE, this audit adjustment has not been corrected by management.

We have raised two recommendations as a result of our audit and these relate to the valuation of PPE and notification of deferred members and joiners to the pension fund.

Our audit work was designed to specifically address the following significant risks:

- **Management Override of Controls** – There are no matters arising from this work that we need to bring to your attention;
- **Valuation of PPE** – We have identified an audit misstatement in relation to the valuation of PPE;
- **Pensions Liabilities** – The methods and assumptions used in the valuation of pension liabilities are, in our opinion, reasonable.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Section one:

Summary for Audit and Governance Committee (cont.)

Pension fund audit

There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report.

Our audit work was designed to specifically address the following significant risks relating to the Pension Fund:

- **Valuation of hard to price investments** – There are no matters arising from this work that we need to bring to your attention.

Whole of Government Accounts

We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.

Value for Money conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 23 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

Value for Money risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

Our work identified the following significant matters:

- **Delivery of Budgets** – From the work performed we noted that the Authority had appropriate arrangements in place in relation to the delivery of budgets;
- **Children's Services** – From the work performed we noted that the Authority had appropriate arrangements in place in relation to the monitoring and management of the Children's services overspend.

High priority recommendations

We raised no high priority recommendations as a result of our 2017-18 work.

Section one:

Summary for Audit and Governance Committee (cont.)

Certificate

We issued our certificate on 31 August 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our fee for 2017-18 was £74,022, excluding VAT (2017: £74,022). Our fee for the audit of the Pension Fund was £25,146 excluding VAT (2017: £25,146).

Exercising of audit powers

We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about.

We have not identified any matters that would require us to issue a public interest report.



A close-up photograph of a person's hand holding a silver pen, writing on an orange sticky note attached to a whiteboard. The whiteboard is covered with several other colorful sticky notes in shades of pink, purple, and green. The background is a soft-focus blue wall. The image is framed by a purple horizontal bar at the top and bottom.

Appendices

Appendix 1:

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

Certification of Grants and Returns ◆

This report summarised the outcome of our certification work on the Authority's 2016-17 teachers' pension return.

External Audit Plan ◆

The External Audit Plan set out our approach to the audit of the Authority's financial statements and to support the VFM conclusion.

Interim Audit Report ◆

The Interim Audit Report summarised the results from the preliminary stages of our audit, including testing of financial and other controls.

Report to Those Charged with Governance ◆

The Report to Those Charged with Governance summarised the results of our audit work for 2017-18 including key issues and recommendations raised as a result of our observations.

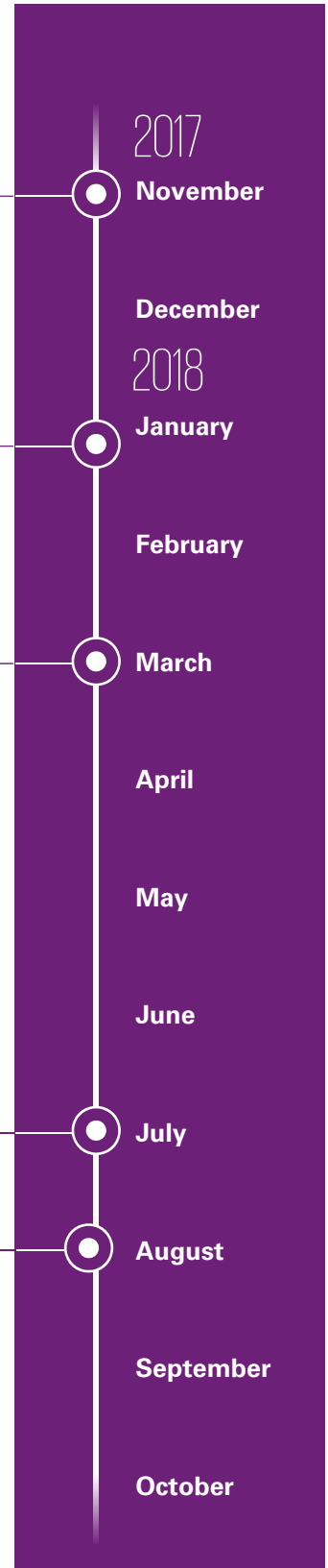
We also provided the mandatory declarations required under auditing standards as part of this report.

Auditor's Report ◆

The Auditor's Report included our audit opinion on the financial statements along with our VFM conclusion and our certificate.

Annual Audit Letter ◆

This Annual Audit Letter provides a summary of the results of our audit for 2017-18.





The key contacts in relation to our audit are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Jon Brown, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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Dorset County Council

Report of Internal Audit Activity

Plan Progress 2018/19 – October 2018

Page 27

Agenda Item 8

Contents Page

The contacts at SWAP in connection with this report are:

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➔	Audit Opinion and Summary of Significant Risks	Page 1
➔	Added Value	Page 2
➔	SWAP Performance	Page 3
➔	Changes to the Audit Plan	Page 4
➔	Monitoring of Previously Reported Significant Risks	Page 5-7
➔	Internal Audit Work Programme 2018-19	Page 8-12
➔	Appendix - Disclosure and Barring Service (DBS) - Final Audit Report	

Page 28

Executive Summary

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

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

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 June one further significant risk has been identified as follows:

We have been regularly reporting to the Audit & Governance Committee on progress made in respect of **Safer Recruitment** with particular emphasis on **DBS checking**. 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 have undertaken a further full audit of DBS checking. Our work is now concluded and our concerns around the findings and the existing awareness of issues around the DBS checking process are such that it has led us to issue a '**no assurance**' opinion. The full audit report has been attached as an **Appendix** to this report, setting out the details of our findings, recommendations and agreed actions.

Management actions have been agreed against each of our recommendations. We are satisfied that, if implemented, these actions will mitigate the immediate and ongoing risks. The exception to this is in regard to volunteers, where officers have indicated proposed actions that go some way to help address the issue, however SWAP is of the opinion that there is still a significant degree of risk exposure as a result of not maintaining a comprehensive record of volunteers and their DBS statuses. Therefore, the risk has been considered accepted.

New SWAP Audit Report & Recommendation Priorities

We have recently amended our audit report template across the SWAP partnership. The changes we have made aimed to reduce the overall length of our reports, summarise all the key messages on the first page of the report and introduced an assurance opinion 'dial' to better pinpoint our audit assurance.

As part of the refresh, the scoring mechanism for our recommendations has also changed; moving from a 1-5 system from Low to High, to a 1-3 High to Low approach. All previous priority 5 and 4 recommendations have been amended to priority 1 and 2 respectively. The full report attached within the Appendix provides an example of our new report template.

Added Value

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



Added Value

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

During this year SWAP have added value through 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.

So far this year we have provided best practice guides for Budget Management as well as the Development of a People Plan. We have also provided benchmarking data from across SWAP partners and beyond for Dorset Waste Partnership.

As well as the above, we have continued to make available to DCC detailed analysis of expenditure through SAP in order to identify potential duplicate payments. This is proving to be a valuable and worthwhile exercise.

SWAP has provided support to the Shadow Dorset Council undertaking three reviews of programme governance that have been reported to the Shadow Overview and Scrutiny Committee and the Shadow Executive Committee. The following reviews have been completed to date:

- [LGR Programme Audit – Programme Governance Review](#)
- [LGR Programme- Programme Governance Follow up](#)
- [LGR Programme – Further Programme Governance Review](#)

This work will continue with regular assurance reports throughout the lifecycle of the programme.

Internal Audit Plan Progress 2018/19

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 Partners as well as many subsidiary bodies. SWAP performance is subject to regular 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 10 October 2018) are as follows:

Performance Target	Performance
<p><u>Audit Plan – Percentage Progress</u></p> <p>Completed 36%</p> <p>Work at Report Stage 8%</p> <p>Fieldwork 17%</p> <p>Scoping 12%</p> <p>Not yet Started 27%</p>	
<p><u>Quality of Audit Work</u></p> <p>Overall Client Satisfaction <i>(did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i> 100%</p> <p>Percentage of SWAP staff qualified or working towards a qualification 100%</p>	
<p><u>Outcomes from Follow Up Audit Work</u></p> <p>Percentage of Priority 1&2 recommendations for partial assurance audits, that remain outstanding when the follow up audit is undertaken 60 % (35 of 58)</p> <p>Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i> 100%</p>	

Approved Changes:

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



Changes to the Audit Plan

Since the approval of the annual internal audit plan there have been certain changes. This had been due to emerging risks that have been deemed higher priority, or where the service has stated that an audit would not add sufficient value at this time. The changes have been summarised below together with an explanation of the reasons for the change:

Audits removed from the original 2018/19 audit plan since our update report in June

- Reserves and Medium Term Financial Strategy (*CIPFA have been commissioned to undertake work on the financial situation of each of the sovereign Councils prior to LGR and therefore for internal audit to cover similar or the same areas was not considered efficient. The request to remove this work came from the Chief Financial Officer*)
- Data and performance Team and Outcomes Tracker (*The team is currently undergoing a restructure in relation to a review commissioned by the Organisational Transformation Board and is also part of a wider service review to deliver savings for the Council to achieve a balanced budget. Due to this we were requested not to undertake these reviews by the Corporate Director for Environment and Economy.*)
- Brexit Member/Officer Working Group (*This group is no longer meeting and therefore no audit support is required*)

Audits substituted to replace the reviews above and new audits added to plan

- DBS Checking (*This audit was on the reserve list and was brought into the audit plan as a result of other audits removed and a request for an updated position by the Committee*)
- Coach tender investigation and advice work (*A request to undertake some investigation work into incorrect usage figures used during a tendering process*)
- Green Assets (*A requested piece of work to review the arrangements currently in place within the service to confirm that they robustly contribute to a valued service to the public whilst fully recovering their above the line costs and leveraging additional resources for the benefit of Dorset as a whole*)
- Durlston Country Park investigation into banking shortfall and general income procedures (*Following two bankings where the amount deposited was less than the amount recorded as banked, Internal Audit were asked to investigate and review current income collection and banking procedures*)
- Duplicate Payment Run – Advice on Revised Procedures (*Following an upgrade of Mosaic a duplicate payment run for residential care homes took place resulting in £2.25M of overpayments. Recovery will take place and a new software upgrade procedure has been proposed. Audit have been asked to review the revised procedure to ensure this provides adequate control to prevent any further occurrences of this nature*)

Monitoring of Previously Reported Significant Risks

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	<p>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.</p> <p>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.</p>	All actions are planned to be completed by the end of July 2018	A follow review is currently being undertaken to confirm progress against the recommended actions.
Safer Recruitment	<p>There is no effective control to ensure that a DBS check is undertaken in every appropriate instance prior to employment commencing.</p> <p>Without maintaining a central record of volunteers, the Authority is unable to ensure that a DBS check is undertaken in every appropriate instance prior to volunteer work commencing.</p>	All actions were planned to be completed by the end of April 2017.	A further full internal audit review has been undertaken and details of this can be found on Page 1 above and the no assurance report can be found in the Appendix to this report A follow up audit to ascertain progress in implementing the recommendations contained within this report will be undertaken during November 2018.

Page 33

Monitoring of Previously Reported Significant Risks

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
Governance Framework for Tricuro	<p>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.</p> <p>Tricuro have not provided regular performance or financial data to the council.</p> <p>Performance data that has been provided indicates poor performance in some areas.</p>	All actions were due to be implemented by 1 October 2017	Further follow up work is currently underway and we are awaiting confirmation that the key areas of concern have been adequately addressed.
Resilience of ICT infrastructure – Service Continuity Planning	<p>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.</p> <p>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.</p>	All actions are due to be implemented by 31 March 2018	<p>A follow up audit has been undertaken and we were encouraged by the work undertaken to either complete or progress recommendations which will significantly reduce the risk exposure.</p> <p>Previously reported significant risks are now believed to be adequately mitigated.</p>

Page 34

Monitoring of Previously Reported Significant Risks

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
Budget Management within Children's Services	<p>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.</p> <p>Actions which address budget overspends are not always quantified in terms of the impact on budgets. Savings targets are allocated to budgets without a documented plan being in place for the achievement of these targets.</p>	All actions are due to be implemented by 31 March 2018	<p>A follow up audit has been undertaken and a substantial proportion of the recommendations relate to the 2017-18 budget which has now been closed down with an overspend of £6.6M for Children's Services. A copy of our follow up report was provided to the Chair of Audit and Governance Committee, as it was understood that the report was going to be used to inform discussions with the Interim Director of Children's Services as part of an Enquiry Day reviewing Children's Services budgets.</p> <p>Whilst there is ongoing work across the organisation to mitigate the significant risks associated with the Children's Services budget our audit recommendations have been implemented.</p>
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.	<p>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.</p> <p>However, in relation to the issues that were raised as part of the original audit we consider that the actions taken have adequately mitigated the risk highlighted and this will be further confirmed in the compliance work due to be undertaken.</p>

Page 35

Internal Audit Work Programme – 2018-19

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	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Completed Work for Dorset County Council								
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	-	-	-
Follow up	Learning Disability	1	Final	N/A				
Follow up	General Data Protection Regulations	1	Final	N/A				
Operational	Management of Grants	1	Final	Reasonable	3	-	-	3
Operational	Family Partnership Zones	1	Final	Partial	5	-	2	3
Operational	Contract Management – Construction and Transport	1	Final	Reasonable	3	-	1	3
Operational	Deferred Payments	1	Final	Partial	5	-	3	2


Page 36

Internal Audit Work Programme – 2018-19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Follow up	ICT Contract Management	1	Final	N/A				
Operational	Dorset Care Framework	1	Final	Partial	10	-	8	2
Operational	Capital Budget Management	1	Final	Substantial	1	-	-	1
Operational	Mental Health Act	1	Final	Advice and Guidance				
Follow up	Education of Looked After Children	2	Final	N/A				
Operational	Statutory Timescales for Children's Assessments	2	Final	Partial	5	-	3	2
Follow up	Resilience of ICT Infrastructure	2	Final	N/A				
Follow up	Children's Services Budget Management	2	Final	N/A				
Operational	Implementation of Our People Plan	2	Final	Advice and Guidance	N/A			
Operational	DBS checking	1	Final	None	8	5	2	1
Operational	Dorset Waste Partnership – Value for Money	1	Final	Advice and Guidance				
Completed work for Shadow Dorset Council								
Operational	Governance of Shaping Dorset Programme	1	Final	Partial	5	-	5	-
Follow up	Governance of Shaping Dorset Programme	1	Final	N/A				
Operational	Governance of Shaping Dorset Programme	1	Final	Partial	7	-	7	-

Page 37

Internal Audit Work Programme – 2018-19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major  3 = Medium		
						Recommendation		
						1	2	3
Reporting								
Operational	Whistleblowing	1	Discussion					
Operational	National Fraud Initiative Governance Arrangements	1	Discussion					
Operational	Budget Assumptions	1	Discussion					
Operational	Cyber Security Firewall Management	2	Discussion					
Operational	Durlston Country Park	2	Draft					
In progress								
Operational	Adult and Community Services Debt Management and Debt Recovery	1	Fieldwork					
Operational	Deprivation of Liberty	2	Fieldwork					
Operational	Green Assets Strategy	2	Fieldwork					
Operational	Achievement of Savings Targets	2	Fieldwork					
Operational	Data Quality – Mosaic	2	Fieldwork					
Operational	Fraud Detection	2	Fieldwork					
Operational	Public Health - Livewell Dorset	2	Fieldwork					
Operational	Mosaic Post Implementation Review	2	Fieldwork					
Operational	Duplicate Payment Run advice	2	Fieldwork					

Page 38

Internal Audit Work Programme – 2018-19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Operational	Duplicate payment reporting	1-4	Fieldwork					
Follow up	High Needs Block	3	Fieldwork					
Follow up	Tricuro Governance Arrangements – Follow up	3	Fieldwork					
Operational	Role of the Dorset Manager	3	Scoping					
Operational	Pension Fund Investments Transfer	3	Scoping					
Operational	Risk Management	3	Scoping					
Operational	Portesham Primary	3	Scoping					
Operational	Wool Primary	3	Scoping					
Operational	Continuing Health Care	3	Scoping					
Operational	Standards in Dorset Schools	3	Scoping					
Operational	Property Maintenance Framework	4	Scoping					
Yet to Commence								
Operational	Fostering		Not started					
Operational	Children’s Social Care Caseload Management		Not started					
Operational	Effectiveness of Social Care Practice		Not started					
Operational	Readiness for Ofsted Inspection		Not started					

Page 39

Internal Audit Work Programme – 2018-19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Recommendation		
						1 = Major	2	3 = Medium
						1	2	3
Operational	DWP - Enforcement		Not started					
Operational	Dorset Travel		Not started					
Operational	Local Enterprise Partnership		Not started					
Operational	Equality Impact Assessments		Not started					
Operational	Scheme of Delegation		Not started					
Operational	Compliance with IR35		Not started					
Operational	Staff Performance Management		Not started					
Operational	Public Health contract compliance		Not started					
Operational	Property Maintenance Framework		Not started					
Operational	Supplier resilience		Not started					
Operational	GDPR Compliance		Not started					
Operational	ICT Key Controls		Not started					
Operational	WAN Management		Not started					
Operational	Software Licencing		Not started					
Operational	LGR – Technology Convergence		Not started					

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



Disclosure and Barring Service (DBS) Checking

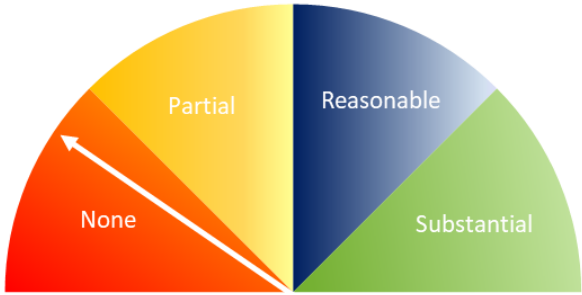
Final Report

Page 41

Issue Date: 27 September 2018

Executive Summary

Page 42

Audit Opinion		Recommendation Summary	
	<h1>None</h1>	Priority	Number
		Priority 1	5
		Priority 2	2
		Priority 3	1
		Total	8
<p>The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.</p>			

Audit Conclusion

Our audit testing has identified that job roles have been incorrectly assessed as not requiring a DBS check and employees have been found to be working in regulated roles without a DBS clearance. There is a risk therefore, that the Council is employing barred individuals in regulated positions. In addition, reliance cannot be placed on the DBS status indicating whether a check has taken place or not, as examples were found where the status indicated that a DBS clearance was not required and yet the individual had been given a DBS check.

Where a DBS check has been completed and it returns information on that individual, the responsible manager should complete a 'Record of positive (non-blank) check risk assessment'. If the individual is offered and takes a position with the Council, the risk assessment should be retained on their personal file. Our testing indicated that there are instances of employees working in positions where a DBS clearance is required, and information has been returned on the check, however there is no evidence that a risk assessment as to the individual's suitability to be employed, has been carried out. As a result, individuals with convictions and cautions for criminal offences could be employed in roles within the Council for which they are unsuitable.

The Council permits the employment of individuals prior to the receipt of DBS clearances. In such circumstances, the manager recruiting for the vacant post is required to complete a risk assessment which records why they consider to individual to be low-risk, and what additional measures will be put in place to mitigate any risks until receipt of the DBS clearance. Audit testing identified examples where it was not possible to evidence completion of a risk assessment prior to staff

starting without a DBS clearance having been received. There is a risk that employees in regulated posts could be permitted to undertake duties, for which as yet, there is no clearance.

A central record is not maintained of volunteers working across the Council and it is the responsibility of the appropriate manager to ensure that an assessment of the volunteering work is undertaken to determine whether a DBS check is required. There is guidance on SharePoint around the requirements for this. However, we are not able to provide any assurance that DBS checks have been undertaken for volunteers working in regulated or financial based activities as it was not possible to obtain a sample for testing. Based on the finding of our testing across Council employees, there is a concern that the same levels of non-compliance may exist across the population of volunteers and as a result there may be volunteers working across the Council in regulated and financial related positions who have not had appropriate DBS clearance.

Background

An audit of Safer Recruitment was undertaken during 2016-17. This systems-based audit review identified a lack of control in place to ensure that a DBS check is carried out in every appropriate instance. As part of that audit a recommendation was made that the Council should consider whether the risk incurred around the lack of controls within the manager self-service process did not exceed the Council's risk appetite. In response to our recommendation the risks around manager self-service were accepted, however it was agreed that a system of spot checking a sample of new employees in regulated posts would be implemented, to ensure that a DBS check had been undertaken prior to commencement of employment. The perceived corporate risk around DBS checking was highlighted to the Audit and Governance Committee through the usual reporting process and they asked for regular updates.

A follow up audit undertaken in the first half of 2017-18, identified that only partial progress had been made in implementing the agreed recommendations, with the spot checking not having been implemented at that time. A further follow up audit was conducted towards the end of 2017-18 and this work found that increased focus had been placed on improving DBS clearance checking procedures. At this time, it was confirmed that the spot check recommendation had been implemented and this had identified several instances where further investigation was required where data suggested that either DBS clearance had not been received prior to commencement of employment or that HR did not have a record of confirmed DBS clearance where a position has been marked as requiring one.

Throughout this time the Audit and Governance Committee had been asking Audit to provide assurances around DBS clearance procedures. As a result, it was agreed that Internal Audit would undertake a further review of DBS checking which would focus on compliance.

The County Council introduced a whole council SAP enterprise system in 2009 dependent upon manager self-service, thereby securing savings from the corporate centre. The DBS element of manager self-service was rolled out in 2013. As a result, it is the responsibility of managers across the organisation to correctly identify the DBS status of a new post and to ensure that where applicable that DBS clearance is obtained, a risk assessment is completed prior to an employee starting in post where the DBS clearance is pending and to assess the risk of employing an individual whose DBS check has returned details of criminal offences. HR provide a supporting and advisory role to managers to enable them to fulfil their responsibilities regarding DBS.

At the point at which a manager determines that a DBS check is required the manager should contact the DBS administrator (HR) for their area and arrange for the checking process to be begin. This results in an email and secure link to enable the individual being checked to provide required information about themselves. This should be followed by a face to face meeting at which the person being checked provides required documents to prove their identity. The DBS then undertake the required level of checking through the police national computer and as well as providing a certificate to the individual they notify the manager whether there is anything positive on the certificate (a conviction).

Local Authorities are responsible for ensuring arrangements are in place which help prevent abuse of vulnerable people. The Safeguarding Vulnerable Groups Act 2006 sets out the activities and work which are 'regulated activity', which a person who has been barred by the Independent Safeguarding Authority must not do. The correct use of the DBS helps ensure safe recruitment, transfers in (e.g. via TUPE transfers), continuing employment decisions and access to premises by contractors and agency workers. It is an important part of preventing unsuitable people from working with vulnerable groups. The council can only legally check someone's criminal record if they are applying for certain roles, where the requirement for a check has been identified. When considering the suitability of an individual for any position with access to children or vulnerable adults the manager needs to ensure that criminal record information checks are undertaken when appropriate, at the required level, and in accordance with legislative requirements.

The Disclosure and Barring Service (DBS) is an executive agency of the Home Office and provides organisations with a 'one stop service' to access criminal record information and to check whether individuals are barred from working with children and vulnerable adults. The DBS helps supports recruitment processes and procedures in place to help to deter, reject and identify people who might abuse vulnerable people or are otherwise unsuitable to work with them.

Page 44

Corporate Risk Assessment

Objective

To assess the procedures and controls in place to ensure individuals are subject to appropriate DBS checking where relevant to their role in the Authority.

Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. The Authority fails to identify individuals unsuitable to work with vulnerable people, potentially leading to harm or detriment to the wellbeing of service users.	High	High	High
2. Individuals who require DBS clearance, start work prior to clearance being obtained, or an appropriate risk assessment in place leading to potentially unsuitable individuals working with vulnerable people.	High	High	High

Scope

The audit review focused primarily on employees excluding schools-based staff and those of third parties providing services to the Council e.g. Tricuro. The Council does not maintain a central record of volunteers. All records relating to volunteers are currently kept with the manager responsible for the Service. Whilst it was not possible to undertake any testing on volunteer DBS checking we have raised recommendations around this area.

Sample testing was performed on the following:

- A report of all DCC employees and their respective DBS eligibility was obtained from HR. The report was filtered to identify all employees listed as not eligible for a DBS check (those listed as N/A against the DBS Code field). From the filtered report, we selected a sample of nine job roles which we considered likely to require a DBS check based on a number of factors. For example, using key words such as social, residential, care etc. or selecting from high risk Service/Directorate areas such as Children’s, Adults or Legal Services. Each job role was queried with the employee’s respective manager in order to establish the rationale for the employee not requiring a DBS check despite the job role indicating that potentially they may be eligible for one;
- HR provided a report which detailed all changes made in the last 12 months to DBS eligibility. A sample of 7 changes were selected where the post had been changed from requiring a DBS check to no longer being eligible for one. Each job role was queried with the appropriate manager in order to establish the rationale for the change in DBS eligibility; A report of all employees with a positive DBS check (which could highlight criminal convictions) was obtained from HR. A sample of 10 employees with positive checks were selected to ensure that a risk assessment had been completed and that these were retained on file; and
- HR provided a report which detailed all new starters from the 1st of March 2018. We identified a total of 15 employees had commenced employment with the authority before DBS clearances were received. We sampled checked all 15 employees in order to established whether a risk assessment had been completed for each.

The key findings from the above testing have been detailed in the main body of this report hereafter.

Findings and Outcomes

Summary of Control Framework

Policies, procedures and guidance documents are available on SharePoint to managers who advertise vacancies in order to help them determine whether a post requires a DBS clearance. The responsibility lies with the manager advertising a vacancy to determine whether a DBS check is required for a role based on the information available to them on SharePoint. It is our understanding that the guidance on SharePoint has recently been updated to further help managers determine the DBS eligibility of a post, however, a more fundamental review of the guidance is planned for in the Autumn. Advice can also be sought from Human Resources if required.

When advertising a vacancy on DES, managers are required to select whether the post is eligible for DBS clearance and if so, what level of check is required. This is a mandatory requirement for all vacancies, however, the manager may select a not applicable option. HR will undertake a sense check to ensure DBS eligibility has been assessed correctly. Applicants are informed of the requirement to undergo a DBS check at advertising and short-listing stages of the recruitment process. The Council allows the appointment of individuals into post before clearances are received. However, in such circumstances, the manager advertising the vacancy must complete a risk assessment which will record why they consider the individual to be of a low risk and what additional measures will be put in place to mitigate any risks until receipt of clearance. A weekly report is produced by HR which identifies all new starters who have not yet had a DBS check despite the requirement for one. The purpose of the report is to ensure managers undertake DBS checks for all employees requiring one promptly and that these checks do not remain outstanding on their DES work list for a long period of time. The information is provided to all HR & OD Business Partners who will liaise with managers directly.

Following the transfer of DBS data from a number of sources onto DES in January 2018, HR have identified potential gaps in DBS clearances of existing employees whose DBS status indicates eligibility for a DBS check. These have been followed up with Services / Directorates to secure evidence that DBS clearances have been obtained or to confirm that real gaps exist, i.e. where an employee who requires a DBS check is found not to have had one. In such circumstances, action has been taken and risk assessments have been completed where appropriate whilst formal clearance is obtained. Progress has been made in this area, but further work is still required.

In circumstances where a DBS check is returned and reveals information for consideration by the manager (non-blank, positive check), which could indicate a criminal conviction(s), this does not automatically result in a withdrawal of an offer of employment or termination (if individual has already been appointed into post). However, in such circumstances the manager is required to complete a separate risk assessment. The risk assessment provides a record of the managers rationale in any case where one or more offences have been disclosed, but where these are not considered by the manager to pose a risk.

The terms and conditions of employment for individuals in roles requiring DBS clearance emphasise the individual's obligation to declare any relevant changes to their criminal record status which occur during their employment. If an individual fails to declare any relevant change to their criminal record status, this is subject to disciplinary action, which may include dismissal in serious cases. Changes are being made to the Personal Development Review form to record the date of the last DBS check carried out against an employee eligible for one and also provide a forum for the employee to declare any changes to criminal record status. However, these are currently in the process of being tested but it is anticipated that this will be rolled out in readiness for mid-year reviews due to take place October 2018.

1.	The Authority fails to identify individuals unsuitable to work with vulnerable people, potentially leading to harm or detriment to the wellbeing of service users.	High
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1.1 Finding and Action

Issue	Risk
Job roles have been incorrectly assessed as not requiring a DBS check. This has resulted in the appointment of individuals into posts classed as a 'regulated activity' with no DBS check carried out.	Barred individuals may have been appointed into posts for which they would not be suitable. This could result in reputational damage and legal challenge to the Council.

Findings

From a report of employees not requiring a DBS check (i.e. a DBS eligibility status of N/A) we selected a sample of nine job roles which were considered likely to require a DBS check based on a number of factors. For example, using key words such as social, residential, care etc. or selecting from high risk Service/Directorate areas such as Children's, Adults or Legal Services. Each job role was queried with the employee's respective manager in order to establish the rationale for the employee not requiring a DBS check despite the job role indicating that potentially they may be eligible for one. The findings have been detailed below:

- Three responses indicated that the jobs roles had incorrectly been assessed as not eligible for a DBS check and, as a result, a check had not been completed for the employees appointed into those posts. All three job roles were found to require a DBS clearance. The job roles in question were for a Principal Social Worker - Adult & Community Services, Quality Improvement Officer - Adult & Community Services and a Paralegal - Legal Services. In respect of the Quality Improvement Officer, we were informed by the manager that they felt this role required DBS clearance given the contact that they have with service users, sometimes alone during visits to the service user's homes. However, a decision was made prior to the managers appointment that the role did not require DBS clearance. This was queried by the manager, but HR advised them that clearance was not deemed necessary for the role. Further detail with regards to the three job roles found to have been incorrectly assessed has been documented within Table A of Appendix A for managements review.
- Four responses indicated that the manager believed that a DBS check had been undertaken despite the DBS status showing as 'N/A' against the DBS eligibility, which would indicate that they were not eligible for a DBS check. Further investigation revealed that of the four employees, evidence could not be provided to demonstrate that DBS clearance had been received in three instances despite the manager's assurances that clearance had been obtained. These employees together with the details of their manager have been listed within Table A of Appendix A. Evidence to demonstrate clearance was provided for one of the four employees and found to be satisfactory.

Page 47

In addition to the above, the DBS status of two Senior Officer posts (the Chief Financial Officer and Chief Accountant) were identified as not eligible for a DBS check. It is our opinion that these Senior Officer's should have a basic DBS check as it would be inappropriate to employ individuals who may have certain convictions. The responsibility for determining whether a post requires a DBS check lies with the manager advertising a vacancy. Guidance is available on SharePoint to help managers make the assessment and advice can be sought from HR if required. HR has also informed us that a sense check is carried out to ensure DBS eligibility has been assessed correctly., However, our testing highlights that the arrangements for sense checking are not adequate. In addition to this, we found that the guidance on SharePoint was not clear suggesting that the DBS status code for a basic check is BC and N/A. This is not the case as N/A indicates that no check is necessary. These factors may have led to some of the discrepancies identified within our testing outline above.

Recommendation

I recommend that the Service Director Organisational Development ensures that a review is undertaken of all job roles across the whole Council in order to confirm that the DBS status within DES has been correctly assessed and the appropriate level of clearance has been obtained. Where jobs are identified as having been incorrectly assessed as not requiring a check or the incorrect level of check has been applied, DBS clearance should be sought as a matter of urgency and appropriate precautions taken before and if necessary, after clearances are received (where DBS checks reveal potential concerns).

SWAP Ref. 39205

Priority Score	1
Timescale	31/10/2018
Responsible Officer	HR Service Manager – Operations

Agreed Action

A review of all job roles is already being undertaken across the council to confirm that the DBS status of roles within DES have been correctly assessed and that the appropriate levels of clearance have been obtained. This is being undertaken with each Directorate Leadership Team working with their HR Business Partner. This work has been completed within the Adult & Community Services directorate and is well in progress across all other areas.

Where roles are found to have been incorrectly assessed, and the assessment means that either of the following apply:

- (a) the workforce checked is not appropriate for the role;
- (b) a barred list check has not been undertaken where it is a requirement to do so for the role;
- (c) the level of check undertaken has not assessed all of the criminal record information that the role demands.

We will require that managers:

- I. seek DBS clearance at the appropriate level of relevant staff as a matter of urgency;
- II. risk assess individuals in roles where no or the incorrect level of DBS checking has been carried out and take appropriate steps to address the risk in the interim, pending the outcome of the subsequent check;
- III. take action should the criminal records check outcome reveal concerns about individuals in their role.

The review of roles will be completed by the end of October, including initiation of the correct level of check. It should be noted that completion of the recommendation in full will be dependent on the time required to receive DBS check results (which Dorset County Council cannot influence) and compliance by managers with the requirements listed above.

Managers are also always asked to review that the level of check is accurate as they advertise vacancies in DES, and to consider the DBS status as they undertake PDR reviews; changes have been made to the PDR Mid-Year Review form to provide managers with access to information about DBS clearances. The data will allow managers to understand the DBS status of positions, identify when a DBS clearance has been completed or, more importantly, where a clearance is not recorded, and input dates when Risk Assessments have been completed. Data in DES is updated on a weekly basis to ensure that information from data sources such as the DBS e-bulk system is up to date. The changes to the PDR Mid-Year Review form have been communicated to all managers, including a reminder of the county council's expectations around ensuring DBS clearances are complete and up to date. This included a need for managers to review posts that do not have a DBS indicator on DBS, to ensure that this is correct and consistent with other similar roles.

Recommendation

I recommend that the Service Director Organisational Development implements a process to ensure that all newly created posts are assigned the correct DBS status in accordance with the DBS guidance and that the correct level of DBS check is undertaken.

SWAP Ref. 39212

Priority Score

1

Agreed Action

Timescale

15/10/2018

Responsible Officer

HR Service Manager –
Operations

There is already a process in place requiring managers to assign the correct level of check to all newly created positions during the DES process to advertise a newly-created position. DES provides links to the SharePoint guidance to assist managers in making this decision. There are issues of clarity in guidance and understanding. To support managers, Sharepoint guidance on the DBS process will be re-written to help ensure that going forward they are better equipped to assess the correct DBS status of posts. This will be undertaken by October.

As an additional level of checking and process, the HR/Pay Support team staff sense-check the level of check that has been indicated by the manager during the DES process, and have a conversation with the manager should the level of check appear to be inconsistent. However, this does not displace the manager's responsibility to assign the correct DBS status. Detailed interpretation of the regulations is required in some cases where the legislation is not clear or the role is undertaking non-standard duties, and advice will need to be sought by the manager via the HR Helpdesk or the HR Business Partner.

Changes to roles within the HR/Pay team have been introduced from 1st August 2018 that sees the administration of DBS checks absorbed into the general HR/Pay Assistant role rather than sit with a standalone post. Not only does this remove any risk around single point of failure this also ensures that the administration of DBS clearances is more closely aligned with the broader recruitment process. This will lead to an improvement in the quality of spot-checking of the DBS status of posts as Assistants will be designated with a specific area of the county council to support, leading to a much-improved understanding of service areas and roles performed in each area.

There is also a standard process in place following submission of the manager's DES request which confirms the start date of the employee, whereby the HR Pay Support team reviews the status of the DBS check as they set up the employment record. Where the criminal check outcome is pending or not commenced, the manager is contacted and advised that a risk assessment must be undertaken pending clearance.

Additionally, on a weekly basis HR Operations provide HR Business Partners with lists of all positions that indicate a DBS requirement together with the dates of the most recent check and any risk assessment recorded, so that in any instance where there are concerns these can be followed up with the relevant manager.

In view of the problems of non-compliance as an additional action the Monitoring Officer will write to fellow Directors to emphasise the need for compliance.

Recommendation

I recommend that the Service Director Organisational Development ensures that DBS guidance is reviewed to clarify any ambiguity and correct any errors.

SWAP Ref. 39206

Priority Score	3
Timescale	15/10/2018
Responsible Officer	HR Service Manager – Operations

Agreed Action

To support managers in complying with their criminal records check responsibilities, Sharepoint guidance on the DBS process will be re-written to help ensure that going forward they are better equipped to assess the correct DBS status of posts. An overhaul of the DBS e-learning modules has been completed and the revisions have been made available to learners from September. The revised e-learning module separates out the guidance around system use and the overarching DBS guidance. Feedback since the revised modules have been launched has been extremely positive.

Following changes to the structure of the HR Pay Support team further in-house training is being provided to assist team members with their role in responding to first line queries relating to the level of DBS check required. The DBS status of posts can be ambiguous and if necessary questions will be escalated to business partners to resolve in consultation with relevant service managers. Additional pre-employment check training by an external provider has also being arranged for late November.

1.2 Finding and Action

Issue	Risk
Risk assessments for two existing employees with positive DBS checks could not be located within central records held by HR.	Individuals may be employed without proper assessment as to whether they are suitable for work given their criminal offences. This could result in reputational damage and legal challenge to the Council.

Findings

A sample of 10 employees with positive checks were selected to ensure that a risk assessment has been completed and that these were retained on file. The findings are summarised as followed:

- Two risks assessments were not found within the employees personnel file. The managers were contacted by HR to ascertain whether a copy was retained locally with the manager, however no response was received. These employees together with the details of their manager have been listed within Table B of Appendix A.
- One individual did not commence employment with DCC and therefore a risk assessment was not required.
- Two individuals had since left DCC and therefore, their personnel files had been transferred to Records Management. Due to time constraints, we were unable to review these files.
- Five risk assessments were found within personnel files and deemed to be satisfactory

We therefore found two instances where a copy of a completed risk assessment was not retained on file with HR. In addition to this, the managers failed to provide a response as to whether assessments had been completed or not. Therefore, it is not possible to provide assurance that a risk assessment has been completed for these two employees. There is a risk that individuals may be employed without proper assessment as to whether they are suitable for work given their criminal convictions and/or cautions.

Recommendation

I recommend that the Service Director Organisational Development ensure that a review is undertaken of all positive DBS checks to confirm that a risk assessment has been undertaken in every instance for current employees. If it is identified in any instances that a risk assessment has not been undertaken, then this should be carried as a matter of urgency.

SWAP Ref. 39208

Priority Score

1

Agreed Action	Timescale	31/12/2018
	Responsible Officer	HR Service Manager – Operations
<p>CLT has agreed to the funding of a review of all positive DBS checks to confirm that the appropriate service manager has undertaken a review in every instance for current employees (such a review involves production of a report from the DBS system, a matching exercise to the SAP record, pulling each hard copy personnel file to review the content for existence of the risk assessment form and a subsequent request to the manager to provide a copy where evidence is found not to be held centrally). It is hoped that additional resource to commence this piece of work will be in place by the end of September.</p> <p>The review will be undertaken and in any instance where a risk assessment has not been undertaken the relevant service manager will be required to undertake and act on the risk assessment.</p>		
<p>Recommendation</p> <p>I recommend that the Service Director Organisational Development ensures that a process is implemented to confirm that a completed and appropriately approved risk assessment is received by HR for all positive DBS checks where a decision is made to employ the individual concerned.</p> <p style="text-align: right;"><i>SWAP Ref. 39207</i></p>		
Agreed Action	Priority Score	2
	Timescale	31/12/2018
Agreed Action	Responsible Officer	HR Service Manager – Operations
	<p>A monthly check will be introduced to ensure that a completed and appropriately approved risk assessment is received by HR for all positive DBS checks where a decision is made to employ the individual concerned, whether as a result of recruitment, or during a regular DBS re-check.</p> <p>HR Operations processes will be reviewed to ensure a copy of a risk assessment has been obtained as part of the onboarding process from managers whose responsibility it is to carry out DBS checks and assess the risks of employing in a particular role someone for whom a positive check has been disclosed.</p>	

Page 52

1.3 Finding and Action		
Issue	Risk	
The Council does not maintain a central record of DBS clearance of volunteers	The Council could have engaged volunteer workers in regulated activities or who handle cash who are not suitable for these roles.	
Findings		
There is guidance on SharePoint covering the appointment of volunteer workers, including the need to undertake a DBS check where a manager deems this to be appropriate, and following the audit in 2016 reminders are programmed in to be displayed on SharePoint and/or via Managers Mail. However, as there is no central record of all volunteers it was not possible to undertake any testing to provide assurance that a DBS check has been obtained where appropriate. As it is not possible to place reliance on all employees having the appropriate level of DBS check undertaken if required, it is possible that similar concerns around the DBS checking of volunteers will exist.		
Recommendation		
I recommend that the Service Director Organisational Development ensures that a list of volunteers across the Council is drawn up and arrangements made to check that an appropriate level of DBS clearance has been obtained for volunteers that are working in regulated or financial related activities.	Priority Score	1
	Timescale	Risk Accepted
	Responsible Officer	HR Service Manager – Operations
Agreed Action		
Directorates should already keep their own records of volunteers, the roles in which they volunteer, and the risk assessments undertaken to determine whether a DBS check is needed. As these are records of volunteers in directorates, there are no central payroll and other personnel records which, HR Pay Support staff could use to validate and check against. This makes it essential that service managers keep accurate records of roles undertaken by volunteers to demonstrate how decisions on the need for DBS checking and the appropriate level have been reached.		
HR Operations will prepare firm guidance on the importance of each directorate maintaining these records and undertaking necessary checks, and specifically about the essential requirements for any volunteer working in a regulated activity. Compliance and checking is though, a matter for managers who utilise the services of volunteers. To help monitor compliance a periodic spot-check of clearances for volunteers that have indicated a positive check will be undertaken to ensure risk assessments have been completed by the engaging manager. The first spot-checking exercise will be completed by the end of October.		
Audit Commentary		
Whilst the proposed action outline goes some way to help address the issue, there is still a significant degree of risk exposure as a result of not maintaining a comprehensive record of volunteers and their DBS statuses. Therefore, the risk has been considered accepted.		

2.	Individuals who require DBS clearance, start work prior to clearance being obtained, or an appropriate risk assessment in place leading to potentially unsuitable individuals working with vulnerable people.	High
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2.1	Finding and Action
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Issue	Risk
Risk assessments are not completed for all individuals appointed before DBS clearances are received.	Barred individuals may have been allowed to work unrestricted prior to DBS report/clearance being received.

Findings

A total of 15 employees who commenced employment with the authority before DBS clearances were received were checked to ensure that a risk assessment had been completed. The findings are summarised as follows:

- No risk assessment was completed for five employees. The managers were contacted by HR and confirmed that one had not been completed. These employees together with the details of their manager have been listed within Table C of Appendix A.
- No risk assessment could be found for four employees within their personnel records. The managers for each employee were contacted by HR to ascertain whether a copy was retained locally with the manager, however no response was received. These employees together with the details of their manager have been listed within Table C of Appendix A.
- one employee had since left DCC and therefore, their personnel files had been transferred to Records Management. Due to time constraints, we were unable to review this file
- Five risk assessments were found to have been completed to satisfactory standard

We found five instances where a risk assessment had not been completed. In addition to this, we identified four instances where managers failed to provide a response as to whether an assessment had been completed or not. There is a risk that individuals may be employed without proper assessment as to why the individual is a low risk or what additional controls could be put in place to mitigate risks prior to clearances being received.

Recommendation

I recommend that the Service Director Organisational Development ensures that a process is put in place to confirm that a risk assessment has been completed prior to an individual starting in post before a DBS clearance is received.	Priority Score	1
<i>SWAP Ref. 39210</i>		

Page 54

Agreed Action	Timescale	Complete
	Responsible Officer	HR Service Manager – Operations
<p>There is a standard process already in place whereby following submission of the manager’s DES request which confirms the start date of the employee, the HR Pay Support team reviews the status of the DBS check as they set up the employment record. Where the criminal check outcome is pending or not commenced, the manager is contacted and advised that a risk assessment must be undertaken pending clearance. That risk assessment must be undertaken by the employing manager. A copy of any completed risk assessment will be requested from the employing manager and retained on the employee’s personal file.</p> <p>In addition to the monitoring of the overall compliance position on a weekly basis a separate report is produced that looks specifically at new recruits into roles that require a DBS clearance of some sort. This report highlights where clearances have been received before start date or where clearance has not been received but a risk assessment has been completed. Again, this information is provided to HR&OD Business Partners who share this with relevant managers to ensure full visibility of the data and appropriate action is taken.</p>		
Recommendation		
<p>I recommend that the Service Director Organisational Development ensures that appropriate investigations are undertaken to ensure that a risk assessment has been completed for the four employees where an assessment could not be located within their personnel record or appropriate DBS clearance has subsequently been received. Further work should be undertaken to ensure that all employees with outstanding DBS clearances have a risk assessment on file.</p> <p style="text-align: right;"><i>SWAP Ref. 39209</i></p>	Priority Score	2
	Agreed Action	Timescale
	Responsible Officer	HR Service Manager – Operations
<p>In respect of the four employees where a risk assessment could not be located in the time available, a further investigation will be carried out during September.</p> <p>A subsequent piece of work relating to staff who still have DBS clearance outstanding following commencement of employment, to check personnel files for copies of risk assessments and to follow up missing forms with managers will be undertaken during October.</p>		

Page 55

Audit Framework and Definitions

Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks	
Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both 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.

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Page 56

Authors and Distribution

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

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Audit & Governance Committee

Dorset County Council



Date of Meeting	25 October 2018
Officer	Richard Bates – Chief Financial Officer
Subject of Report	Financial Management Report
Executive Summary	<p>This report provides members of the Audit & Governance Committee with an update on budget management and financial performance for 2018-19. It also includes performance information for debt management and supplier payments for the year to date.</p> <p>The budget and MTFP for 2019-20 is being led by the Budget Task and Finish Group and is therefore no longer reported through sovereign councils.</p>
Impact Assessment:	<p>Equalities Impact Assessment: This high-level update does not involve a change in strategy, an assessment is therefore not required.</p>
	<p>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.</p>
	<p>Budget: The report provides an update on the County Council’s financial performance and projections for 2018-19. It also considers risks still inherent in the forecast and mitigations in place for any financial consequences arising.</p>

	<p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:</p> <p>Current Risk: HIGH</p> <p>Residual Risk MEDIUM</p>
	<p>Outcomes:</p>
	<p>Other Implications:</p>
<p>Recommendation</p>	<p>The Committee is asked to consider the contents of this report and:</p> <ul style="list-style-type: none"> (i) note the Directors' latest estimates included in the forecast of outturn for 2018-19; (ii) note the risks inherent in the forecast and the mitigations in place; (iii) note the latest projections for savings from the Forward Together programme; (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.
<p>Reason for Recommendation</p>	<p>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.</p> <p>Delivery of Forward Together savings is critical to the financial performance and position of the County Council especially in the transition to Dorset Council.</p> <p>Members will also wish to be updated on operational performance including debt management and supplier payment performance.</p>
<p>Appendices</p>	<p>None</p>
<p>Background Papers</p>	<p>Previous MFTP reports to Cabinet</p> <p>Previous financial management reports to Audit & Governance Committee</p>
<p>Officer Contact</p>	<p>Name: Jim McManus, Chief Accountant</p> <p>Tel: 01305 221235</p> <p>Email: j.mcmanus@dorsetcc.gov.uk</p>

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 latest 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 sustained monitoring and control of the current year's performance will continue to be critical. Directors have confirmed the early predictions (AP2) for 2018-19 as set out in the table, below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	Of which	
				Forward Together	Base budget
				£k	£k
Adult & Community Services	134,954	136,666	(1,712)	(678)	(1,034)
Children's Services	65,946	69,522	(3,576)	(3,075)	(501)
Environment & Economy	37,373	36,714	660	(90)	750
Partnerships	19,650	19,403	248	0	248
Chief Executive's Dept	11,575	11,776	(201)	(214)	13
Total Service Budgets	269,499	274,080	(4,581)	(4,057)	(525)
Central/Corporate Budgets	(260,955)	(262,829)	1,874	0	1,874
Whole Authority	8,544	11,251	(2,708)	(4,057)	1,349

- 2.2 The main reasons for projecting variation from budget at this time are set out in the following paragraphs.

Children's Services

- 2.3 At the end of September, the Children's Services Directorate budget is forecast to overspend by £3.6m. Pressure is within the Care & Protection area of the budget. The target number of Children in Care for the financial year is to reach 390 by March 2019. At the end of September 2018 the number currently stood at 442. This is a decrease of three from the previous month. We have managed to stabilise this budget (i.e. the number of children coming into care) but not to drive it back. The biggest risk area is high cost placements (start at £4k per week each) with highly vulnerable/dangerous adolescents. The priority is to reduce the number of children in the high cost placements and IFA placements and instead use our own in-house foster carers whose recruitment process is currently in full train. There are currently half a dozen children hovering on the edge of requiring complex expensive care, they are for now being managed, but it can only take a small trigger to tip them across the line and they could incur an additional cost of up to £250k per episode.

- 2.4 Dedicated Schools Grant (DSG)

The DSG is forecast to overspend by £3.6m. Pressures centre around the High Needs Block (HNB). The numbers of Education Health & Care Plans (EHCP's) have grown at a rate beyond that which had been predicted. As at the end of September

2018 the number of Dorset EHCP's was 2396 which already exceeds the number expected at the end 2023, and is a rise of 50% since April 2016 when the total was 1594. This is inevitably causing pressure on all areas of the HNB. Over £2m of the overspend is predicted to be in the Independent School budget where it is looking unlikely any savings will be achieved in this financial year from the project to review placements and bring children back "in county". Additional places that were identified in our special schools and bases have already been filled by new demand.

Adult & Community Services

- 2.5 The Adult & Community Services budget is currently forecast to be overspent by £1.7m. 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 deliver the savings.

Environment & Economy

- 2.6 The Environment and Economy Directorate is forecasting a £660k underspend. The improvement since the previous forecast of £130k underspend is due to a reduction in costs for the Dorset Travel Service, a reduction in staffing costs due to the management restructure and an increase in income from the Highways Traffic Team. The main risk to the Directorate is in the Building & Construction Service where there is reliance on fee-earning income.

Partnerships

- 2.7 The Dorset Waste Partnership is forecasting an overspend of £180k of which the Dorset County Council share is £116k. 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.
- 2.8 The Public Health Dorset budget is managed within a ring-fenced grant contributed by the three partner authorities. The budget is currently projected to underspend by £450k. The three partner authorities have requested that their share of the anticipated £450k underspend is returned in year to redistribute by the usual formula for their investment in early years' services and health protection services. The DCC share is £248k.

Chief Executive's

- 2.9 The Chief Executive's Dept is forecasting an overspend of £201k, of which £173k relates to the Way We Work Programme. There is slippage in the programme which will mean some savings will be achieved in 2019/20 rather than 2018/19. The remaining overspend mainly relates to a projected overspend in Legal Services due to external locum costs.

Central/Corporate budgets

- 2.10 A favourable performance is being forecast at this stage with a slightly higher underspend being predicted against the contingency budget.

3 Risks inherent in the budget/current year

- 3.1 As already noted, £18.8m of savings in the programme means the budget for 2018-19 still has risks. Key threats to our ability to deliver within our budget include a range of variables, each with a level of volatility and unpredictability.

- 3.2 Children's Services budgets continue to be under pressure; key measures of success/risk include successful recruitment of the additional foster carers to enable us to reduce our reliance on independent placement or other out-of-county provision, causing increased costs. One-off resources have been applied in 2018-19 to invest in fostering and attract additional foster carers and the situation is monitored monthly by the cabinet member for resources.
- 3.3 The number of children in care is also a key determinant of financial performance. Not only the absolute numbers, however, critically also the mix of packages of care and the costs associated with these. Numbers of looked-after children have reduced steadily and remain around the 440 level. However, there is ambition to reduce the numbers in care as well as the per-child cost.
- 3.4 Further work is also still in progress in Children's Services into transport costs. (Impower work results due from David McDonald). We also aim to migrate as many transport journeys onto more cost-effective, family-friendly personalised budgets, away from more traditional approaches to sourcing SEND transport provision.
- 3.5 Throughout the year, the DWP overspend has gradually reduced from more than £1m to its current level of £180k (DCC share, £116k). At a headline level, any overspend will be funded from the budget equalisation reserve, but it is positive to see the projections moving favourably as the year develops. There is still risk for the remainder of the year - and beyond – however, due to the unpredictability in the recycle market in particular, but also due to fuel prices, waste tonnages generated and contract increases.
- 3.6 In Adult Services, cost pressures continue in the form of transitions from Children's Services, self-funders reaching the limit of their own capital and qualifying for County Council funding and demand for additional packages as our demographics continue to drive increasing demands for care services.
- 3.7 In mitigation, officers continue the drive for efficiency and savings. A vacancy management protocol is in force with posts only being filled once a process to test the need for additional staffing has been satisfied. We also take every opportunity to drive savings out of supplies and services through more challenging procurement and contract management procedures (a contract management training programme is also currently being rolled out to support managers to deliver savings) and we continue our programme of divestment of assets which no longer serve long-term, strategic delivery purposes in order to release capital receipts and reduce running costs.
- 3.8 Managers are also required to work within a doctrine of continuous review and challenge, seeking ongoing opportunities for improved outcomes/results at reduced cost. Budget Holders are expected to deliver savings agreed at budget setting time and to generate and evaluate additional savings wherever possible.
- 3.9 The finance team leads the monthly forecasting process and updates are provided on SharePoint five working days after month-end, so any changes of the monthly analysis and predictions are quickly available. The finance team is also currently leading the biannual review of reserves to ensure an adequate level of scrutiny over risks and financial provision that has been made for them so that this can be released wherever it is no longer required.

4 Forward Together

- 4.1 The Forward Together programme continues to be monitored by the Organisation Transformation Board and the financial implications of the programme are also reported through CPMI.

- 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 sustainable starting position for the 2019-20 budget round for Dorset Council.

Summary - All FT Savings and 2018/19 BAU pressures

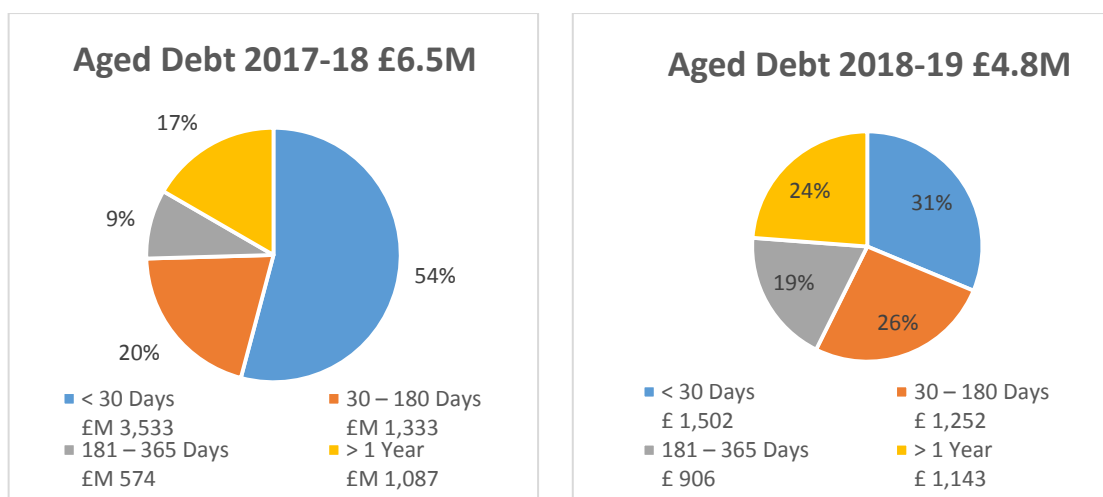
Savings measure	Assessment of Savings achievement				
		Achieved	On course	More Work Needed	Not achievable
2018/19	£000's	£000's	£000's	£000's	£000's
Adults	9,382	4,726	3,978	678	-
Childrens	6,813	700	3,038	3,075	-
Env & Economy	1,749	1,399	260	-	90
Chief Exec's	854	440	200	214	-
Public Health	-	-	-	-	-
Dorset Waste Partnership	455	-	455	-	-
Summary - All Savings 2018/19	19,253	7,265	7,931	3,967	90

5 Debt information

- 5.1 As at 30th September, the County Council's "trade" debt was just over £4.8m; a reduction of around £1.7m since the last report for March 2018. The table, below, shows the age profile of the debt, with comparator figures.
- 5.2 The debt is relatively evenly spread across each time period, with less than 30 days old making up just over 30% of the total outstanding. This reduction in debt from the previous report is due, in part, to the timing of the report with fewer invoices outstanding at this mid-year point rather than at the end of the financial year. That said we are continuously improving our processes to speed debt recovery and adopting electronic invoicing and encouraging payments via Direct Debit to save both time and money.

Financial year	< 30 Days £	30 – 180 Days £	181 – 365 Days £	> 1 Year £	Total £000
31 st March 2016-17	9,392	1,739	606	1,521	13,258
	71%	13%	5%	11%	
31 st March 2017-18	3,534	1,333	575	1,087	6,529
	54%	20%	9%	17%	
30 th September 2018	1,502	1,252	906	1,143	4,803
	31%	26%	19%	24%	

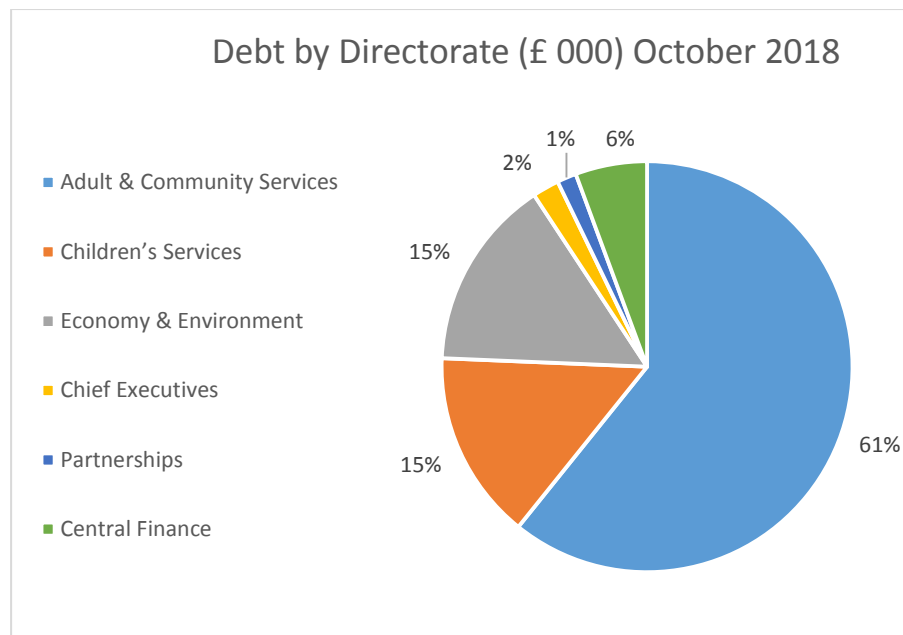
- 5.3 The County Council continues to implement debt policy and procedures consistently, fairly and firmly and we are continuously improving our processes to speed debt recovery, adopt electronic invoicing and encourage customers to pay via direct debit, saving the authority time and money.



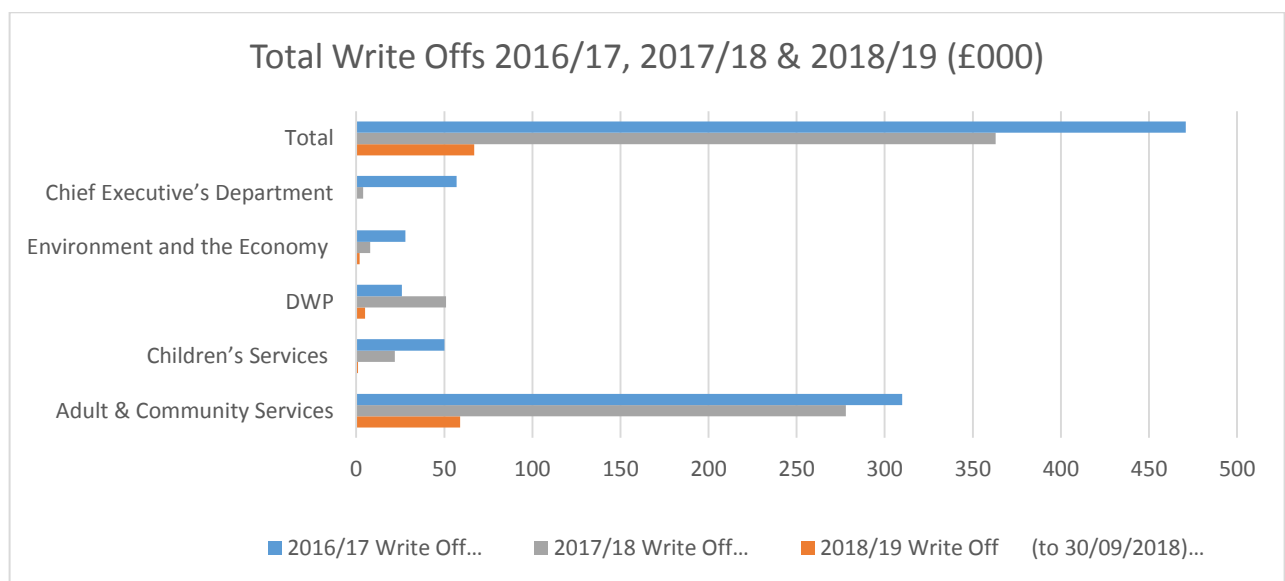
5.4 The table below shows the debt position by directorate. Adult and Community Services debt has decreased by over £1.7m as some of the older debt has been cleared. Environment and Economy debt is down by £200k with most of the debt now being less than 6 months old. Central Finance debt is impacted by an outstanding invoice for £253k from WDDC for Dorchester Sports Centre which was cleared on the 4/10/18.

Total Debt by Directorate 30/09/18 (£ 000)							
Directorate	< 30 Days	30 – 180 Days	181 – 365 Days	> 1 Year	Total (30/09/18)	Previous Total £ (31/03/17)	Variance (-ve is adverse)
Adult & Community Services	434	636	807	1,042	2,919	4,673	1,754
Children's Services	258	382	51	24	715	540	-175
Economy & Environment	406	202	46	70	724	975	251
Chief Executives	88	6	0	7	101	174	73
Partnerships	61	10	2	0	73	70	-3
Central Finance	255	16	0	0	271	95	-176
Total	1,502	1,252	906	1,143	4,803	6,529	1,726

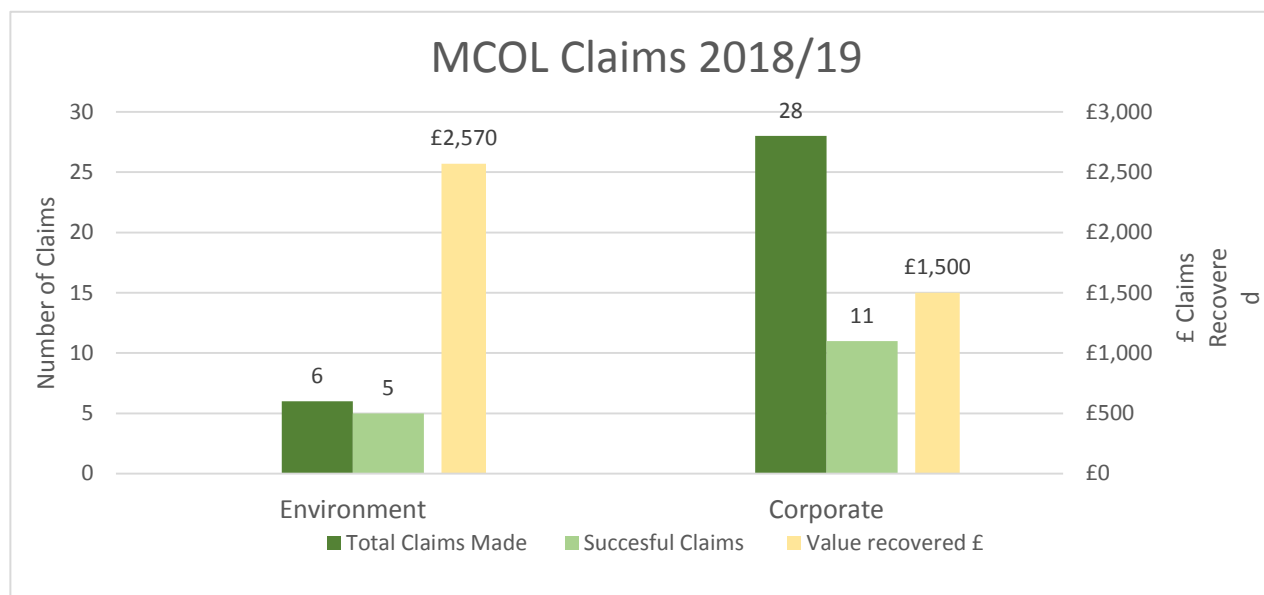
5.5 The chart below shows that nearly two thirds of 'trade' debt relates to Adult and Community Services raised for individuals accessing social care. Environment and Economy and Children's Services account for the majority of the remaining debt, the majority of which is less than 6 months old and is 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 September was £2m. 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 The total debt written-off in the first 6 months of 2018-19 was £67k, the majority which (£57k) is accounted for by Adult and Community Services. Work is ongoing to clear out historic debts and 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 in the rest of this year.



- 5.9 MCOL - Since April 2018, 32 debtors have been pursued through money claims online (MCOL) with debts of £11k, 16 of these debts have now been recovered worth £4k. Two of these debts have been passed to Legal Services to pursue and a further two have been written off. 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 cases are being pursued.



6 Supplier payments

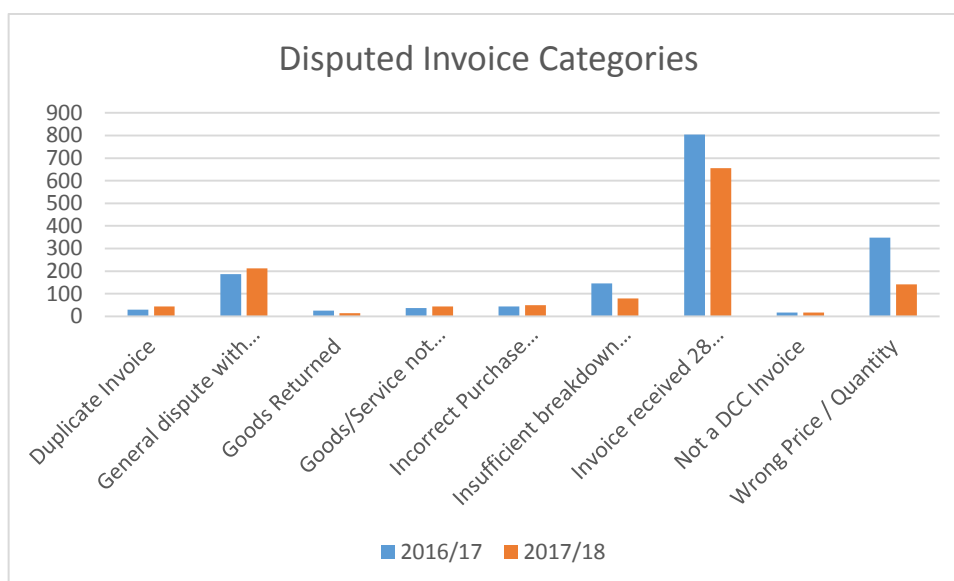
- 6.1 The principle aim of the Accounts Payable (AP) Team is to ensure that all invoices are paid accurately, within 30 days, in line with Public Contracts Regulations (PCR2015). PCR2015 also require payment data to be published.
- 6.2 The AP Team manages payments for more than 12,000 live suppliers. A review of payment terms has recently been carried out with the aim of harmonising vendors to the council's 30-day payment terms. This has been largely successful, meaning process savings in terms of vendor management.
- 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, virtually all vendors are now paid via BACS, generating savings on processing and mailing cheques. The vast majority of our remittance advices are also sent via email.

Cheque Payments Sept 2018	Count	£
Cheque payments this month	6	5,514
Last month	6	2,783
March 2017	10	£664

- 6.4 The latest payment performance figures show an annual improvement over the preceding year. The AP Team works to a target of 85% within 30 days. The drop in payment performance over the summer months is due to school summer holidays, meaning payment requests reached the AP Team out of time.

2018-2019		
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
April	93	17800
May	90	16932
June	90	15021
July	89	18870
August	88	17050
September	87	18536

- 6.5 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 continues to review supplier relationships in an effort to avoid paper/posted invoices.
- 6.6 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.



- 6.7 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 table below shows the activity levels around the process and the hours and money saved from the AGR process up to and inclusive of September 2018.

Auto Goods Receipting	Vendors	Transactions	Orders	Hours	Cost
<£100	8	3208	1,596	58	£663
£101 to £1,000	37	4125	2,235	138	£1567
>£1,000	15	21505	7,664	433	£4933
Total	60	28838	11495	629	£7163

- 6.8 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, mid-point of the year, it is important for Directors to highlight concerns where there are continuing 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 and to ensure solid foundations are being established for Dorset Council.
- 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. However, this paper also sets out other risks and mitigations currently in place.

Richard Bates
Chief Financial Officer
October 2018

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Audit and Governance Committee

Dorset County Council



Date of Meeting	25 October 2018
Officer	Chief Financial Officer
Subject of Report	Treasury Management and Prudential Code Review 2017/18
Executive Summary	<p>At the meeting of the Cabinet on 1 February 2017 members approved the Treasury Management Strategy Statement and Prudential Indicators for 2017-18. At this meeting, Cabinet approved the adoption of the CIPFA Prudential Code and in turn the adoption of the Treasury Management Code of Practice. In adopting the code, recommended best practice is for Members to receive an annual report on the Treasury Management Strategy and Prudential Indicators, a mid-year update on progress against the strategy and a year-end review of actual performance against the strategy.</p> <p>This report is the year-end review of actual performance against the strategy, and provides Members with an update on the economic background, its impact on interest rates, performance against the annual investment strategy, an update of any new borrowing, any debt rescheduling, and compliance with the Prudential Code.</p>
Impact Assessment:	Equalities Impact Assessment: N/A
<i>Please refer to the protocol for writing reports.</i>	Use of Evidence: CIPFA 2017/18 benchmarking

	<p>Budget:</p> <p>All treasury management budget implications are reported as part of the Corporate Budget outturn report, alongside the Asset Management reports that include the progress of the capital programme.</p> <hr/> <p>Risk Assessment:</p> <p>This report is for information. However, treasury management is an inherently risky area of activity and a number of controls are embedded in its operation. The key Treasury risks are highlighted as part of the Annual Treasury Management Strategy approved by Cabinet as part of the Budget setting process. This report highlights any variances from this strategy and draws out any specific risks which have arisen.</p> <p>Current Risk: HIGH Residual Risk MEDIUM</p> <hr/> <p>Other Implications: N/A</p>
<p>Recommendation</p>	<p>That the Committee:</p> <p>1. Note and comment upon the report.</p>
<p>Reason for Recommendation</p>	<p>To better inform members of the Treasury Management process and strategy, in accordance with the corporate priority to ensure money and resources are used wisely.</p>
<p>Appendices</p>	<p>Appendix 1 – Prudential Indicators Appendix 2 – Borrowing as at 31 March 2018 Appendix 3 – Investment Balances as at 31 March 2018</p>
<p>Background Papers</p>	<p>Treasury Management Annual Strategy 2017/18 Link: Independent Economic Analysis Capital Programme Budget and Monitoring report 2017/18</p>
<p>Report Originator and Contact</p>	<p>Name: David Wilkes Tel: 01305 224119 Email: D.Wilkes@dorsetcc.gov.uk</p>

1. Summary of Key Points

- 1.1. Key points to highlight are:
- 1.2. The Bank Rate was increased from 0.25% to 0.50% in November 2017, and again by a further 0.25% to 0.75% in August 2018. 'Forward guidance' from the Bank of England continues to suggest that future increases will be small and gradual, with the pace of change dependent on wider economic developments.
- 1.3. Following the increases in Bank Rate there have been some small increases to returns from short term investments and the cost of shorter term borrowing, but more limited impact on long term borrowing rates.
- 1.4. Whilst the timing of future interest rate movements is uncertain, the wide gap between long term borrowing costs and short-term investment returns looks set to continue for the foreseeable future. This supports the Council's continued strategy of delaying external borrowing by using internal balances ('internal borrowing') to avoid a high cost of carry from borrowing in advance of need.
- 1.5. The Underlying Borrowing Requirement at 31 March 2018 was £306m, £5m below the expected level of £311m when the annual strategy was agreed by Council in February 2017, but £7m higher than the position as at 31 March 2017.
- 1.6. External borrowing at 31 March 2018 was £227m, £7m lower than the expected level of £234m when the annual strategy was agreed, but £14m higher than the position as at 31 March 2017.
- 1.7. Therefore, the Council was £79m 'under-borrowed' (or 'internally borrowed') at the end of the financial year. This is £2m lower than the expected level of £77m when the annual strategy was agreed, £6m higher than the position at 31 March 2017 and below the target level of £100m.
- 1.8. The net cost to the Council of interest on debt less returns on investments was £7.3m in 2017/18, compared to £7.4m in 2016/17.
- 1.9. As at 31 March 2018, the Council held £45m of debt maturing before March 2019. It is anticipated that most of this debt will need to be refinanced in 2018/19, but this will be dependent on cashflows through the year. Borrowing decisions in 2018/19 will also need to be mindful of the likely combined balance sheet for the new Dorset Council.
- 1.10. In November 2017, the Council entered into a two year forward agreement to borrow £20m in November 2019 at a rate of 2.52% for a minimum period of 23 years, and maximum period of 48 years. This agreement gave the Council some protection against the risk that interest rates rise faster than expected over the next two years, but without the cost of paying interest for that period.
- 1.11. During the year, the terms of six existing loans have been renegotiated leading to annual savings in interest costs of approximately £100k.

- 1.12. Returns from investments remain very low as a result of the strategy of using internal balances to avoid/delay borrowing and the low rates of return available in the market on short term investments.

2. Background

- 2.1. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. The role of treasury management is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 2.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending requirements. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 2.3. Accordingly, treasury management is defined as:
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 2.4. The Council is required by regulations issued under the Local Government Act 2003 to produce for each financial year as a minimum:
- An annual treasury strategy in advance of the year (Cabinet 1 February 2017)
 - A mid-year treasury update report (Audit and Scrutiny 19 January 2018)
 - An annual review following the end of the year describing the activity compared to the strategy (this report).
- This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 2.5. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for 2017/18 for treasury activities, and highlights compliance with the Council's policies previously agreed by members.
- 2.6. The report provides commentary of the overall performance of the treasury management activities of the Council, and all of the prudential indicators are summarised in Appendix 1.

3. Treasury Management Advisers

- 3.1. The Council uses Link Asset Services (formerly Capita Asset Services) as its treasury management advisers. Link provides a range of services which include:
- Technical support on treasury matters, capital finance issues and the drafting of reports
 - Economic and interest rate analysis;
 - Debt services which includes advice on the timing of borrowing;
 - Debt rescheduling advice surrounding the existing portfolio;
 - Generic investment advice on interest rates, timing and investment instruments; and
 - Credit ratings-market information service comprising the three main credit rating agencies.
- 3.2. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Council. This service is subject to regular review.

4. The Economy and Interest Rates

- 4.1. Part of Link's service is to assist the Council to formulate a view on interest rates. When the Treasury Management Strategy for 2017/18 was agreed in February 2017, Link's expectation, in line with most commentators, was for the Bank Rate to increase from 0.25% to 0.50% by the middle of 2019, followed by one further increase to 0.75% by the end of financial year 2019/20. However, during 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend.
- 4.2. After the UK economy surprised with strong growth in the second half of 2016, growth disappointed in the first half of 2017. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer spending power as inflation exceeded average wage increases, with consumers responding by cutting back on expenditure.
- 4.4. Growth did pick up modestly in the second half of 2017, and consequently, market expectations rose significantly during the autumn that the Monetary Policy Committee (MPC) would be raising Bank Rate imminently. At its November 2017 meeting, the MPC duly delivered by raised Bank Rate from 0.25% to 0.50%.
- 4.5. In the early part of 2018, there was evidence that wage increases had started to rise, and subsequently the minutes from the February 2018 MPC meeting revealed a more imminent and faster pace of increases in Bank Rate than had previously been expected.
- 4.6. Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in investment rates from 3–12 months increasing sharply during the quarter to 31 March

2018. Borrowing rates increased with shorter term rates increasing more sharply than longer term rates.

4.7 Since the end of the financial year, at its meeting on 1 August 2018, the MPC voted unanimously to increase Bank Rate by 0.25% to 0.75%.

4.8 The following table gives Link’s most recent forecast for UK Bank Rate, short term investment returns (LIBID) and borrowing rates from the Public Works Loans Board (PWLB):

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
BANK RATE	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 month LIBID	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 month LIBID	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 month LIBID	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5 Yr PWLB	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10 Yr PWLB	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25 Yr PWLB	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50 Yr PWLB	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

5. Capital Expenditure

- 5.1. The Council’s capital expenditure on long-term assets may either be:
- Financed immediately through the application of capital or revenue resources, which includes applying capital receipts from asset sales, capital grants received from central government or direct from revenue budgets, and has no impact on the Council’s borrowing need; or
 - If insufficient financing is available, or a decision is made not to apply resources, the capital expenditure will give rise to a borrowing need.
- 5.2. Capital expenditure is one of the Council’s prudential indicators and is reported in more detail as part of the quarterly asset management updates to Cabinet. The actual capital spend for 2015/16 and 2016/17, the budget for 2017/18 and outturn for 2017/18 are summarised in Table 1 below. Actual capital spend for 2017/18 was approximately £10M lower than budget due to higher than expected slippage in the capital programme.

Table 1 Capital Expenditure 2015/16 - 2017/18

Prudential Indicator 1	2015/16 actual £'000	2016/17 actual £'000	2017/18 budget £'000	2017/18 actual £'000
Capital Expenditure	87,958	69,022	66,781	56,833

6. The Council’s Overall Borrowing Need

- 6.1. The unfinanced capital spend element of the capital programme is called the Capital Financing Requirement (CFR) and is made up of the Council’s underlying need to borrow in addition to any PFI and finance lease liabilities it may have. The CFR figure is therefore a gauge of the Council’s debt position and results from the Council’s capital activity and the resources that have been used to pay for it.

- 6.2. The Council was debt free until 2002, when the Government changed the way in which it helped councils to fund their capital spend. Rather than paying councils capital grants the Government gave revenue grants to cover the costs of principal repayment and the interest costs of borrowing. This funding was included as part of the revenue support grant (RSG) funding formula, and gave councils little option other than to borrow to fund capital expenditure. As part of the 2010 grant changes this part of the funding formula has been removed.
- 6.3. Part of the Council's treasury activity is to address the funding requirements for this borrowing need. The treasury team manages the Council's cash position to ensure that there is sufficient cash available to meet the capital plans and the resulting cash flow requirements. The borrowing may be sourced through external bodies, such as the Government through the Public Works Loans Board (PWLB) or the money markets, or by utilising temporary cash resources from within the Council ('internal borrowing').
- 6.4. The Council's borrowing need, and therefore the CFR, cannot increase indefinitely, and statutory controls require the Council to make an annual charge to the Income and Expenditure account over the life of the assets that are being financed by the borrowing requirement. This charge is known as the minimum revenue provision (MRP) and is effectively a repayment of the borrowing need.
- 6.5. It is important to stress that the borrowing need or requirement is not the same as the actual amount of borrowing or debt held by the Council. The decisions on the level of debt are taken as part of the treasury management operations of the Council, subject to overriding limits set by Members as part of the Annual Treasury Management Strategy.
- 6.6. The CFR can also be reduced by the application of additional capital financing resources (such as unapplied capital receipts or government grants); or by charging more than the statutory revenue charge (MRP) each year through a voluntary revenue provision.
- 6.7. The Council's CFR for the year is shown in Table 2 and is one of the key prudential indicators. It includes the PFI and leasing liabilities, as well as the Council's underlying need to borrow. The CFR ended 2017/18 at £340.6m, £4.3m more than the 2016/17 level of £336.3m.

Table 2 Capital Financing Requirement (CFR)

Capital Financing Requirement Prudential Indicator 2	2016/17 Actual £'000	2017/18 Actual £'000
Underlying Borrowing Requirement b/f	287,313	298,769
Capital Expenditure	69,022	56,833
Grants and Contributions	-38,028	-38,942
Capital Receipts Applied	-3,764	-3,522
Revenue Contributions (RCCO)	-2,429	-728
Reserves Applied	0	0
Minimum Revenue Provision	-16,674	-9,920
Other Adjustments	3,329	3,273
Underlying Need to Borrow	298,769	305,763
Other Long Term Liabilities	37,574	34,861
Capital Financing Requirement	336,343	340,624

7. Borrowing

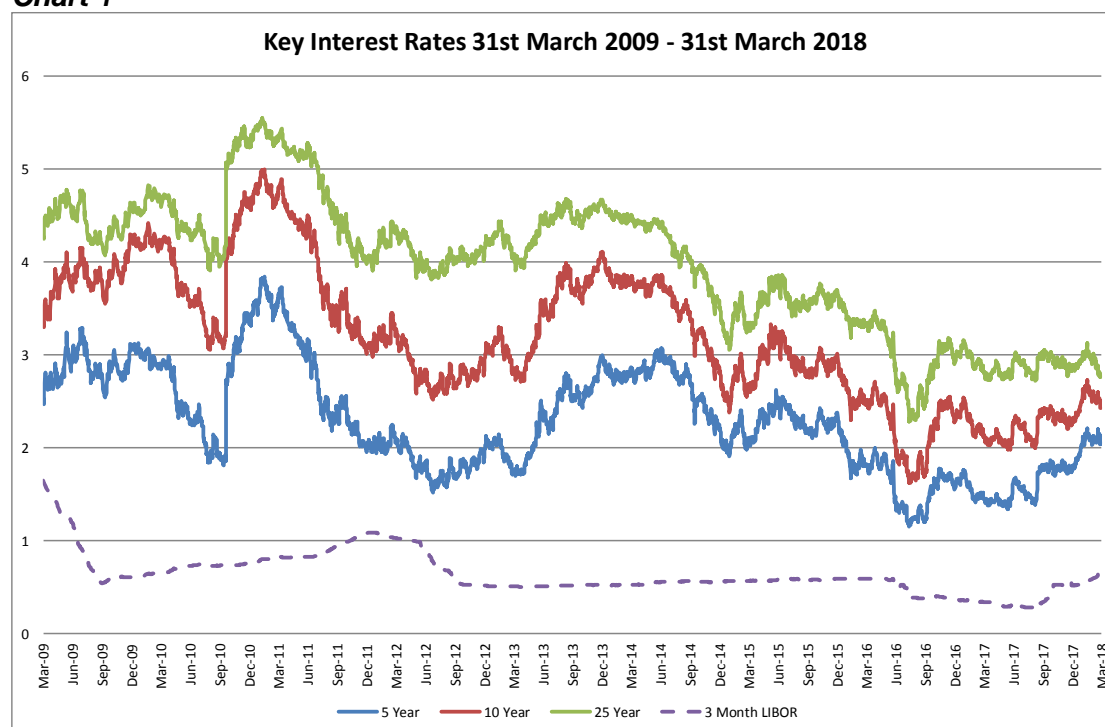
- 7.1. Actual borrowing activity is constrained by the prudential indicators for the CFR, the operational boundary and the authorised limit.
- 7.2. In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council's external borrowing should not, except in the short term, exceed the CFR for 2017/18 plus the expected changes in the CFR for the current and next two financial years from financing the capital programme. This essentially means that the Council is not borrowing to support its revenue expenditure. This indicator allows the Council some flexibility over the timing of the borrowing so, if interest rates are favourable, for example, it can borrow in advance of its immediate cash need. The Council has complied with this prudential indicator.
- 7.3. The operational boundary is the limit beyond which external debt is not normally expected to exceed, based on the CFR plus an allowance for short term borrowing that might be required for cash flow purposes or unexpected calls on capital resources. The authorised limit is based on the operational boundary but includes a margin to allow for unusual or unpredicted demands on cash. The Council has complied with these prudential indicators.

Table 3 Gross and Net Debt (excluding PFI)

Gross and Net Debt Prudential Indicators 5-7	Actual 31/03/2017 £'000	Budget 31/03/2018 £'000	Actual 31/03/2018 £'000
Gross Debt	213,281	233,521	226,863
Investments	15,664	10,300	47,029
Net Debt	197,617	223,221	179,834
Underlying Need to Borrow	298,769	310,974	305,763
Under Borrowing	85,488	77,453	78,900
Operational Boundary	335,000	335,000	335,000
Authorised Limit	355,000	355,000	355,000
Maximum Gross Debt	218,936	233,521	242,423

- 7.4. The Council’s debt position should be considered in light of the prevailing economic conditions summarised in section 4. The treasury management strategy over the past few years has been to postpone borrowing and reduce investment balances. This strategy has been adopted for two main reasons:
- To reduce counterparty risk on the Council’s investments – the lower the level of investment balances the lower the size of any losses if counterparties fail, which was a major risk during the financial crisis;
 - To reduce the cost of carrying cash balances – shorter term investment interest rates are at historically low levels and the gap between the cost of borrowing and investment returns is at its widest for 20 years.
- 7.5. Chart 1 illustrates the divergence of long term borrowing rates and short term investment returns, as indicated by the 3 month LIBOR rate, over the past 9 years.

Chart 1



- 7.6. Prior to September 2008 the 3 month LIBOR rate moved broadly in line with the longer period borrowing rates, and reflected the flat yield curve at that time. This meant that it was possible to take borrowing in advance of need and invest it, temporarily until required, at a similar rate to that it was borrowed at.
- 7.7. However, since the financial crisis short term investment rates have reduced significantly, and although the longer term borrowing rates have also reduced, the gap between borrowing costs and investment returns has increased markedly. Borrowing costs over 25 years are currently in the region of 2.8% compared to the 3 month LIBOR rate of about 0.8%. On a typical borrowing tranche of £10m, this difference would amount to a carrying cost of £200k per annum, until it is spent.
- 7.8. For this reason, the Council has adopted a strategy of delaying long term borrowing until the cash is actually required. However, the Council continues to be mindful of the projections for long term borrowing costs, as projected increases in these costs will result in higher future long term borrowing costs if borrowing is delayed.
- 7.9. As schedule of actual borrowing as at 31 March 2018 is shown in Appendix 2. In 2017/18 long term borrowing increased by £13.6m, as set out in the table below.

Table 4 - Changes in Borrowing 2017/18

	Rate	Outstanding
Borrowing as at 31/03/17	3.51%	£213,281,322
Less Repayments:		
Loan 2 PWLB annuity	4.70%	£844,278
Loan 3 PWLB annuity	4.65%	£14,527
Dorset LEP	0.00%	£560,000
Loan 41 Leicester City Council	0.70%	£10,000,000
Loan 42 Leicester City Council	0.52%	£5,000,000
Loan 43 Guildford Borough Council	0.48%	£5,000,000
Loan 44 West Midlands PCC	0.50%	£5,000,000
Loan 45 Oxfordshire County Council	0.50%	£5,000,000
Plus New Borrowing:		
Loan 46 Leicester City Council	0.60%	£10,000,000
Loan 49 London Borough of Camden	0.60%	£10,000,000
Loan 50 West Sussex County Council	0.70%	£10,000,000
Loan 51 London Borough of Havering	0.70%	£5,000,000
Loan 52 PCC for West Midlands	0.70%	£5,000,000
Loan 53 London Borough of Wandsworth	0.75%	£5,000,000
Borrowing as at 31/03/18	3.27%	£226,862,517
Net Increase / (Decrease)		£13,581,195

- 7.10. In November 2017, the Council also entered into a forward commitment to borrow £20m in two years' time (November 2019) at a rate of 2.52% for a minimum period of 23 years, and a maximum of 48 years. This reduced the Council's exposure to the risk of interest rate rises in this two year period at a

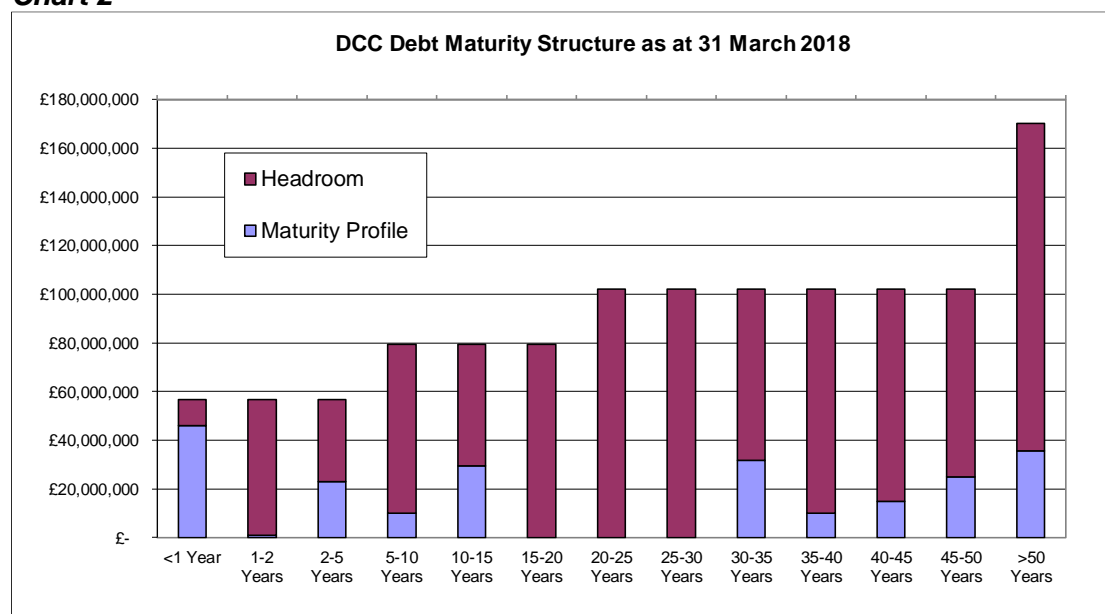
rate lower than the comparable PWLB rate available without incurring the cost of borrowing for that period.

- 7.11. In addition, the terms of six existing loans were renegotiated in the year leading to combined annual savings of approximately £100k:
- Loan 13: interest rate reduced from 4.8% to 4.625% and the removal of lender and borrower options.
 - Loan 31: interest rate reduced from 3.19% to 2.60%, with a five year extension to the term of the loan.
 - Loan 48: amalgamation of four existing loans at interest rates of 4.0% and 4.03% into one instrument at an interest rate of 3.90%.

7.12. The Council has a target of maintaining an under borrowed position of around £100m, and at 31 March 2018 the Council was under borrowed by £79m. This however has to be balanced with assessing the long term costs of borrowing and also has to be viewed in terms of the maturity structure of the existing portfolio of long term borrowing.

7.12. The maturity structure of the Council's borrowing remained within the prudential limits for 2017/18, as set out in the chart below.

Chart 2



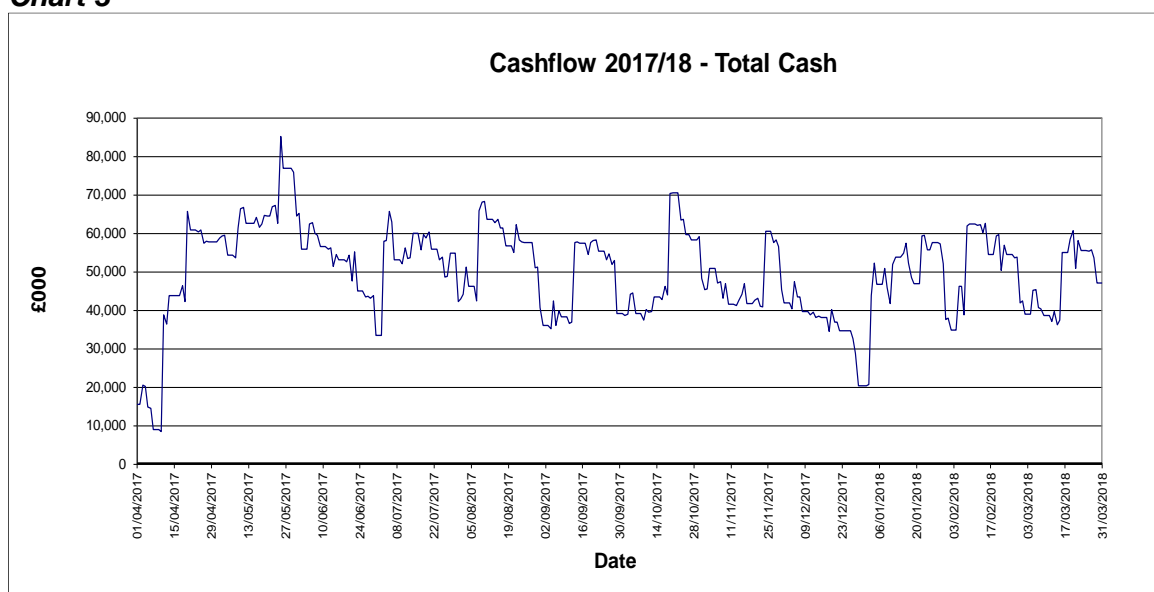
7.13. The maturity limits are to ensure that the Council is managing its refinancing, liquidity and interest rate risks. If a high proportion of borrowing matures in any one year it may place pressure on the cash flow position of the Council and force it to refinance these loans at unfavourable rates.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

8. Investments

8.1. The Council invests in accordance with the Annual Investment Strategy, which is approved by the Council alongside the Treasury Management Strategy in February each year.

- 8.2. Balances available for investment do fluctuate throughout the year as part of the day to day operations of the Council, and cashflows are monitored and projections updated on a daily basis. 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.
- 8.3. Historically balances available for investment tended to be higher at the start of the financial year as government grants were received and reduced as expenditure was incurred more evenly through the year. Over recent years this pattern has become less pronounced as the level of government funding has reduced. Chart 3 below shows the actual cash and investment balances for the financial year.

Chart 3



- 8.4. Table 5 shows the cash and investment balances for 2016/17 and for 2017/18 at the start and end of each year, and the maximum, minimum and average balances held during each year, and the returns on those balances.

Table 5 - Analysis of Investments

	Actual 2016/17 £'000	Budget 2017/18 £'000	Actual 2017/18 £'000
Investments as at 1 April	12,738	17,500	15,664
Maximum cash balance	55,683	48,900	85,339
Minimum cash balance	874	9,900	8,496
Average cash balances	31,735	24,200	44,891
Investments as at 31 March	15,664	10,300	47,029
Gross Investment Income	123	100	151
Average Return	0.39%	0.41%	0.34%
Less DLEP Income*	45	30	39
Net Investment Income	78	70	112

**Dorset LEP balances are co-mingled with DCC balances for cash management purposes, with an annual transfer to the LEP of interest earned, calculated on daily LEP balances using 7 day LBID.*

- 8.5. Net investment income for the year was approximately £110k, compared to the budget of £70k, and approximately £80k for the previous financial year. The low return on investments is a result of the combination of the strategy to delay borrowing (and therefore the cost of borrowing) by ‘internally borrowing’, and the low rates of interest available in the market. For comparative purposes the 7day LIBID rate, a widely used benchmark for returns on liquid cash, averaged 0.22% over 2017/18.
- 8.6. Return on investments must be assessed against the level of risk taken by the Council. Since the Icelandic banking crisis, most authorities, including Dorset County Council, have tightened their treasury management policy, and re-emphasised the investment priorities of security of deposits first, liquidity of investments second, and return third.
- 8.7. The Treasury Management Policy restricts the number of counterparties to those with credit ratings of A- or higher. The only institutions where investments can be made for more than one year are other Local Authorities, the Government and the big four high street banking groups (Barclays Bank Plc, HSBC Bank Plc, Lloyds Banking Group Plc and Royal Bank of Scotland Plc).
- 8.8. The investments held as at 31 March 2018 are listed in Appendix 3, alongside the analysis of the investments in terms of counterparty, credit ratings, sovereigns and maturity profiles.

9. Treasury Management Performance

- 9.1. Treasury Management in a large organisation is an inherently risky area, with annual cash turnover generated from its day to day operations at Dorset County Council in the region of £1,500m gross. The treasury management function is therefore highly regulated and subject to scrutiny.
- 9.2. A measure taken to assess the performance of the treasury management function is to take part in benchmarking with other local authorities. The Council takes part in the annual CIPFA benchmarking exercise, the last one of which involved 27, mainly large local authorities and provides an insight into the relative performance of Dorset County Council’s treasury function.
- 9.3. The headline results of the 2017/18 CIPFA benchmarking exercise were as follows:
- DCC had above average net budget requirement at £330m (av. £297m);
 - The capital programme was below average at £67m (£98m);
 - The CFR was below average at £340m (£426m);
 - Total borrowing was below average at £227m (£393m)
 - Use of internal financing was above average at £79m (£74m);
 - Investment balances were less than average at £38m (£140m);
 - Investment income was 0.34% against an average return of 0.30%;
 - Interest paid on borrowing was 3.37% against the average of 3.80%.

10. Member and Officer Training

- 10.1. The high level of risk inherent in treasury management means officers need to be adequately experienced and qualified. Officers attend national treasury

management events and training courses and have twice yearly strategy and review meetings with Link, as well as regular contact over the telephone.

- 10.2. A training session for all elected Members was held in January 2018 and run by Link to explain the basics and outline the responsibilities that Members have in relation to treasury management. It is Dorset County Council policy to offer training to Members where it is felt to be appropriate and relevant.

11. Local Government Reorganisation in Dorset

- 11.1. Dorset's existing nine councils will be replaced with two new unitary councils from April 2019, with Bournemouth Borough Council, the Borough of Poole and Christchurch Borough Council forming one unitary council, and the six other councils forming the other.
- 11.2. It will therefore be necessary to 'disaggregate' existing investments and borrowings attributable to Christchurch Borough Council from the County Council's assets and liabilities. The process for doing is being developed and agreed during 2018/19, in common with other services and activities of the County Council provided to Christchurch Borough Council.

Richard Bates
Chief Financial Officer
October 2018

Prudential and Treasury Indicators

	2015/16 actual £'000	2016/17 actual £'000	2017/18 budget £'000	2017/18 actual £'000	
PI 1 Capital Expenditure	87,958	69,022	66,781	56,833	
Financed in Year	87,958	57,566	49,482	49,839	
Unfinanced capital spend	0	11,456	17,299	6,994	
PI 2 Capital Financing Requirement - made up of	326,246	336,343	342,150	340,624	
Long Term Borrowing	287,313	298,769	310,974	305,763	
Other Long Term Liabilities	38,933	37,574	31,176	34,861	
PI 3 Ratio of financing costs to net revenue stream	8.21%	7.27%	7.69%	7.66%	
PI 4 Incremental impact of capital investment decisions	£	£	£	£	
Increase in council tax (band D) per annum	0.00	6.04	7.93	7.89	
PI 5 External Debt	£'000	£'000	£'000	£'000	
Gross Debt	184,341	213,282	233,521	226,863	
Investments	12,738	15,664	10,300	47,029	
Net Debt	171,603	197,618	223,221	179,834	
Long Term Borrowing Requirement	287,313	298,769	310,974	305,763	
Under borrowing	102,972	85,487	77,453	78,900	
	2016/17 limit £'000	2016/17 actual £'000	2017/18 limit £'000	2017/18 actual £'000	2017/18 headroom £'000
PI 6 Operational Boundary for external debt -					
borrowing	335,000	213,282	335,000	226,863	108,137
other long term liabilities	40,000	37,574	38,000	34,861	3,139
TOTAL	375,000	250,856	373,000	261,724	111,276
PI 7 Authorised Limit for external debt -					
borrowing	355,000	213,282	355,000	226,863	128,137
other long term liabilities	42,000	37,574	40,000	34,861	5,139
TOTAL	397,000	250,856	395,000	261,724	133,276
PI 8 Upper limit for fixed interest rate exposure					
Net interest re fixed rate borrowing / (investments)	12,000	7,404	11,000	7,414	3,586
PI 9 Upper limit for variable rate exposure					
Net interest re variable rate borrowing / (investments)	2,000	0	2,000	0	2,000
PI 10 Maturity structure of fixed rate borrowing	upper limit	Actual as at 31/3/17		upper limit	Actual as at 31/3/18
< 12 Months	25%	15%	< 12 Months	25%	20%
1 to 2 Years	25%	0%	1 to 2 Years	25%	0%
2 to 5 Years	25%	11%	2 to 5 Years	25%	10%
5 to 10 Years	35%	5%	5 to 10 Years	35%	4%
10 to 15 Years	35%	14%	10 to 15 Years	35%	13%
15 to 20 Years	35%	0%	15 to 20 Years	35%	0%
20 to 25 Years	45%	0%	20 to 25 Years	45%	0%
25 to 30 Years	45%	0%	25 to 30 Years	45%	0%
30 to 35 Years	45%	11%	30 to 35 Years	45%	14%
35 to 40 Years	45%	8%	35 to 40 Years	45%	4%
40 to 45 Years	45%	19%	40 to 45 Years	45%	7%
45 to 50 Years	45%	0%	45 to 50 Years	45%	11%
>50 Years	75%	17%	>50 Years	75%	16%
	2016/17 Limit £'000	2016/17 Max Reached £'000	2017/18 Limit £'000	2017/18 Current £'000	2017/18 Headroom £'000
PI 11 Limit for investments > 1 year	20,000	0	20,000	0	20,000

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Borrowing as at 31 March 2018

DCC Ref	Lender	Loan Type	Drawdown Date	Term (years)	Maturity Date	Amount Drawdown	Amount Outstanding	Rate
Loan 2	PWLB	Annuity	25/07/2003	20	25/03/2023	14,185,506	4,859,235	4.70%
Loan 3	PWLB	Annuity	21/12/2004	20	25/03/2023	256,144	87,482	4.65%
Loan 10	PWLB	Maturity	01/03/2006	45.5	25/03/2051	8,815,800	8,815,800	3.95%
Loan 11	PWLB	Maturity	09/10/2006	45.5	25/03/2052	15,000,000	15,000,000	4.10%
Loan 12	PWLB	Maturity	02/08/2007	45.5	25/09/2052	8,000,000	8,000,000	4.55%
Loan 13	Barclays	Maturity	30/07/2007	70	30/07/2077	15,600,000	15,600,000	4.625%
Loan 14	PWLB	Maturity	23/08/2007	46.5	25/09/2053	10,000,000	10,000,000	4.45%
Loan 24	RBS	LOBO	25/09/2011	48	25/11/2059	15,000,000	15,000,000	4.39%
Loan 26	RBS	LOBO	04/10/2010	68	24/04/2078	10,000,000	10,000,000	4.20%
Loan 27	RBS	LOBO	04/10/2010	69	31/03/2079	10,000,000	10,000,000	4.14%
Loan 28	PWLB	Maturity	07/09/2010	15	25/02/2025	10,000,000	10,000,000	3.74%
Loan 29	PWLB	Maturity	07/09/2010	20	25/03/2030	10,000,000	10,000,000	3.98%
Loan 30	PWLB	Maturity	03/11/2011	10	25/03/2021	20,000,000	20,000,000	3.30%
Loan 31	Siemens	LOBO	25/09/2012	20	25/09/2032	10,000,000	10,000,000	2.60%
Loan 32	Siemens	LOBO	16/11/2011	20	21/12/2032	9,500,000	9,500,000	2.53%
Loan 46	Leicester City Council	Maturity	11/04/2017	1	11/04/2018	10,000,000	10,000,000	0.60%
Loan 48	BAE Systems	LOBO	11/12/2017	48	11/12/2065	25,000,000	25,000,000	3.90%
Loan 49	London Borough of Camden	Maturity	11/01/2018	0.8	11/01/2018	10,000,000	10,000,000	0.60%
Loan 50	West Sussex County Council	Maturity	22/01/2018	1	21/01/2019	10,000,000	10,000,000	0.70%
Loan 51	London Borough of Havering	Maturity	08/01/2018	1	07/01/2019	5,000,000	5,000,000	0.70%
Loan 52	PCC for West Midlands	Maturity	27/02/2018	1	27/02/2019	5,000,000	5,000,000	0.70%
Loan 53	London Borough of Wandsworth	Maturity	05/02/2018	1	04/02/2019	5,000,000	5,000,000	0.75%
Total / Weighted Average Rate						236,357,450	226,862,517	3.27%

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Cash and Investments as at 31 March 2018

Counterparty	Start Date	Maturity	Amount £'000	Rate %	Long Term Rating at Start Date	Current Counterparty Rating	Sovereign
<u>Call Accounts</u>							
NatWest Bank	31/03/2018	01/04/2018	1,479	0.15	BBB+	BBB+	UK
<u>Money Market Funds</u>							
BNP Paribas MMF	31/03/2018	01/04/2018	15,000	0.46	AAA	AAA	UK
Standard Life MMF	31/03/2018	01/04/2018	15,000	0.45	AAA	AAA	UK
Federated prime Rate MMF	31/03/2018	01/04/2018	8,000	0.44	AAA	AAA	UK
Deutsche MMF	31/03/2018	01/04/2018	7,550	0.44	AAA	AAA	UK
Total Cash and Investments			47,029				
Weighted Average Yield				0.44%			

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Audit and Governance Committee

Dorset County Council



Date of Meeting	25 October 2018
Officer	Chief Executive
Subject of Report	External Funding Monitoring Report 2018
Executive Summary	<p>This report provides an overview of external funding bidding activity in 2017-18. The report shows that, although the total number and value of bids has decreased when compared to 2017, the success rate has increased.</p> <p>The report also highlights the use of the special projects fund 2017-18, detailing investments made and returns achieved. A number of capital projects have secured funding this year due to the support of the special projects budget.</p> <p>Finally, the report provides a brief overview of the changes to the two biggest national funders; The Big Lottery Fund and Heritage Lottery Fund.</p>
Impact Assessment: <i>Please refer to the protocol for writing reports.</i>	Equalities Impact Assessment: This report does not relate to a new policy or change in service.
	Use of Evidence: The External Funding Policy, available on SharePoint, details the approval and reporting process for all external funding activity undertaken by the County Council or where the County Council is a formal partner to a bid. Activity reported in accordance with the policy is recorded on an excel register, the data from which is used to compile this report.
	It is recognised that a very small proportion of external funding activity may go unreported due to non-compliance with the policy.
	Budget: There are no new budget implications in this financial year. The value of externally funded projects goes beyond a financial

	<p>receipt as the projects funded often mitigate the effects of reducing public sector budgets and help to bring about strategic change in the way services are delivered.</p>
	<p>Risk Assessment: The County Council's approach is to ensure it takes advantage of opportunities for funding whilst being alert to risks.</p> <p>The external funding policy (revised in 2015) provides risk management guidance for Heads of Service and those undertaking bidding activity.</p> <p>The current and residual risks are both low.</p>
	<p>Outcomes:</p>
	<p>Other Implications: The majority of external funding bids need to take place in partnership with other agencies, not least from the voluntary and community sector. Hence a partnership approach to external funding activity is required in most cases.</p>
Recommendation	<p>It is recommended that the committee:</p> <ol style="list-style-type: none"> 1. Notes external funding activity during 2017-18; 2. Comment on the external funding activity; 3. Consider whether there are available funds to maintain the Special Projects Fund at £155,000 for the financial year 2019/20.
Reason for Recommendation	<p>Well managed and focussed external funding activity has the potential to help deliver the priorities and outcomes identified in the council's corporate objectives.</p>
Appendices	<p>Appendix 1: Bidding Activity 2017-18 Appendix 2: Special Projects Investments 2017-18</p>
Background Papers	<p>External Funding Policy available on SharePoint</p>
Officer Contact	<p>Name: Laura Cornette, External Funding and Grants Manager Tel: 01305 224306 Email: l.cornette@dorsetcc.gov.uk</p>

1. Background

- 1.1 External funding is defined as any monies that are discretionary, not accounted for under the Formula Spending Share, or equivalent, distributed by various UK and EU agencies on a business case and/or competitive basis requiring an application. It excludes statutory grants secured without a competitive application and/or assessment process.
- 1.2 This report provides an analysis and a commentary of external funding activity across the council in comparison to 2017. Information for a four-year period is given in recognition of the time it takes for bids to be developed and submitted and for the outcome to be made public.

2. External Funding Infrastructure and Policy

- 2.1 The majority of external funding activity is undertaken within directorates by service officers. The chief executive's office maintains a core function to ensure external funding activity is coordinated effectively between services and partner agencies, information is distributed, and opportunities are considered. In addition, it provides management information and manages the council's external Special Projects budget.
- 2.2 The chief executive's office budget pays for the county council's IDOX – Open for Communities licence, allowing communities across the authority area to access a professional external funding grants information database. Due to decrease in budgets and under usage, the County Council no longer funds the internal version of this available to officers – IDOX – Grantfinder.
- 2.3 All DCC external funding activity is subject to a policy that came in to effect in April 2007 and was revised in October 2015. The policy is available on SharePoint [External Funding Policy](#).

3. External Funding Bidding Activity 2017-18

- 3.1 Table 1, below, quantifies external funding activity over the last four years. It includes bids where DCC acts as lead agency and bids where DCC is a formal partner to the project or shares some risk with the project lead. Appendix A lists all bids developed during the last financial year.

3.2

Table 1: Total bidding activity (2015-2018)								
Financial Year	Bids Made		Grants Secured		Rejected or Withdrawn Bids		Bids Pending Decision	
2015	25	£15.8m	18	£12.8m	5	£1.3m	2	£1.8m
2016	25	£26.2m	14	£13.4m	3	£2.1m	10	£11.7m
2017	36	£20.7m	23	£8.4m	7	£512,933	5	£11.78m
2018	28	£16.86m	22	£9.64m	1	£291,000	5	£7,46m

3.3 Points to note from bidding activity in the last financial year

- The number of bids **decreased** by 9% to 28, though this does follow previous year's figures which were an anomaly in the wider trend.
- The total value of bidding activity **decreased** from 2017 by 12% to £16.86m. This is a reasonable value of external funding activity in the current climate.
- 78% of bids have been successful which has **increased** since 2017 and is the highest success rate in the last 4 years.
- The trend will be monitored and reviewed to establish whether there is an underpinning for the change to the trend of successful bidding.

3.4 The 3 largest grants bid for and secured by DCC as lead organisations, were not solely from central government and the EU which is a change in the trend of previous years: -

- Homes England - £6,500,000
- EU – European Social Investment Fund - £3,124,000
- Heritage Lottery Fund - £900,000

3.5 The outcomes of the 4 significant bids during 2017 were:

Fund	Programme	Grant Value	Outcome
Coastal Communities Fund	Improvements to Coastal access and information and public realm infrastructure	£7.5m	<u>Secured</u>
Heritage lottery	Dorset History Centre - Collections Innovation Centre project	£3m	<u>Reject - Resubmitting</u>
Big Lottery	Communities Living Sustainability	£960,000	<u>Secured</u>
Big Lottery	Future Roots - Acquisition of Whitfield site	£242,000	<u>Reject</u>

3.6 There are 4 significant bids pending outcomes for 2018

- £6.5m – Homes England – Housing Infrastructure Fund
- £1.9m and £658,000 – Heritage Lottery Fund
- £318,000 – Department of Work and Pensions – Reducing parental Conflict Fund

3.7 None of the pending bids are from EU funding streams, though two are from Government departments

3.8 The External Funding & Grants Manager worked in partnership to secure funding from the MOD for a 2-year programme to the Local Delivery Support for the Armed Forces Communities in Dorset. DCC as the lead organisation are working with partners including; Dorset Healthcare, CCG, Office of Police and Crime Commissioner, Bournemouth Borough Council, Borough of Poole Council, Dorset Council's Partnership, and the 4 Dorset Military bases, to create 13 Veterans Hubs in Libraries across the county and raise the profile of the Armed Forces Covenant within the public sector and in the community.

3.9 DCC contributed a total of £324,780 to bid for £16.86m of external funding to support the Dorset economy.

4. Special Projects Fund 2017-18

- 4.1 As part of the external funding policy, the County Council also supports external funding activity with community and partner organisations. This is done by using the special projects fund of £155,000 per annum to provide grants for feasibility studies, expert advice in bidding, leverage and match funding. This fund has remained the same since it was created in 1995.
- 4.2 This budget, pending a final decision by the Shadow Cabinet Budget Group, is likely to receive 11.7% reduction as part of the desegregation to Bournemouth Christchurch and Poole Council. This would result in a new budget figure of £136,865. However, this budget does have significant financial commitments against it until 2021 due to the nature of the applications for large projects with other funders, which are subject to a successful application.
- 4.3 The approval process for special projects funding is as follows:
- Less than £20k = Head of Business Improvement
 - Greater than £20k and less than £500k = Chief Executive and Leader of Council
 - Greater than £500,000 or significant, county wide, contentious projects = Cabinet
- 4.4 This financial year has been less successful in levering funding from the Heritage Lottery Fund (HLF) than in previous years, the main reasons for this are:
- Several large match funded contributions committed from previous years from the Special Projects Budget have claimed their funding in this financial year therefore having less budget to allocate to new, usually smaller projects that do not require such a lengthy claim period.
 - Dwindling lottery ticket sales, HLF have reprioritised awards to specific geographical areas, of which, only East Dorset is in that priority, and much of the past activity has taken place in the West of the County. The expectation of being at least one substantial bid from the East of the County for the next financial year of £1.9m with a DCC contribution of £30,000.
- 4.5 The Collections Innovation Centre project at the Dorset History Centre has been a victim of the reduced allocation of funds from the HLF. Their project totalling £3m, which received a stage 1 past last financial year has been rejected at stage 2. They have been advised to amend their project and resubmit in 2018/19.
- 4.6 2017 saw the removal of the annual revenue funding stream from the Special Projects budget which has had a notable effect on the County Council's ability to lever in capital projects to the county. However, some of this has been alleviated by the Leader's and Chief Executive's small community budget of £30,000 which is efficiently utilised to support ad hoc partnership or match funded projects for community benefit.

5. Big Lottery Fund and Heritage Lottery Fund

- 5.1 Dorset's communities rely heavily on both Big Lottery and Heritage Lottery Fund to draw funding into Dorset. Both funders are undergoing significant internal changes.
- 5.2 Big Lottery are restructuring their staffing and delivery model from a national to a regional structure. Dorset will fall within the South West region. Many of the grant funds are closed for applications whilst the organisation makes this major restructure. They are also using this time to review the application process. It is expected that new funding schemes will become available in the next financial year.

- 5.3 Heritage Lottery Fund have amended their 'priority areas' for applications, from which in Dorset only East Dorset (and Poole) is now a priority funding area. West Dorset has been incredibly successful in drawing funding from HLF in the past. However, Dorset currently have a major application for East Dorset pending.

6. European Union Funding

- 6.1 The Dorset LEP area has been allocated £40 million of 2014-2020 European Structural Investment Funds (ESIF). The main areas of focus are;
- training for people facing the biggest challenges to join the job market
 - the European Regional Development Fund which in turn focuses on:
 - research and innovation
 - small business support
 - low carbon economy

A significant funding bid from the Memo Project (in partnership with the Eden Project) and supported by the DCC Special Projects Fund in 2018, has benefitted greatly from this LEP funding, levering in £1m of match funding to complete a feasibility study and business plan on an estimated £30m project

- 6.2 DCC is leading a low Carbon Project and is a partner in a project with Bournemouth Borough Council aimed at Low Carbon transport.
- 6.3 DCC is managing the €4 million ESIF-funded Northern Dorset and Southern Dorset LEADER programmes due for completion in 2019.
- 6.4 HM Treasury has committed to guarantee funding for projects after the UK leaves the EU subject to be aligned with domestic priorities and demonstrating value for money. There has been reduced interest in competing for EU funds due to the uncertainties surrounding Brexit, and the need to secure match funding. More information is available in the Dorset County Council European Strategy 2017-2020, approved in January 2017.

7. Looking forward

- 7.1 During the course of the last financial year, national government has created new programmes to support communities that will be directly negatively affected with the withdrawal from the EU, particularly around housing, renewable energy, older people and family themes. DCC is making affective applications to with a reasonable success rate in an extremely competitive field.
- 7.2 The effectiveness of the special projects budget, in supporting feasibility, bidding costs and match funding remains clear. It will continue to become an increasingly important tool to help us build the capacity of Dorset's civil society and lever significant sums of inward investment into the county.
- 7.3 The external funding policy will need to be reviewed in line with the new Dorset Council aims and priorities as they are published during 2019.

8. Conclusion

- 8.1 Whilst external funding is still available in significant quantities, bidding activity by the Council has decreased. It does however appear to be more targeted resulting in improved success rates. The application amounts are becoming slightly lower, with more expectation for match funding in line with funders changing priorities.
- 8.2 The reasons for this include;
- the end of the old EU programmes
 - forthcoming Brexit
 - a change in government in 2015
 - HLF decreasing their awards in the county and reduced capacity to bid
 - Big Lottery restricting its funds offered, creating smaller and more targeted programmes that require larger amounts of match funding.
- 8.3 It is crucial that the capacity of future external funding activity, is undertaken in light of the agreed outcomes within the corporate priorities and through effective partnership working with organisations and communities across Dorset.

9. Recommendations

- 9.1 It is recommended that the committee:
1. Notes external funding activity during 2017-18.
 2. Comment on the external funding activity
 3. Consider whether there are available funds to maintain the Special Projects Fund at £155,000 for the financial year 2019/20

Debbie Ward Chief Executive

October 2018

Project	Directorate	Source & Programme	Status	DCC Contribution	Grant Value
3-year programme to develop of Gillingham & West Parley streets	E&E	Homes England - Housing Infrastructure Fund	<u>Pending</u>	0.00	£6,500,000
Durlston Pleasure Gardens project where volunteers will work with rangers, artists, landscape specialists and countryside management experts to create a landscape which is inspiring, accessible, educational, playable and sustainable aiming to restore the park's intended features which have been lost or hidden over the years. 3-year programme	E&E	Heritage lottery Fund – People & Parks fund	<u>Secured</u>	4,500	£900,000
Low Carbon Dorset - To support growth in Dorset's low carbon economy by providing technical and grant support to Dorset organisations for energy efficiency and Renewable energy projects. A 3-year programme	E&E	ESIF (ERDF)	<u>Secured</u>	94,000	3,124,000
To deliver landscape-based activities for improved Health & Wellbeing for 65+ including carers & people living with dementia 3-year programme	E&E	Big Lottery Fund – reaching Communities	<u>Secured</u>	20,000	65,000
Development of Living and learning hubs – 2-year programme	E&E	Cabinet Office – One Public Estate	<u>Secured</u>	0.00	60,000
Central Heating in homes of disadvantaged population – 3-year programme	E&E	Warm Homes Fund - Urban	<u>Rejected</u>	98,500	291,000
Central Heating in homes of disadvantaged population – 3-year programme	E&E	Warm Homes Fund – Rural	<u>Secured</u>	60,000	414,000
GP Health partnership with healthy homes Dorset – 3-year programme	E&E	Warm Homes Fund - Innovation	<u>Secured</u>	21,000	45,000
Landscape enhancements in Marshwood Vale – 3-year programme	E&E	National Grid – Landscape Enhancement Fund	<u>Secured</u>	0.00	199,000
Landscape enhancements in South Dorset Ridgeway – 3-year programme	E&E	National Grid – Landscape Enhancement Fund	<u>Pending</u>	0.00	194,000
Community-based water quality survey & enhancements on River Asker – 1-year programme	E&E	Dorset Catchment Partnership – Catchment Fund	<u>Secured</u>	0.00	6,500

External Funding Monitoring Report 2018

Core grant to Dorset AONB.	E&E	Defra – Protected Landscapes Core Grant	Secured	25,380	235,840
To deliver community led local development in the fisheries and aquaculture sector within Dorset and East Devon – 3-year programme	E&E	European Maritime and fisheries Fund	Secured	0.00	800,000
Litter Free Coast and Sea - community campaign to promote behaviour change and reduce litter and improve bathing water quality - 5-year programme, financial commitment TBC each year, minimum contribution from Wessex water £35k	E&E	Wessex Water	Secured	0.00	100,800
Food Standards Agency - animal feed work	Adults	Foods Standards Agency	Secured	0.00	46,165
South West – A region of Readers – programme to develop reading app shared reading programme with partners (with 5 other LA’s)	Adults	Arts Council England/ DCMS – Libraries for everyone Innovation Fund	Secured	1,000	150,446
Syrian resettlement programme	Children’s	Home Office – Syrian Refugee Programme	Secured	0.00	187,494
Develop a referral hub for the programme which is aimed at testing the efficacy of interventions with parents aimed at reducing parental conflict. – 4-year programme	Children’s	DWP – Reducing Parental Conflict	Pending	0.00	318,609
A 2-year programme to improve the Local authority offer for Armed Forces Communities and to open 13 hubs in libraries across Bournemouth, Dorset & Poole.	Chief executives	MOD – Support for Local Authority delivery of the Armed Forces Covenant	Secured	0.00	284,000
Total DCC contribution				£239,780	
Total Secured					£13,771,408

Reference Number	Organisation	Project	Principle Funding Source	Grant Offered by DCC (£)	Minimum Financial Leverage Expected (£)	Leverage Status
<u>CAPITAL PROJECTS</u>						
	MEMO in partnership with the Eden project	Mine – Dorset Historical Attraction feasibility	Crown Estate £1.3m Dorset LEP - £1m	£80,000	£2,750,000	<u>Secured</u>
EF-17-173	Priests House Museum Wimborne	To refurbish the main Museum building to improve conservation of the historic fabric and to increase understanding of the development of the building; increase the exhibition and display space; to provide more stories concerning the lives of people from East Dorset; provide improved engagement opportunities with communities across East Dorset and to ensure the future sustainability of the Museum.	Heritage Lottery Fund	30,000	1,900,000	<u>Pending</u>
EF-17-174	Shaftesbury Abbey: a voyage of Exploration and discovery	To make the first ever comprehensive survey of the remains of Shaftesbury Abbey church and cloister and their relationship to the Saxon burh and medieval town; improve visitor services to make it inclusive and develop a volunteer programme.	Heritage lottery Fund	15,000	86,000	<u>Secured</u>
EF-17-175	Hinton Martell Village Hall - Feasibility	To develop the 3 proposed development options in conjunction with the village residents to ensure the redevelopment of the hall future proofs this inclusive community through proposed facilities.	Architectural Heritage Fund	5,000	13,000	<u>Secured</u>
EF-17-171	Dorchester Maltings - Feasibility	The purpose of the architectural feasibility study and business plan revision was to establish what was required in terms of operational facilities (arts provision, catering provision and commercial space) to make The Maltings financially sustainable and avoid the need for substantial public subsidy, the design costs and a detailed, financially sustainable business plan.	Architectural Heritage Fund	6,000	31,000	<u>Secured</u>
EF-18-176	Hinton Martell Village Hall – Development	To match fund the preferred option following the completion of the feasibility.	Heritage lottery Fund	20,000	658,000	<u>Pending</u>

External Funding Monitoring Report 2018

				<u>TOTALS</u>	<u>56,000</u>	<u>2,688,000</u>	
<u>REVENUE PROJECTS</u>							
EFD-17-03	Christchurch Open Awards Centre	Pantry project – the development of a social shop in Somerford Estate		15,000	30,900		<u>Secured</u>
EFD-17-05	Arts development Company	Development of footfall into libraries for rurally deprived areas by the creation of activities through means of arts and culture.	Arts Council Coastal and Market Towns communities fund.	4,000	60,000		<u>Secured</u>
				<u>TOTALS</u>	<u>29,000</u>	<u>90,900</u>	

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Audit and Governance Committee

Dorset County Council



Date of Meeting	25 October 2018
Officer	<p><u>Local Members</u> All Members</p> <p><u>Lead Directors</u> Debbie Ward, Chief Executive</p>
Subject of Report	<p>Monitoring Corporate Plan Outcomes: Summary of issues being addressed by the Overview and Scrutiny Committees, October 2018</p>
Executive Summary	<p>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.</p> <p>The current meeting follows the three OSC meetings in October. Therefore, this report provides a summary of the key issues relating to Corporate Plan delivery that was discussed by members at those three meetings.</p>
Impact Assessment:	<p>Equalities Impact Assessment: There are no specific equalities implications in this report. However, the prioritisation of resources to challenge inequalities in outcomes for Dorset’s people is fundamental to the Corporate Plan.</p> <p>Use of Evidence: The outcome indicator data submitted to the Overview and Scrutiny Committees is drawn from several 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.</p>

	<p>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.</p> <p>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:</p> <p>Current: Medium Residual: Low</p> <p>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.</p> <p>Other Implications: None</p>
<p>Recommendation</p>	<p>That the committee:</p> <ul style="list-style-type: none"> • considers the accounts in this report of the issues being addressed by the Overview and Scrutiny Committees in the current round, and: • if necessary, recommends that one or more of the Overview and Scrutiny Committees focuses attention on an issue or issues requiring investigation and scrutiny.
<p>Reason for Recommendation</p>	<p>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.</p>
<p>Appendices</p>	<p>None</p>
<p>Background Papers</p>	<p>Dorset County Council Corporate Plan 2017-19, Cabinet, 28 June 2017</p> <p>https://www.dorsetforyou.gov.uk/corporate-plan-outcomes-framework</p>

Officer Contact	Dr David Bonner (Strategic Insight, Intelligence and Performance Manager) Email David.Bonner@dorsetcc.gov.uk ; Tel 01305 225503 David Trotter (Senior Assurance Officer, Insight, Intelligence and Performance) Email d.trotter@dorsetcc.gov.uk ; Tel 01305 228692
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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.

The areas of focus for the three committees were as follows:

2.0 Safeguarding Committee - 11 October 2018 (Outcome: “Safe”)

2.1 Child Protection

The rate of children subject to a child protection plan has remained unchanged. This follows a sharp decrease between 2016 and 2017. There is a High Level Corporate risk surrounding the Council’s inability to attract and retain suitably qualified specialist safeguarding staff within Children’s Services.

- 2.11 The number of ‘children in care’ has improved slightly over the past year which reflects a small but ongoing improvement within this area. There remains a High Level Corporate risk over the lack of sufficiency (placements/ residential/ foster care), which impacts negatively on the demands led budget for children in care.

2.2 Persistent absence from school

Persistent absence is defined as missing 10% of sessions, equivalent to about 19 school days in any one academic year. The rate of children who are persistently absentees from school in the primary sector has remained unchanged over the past year whilst the rate for children in the secondary sector has worsened slightly. The data for secondary schools follows the national picture which has shown an increase over time.

2.3 Adult Safeguarding

In relation to safe outcomes for Adults – the population indicator shows a worsening position in relation to the number of adult safeguarding concerns in Dorset, again this reflects the national trend.

2.4 Crime & anti-social behaviour

Levels of total crime have seen an increase from the last quarter of 2017 to the first quarter of 2018 – the levels of crime have shown an upward trend since 2015/16 although there are seasonal fluctuations.

2.4.1 Levels of anti-social behaviour have increased since the last quarter of 2017 – and over the past few years there has been an upward trend in numbers of anti-social behaviour – however the numbers have decreased slightly from the same period last year. The data follows a seasonal pattern with numbers highest in the second quarter and lowest in the fourth quarter.

2.4.2 Levels of domestic abuse incidents reported have dropped slightly since the last quarter of 2017 and since the same time last year. However, the number of actual crimes recorded has increased which needs to be investigated as it could reflect several different factors.

2.5 Road Safety

It is important to consider the wide variety of factors that influence the number of road traffic casualties, many being outside the direct control of the County Council. Responsibility for improving road safety is shared with key partners including Dorset Police, Dorset & Wiltshire Fire & Rescue and the South West Ambulance Service as well as individual road users. Data indicates that the number of people Killed or Seriously injured on Dorset's roads remains unchanged since the previous year however, if all incidents are included which includes slight injuries there has been a relatively consistent downward trend in the total number of road traffic casualties in recent years.

2.5.1 Their remains a High Level Corporate risk over the inability to maintain the highways infrastructure to an acceptable standard in the face of changing circumstances (e.g. budget reductions; climate change).

3.0 People and Communities Committee – 10 October 2018 (Outcomes: “Healthy”; “Independent”)

3.1 Inequality in lifespan

People in Dorset generally live longer lives compared to the average for England, but there are differences in life expectancy between the most and least deprived communities. The level of inequality in Dorset is significantly lower than the average across England – six years for males compared to 9.2 in England and 5.2 for females in Dorset compared to seven. However, the local trend in Dorset is towards growing

inequality, whereas nationally it is reducing. This is particularly true for males with an increase from 5.4 years to six between 2015 and 2016.

3.1.1 These inequalities may reflect poor access to or take-up of services, social isolation and poor health in general.

3.1.2 Healthy behaviours in childhood and teenage years set patterns for later life and early interventions are important. The Live Well Dorset service supports people to address four key lifestyle issues: quitting smoking, losing weight, drinking less and moving more.

3.2 **Alcohol and substance use**

Hospital admissions related to alcohol remain higher for men than women, both nationally and locally. Whilst hospital admissions for males for alcohol related conditions locally remained unchanged, the rate rose for females. Nationally, there was improvement in the trend for both males and females.

3.2.1 The percentage of clients of the alcohol treatment service drinking less at 3 months fell from 60% to 38% between Quarter 4 2017-18 and Quarter 1 2018-19;

3.2.2 The percentage of successful alcohol treatment service completions fell from 46% to 44%.

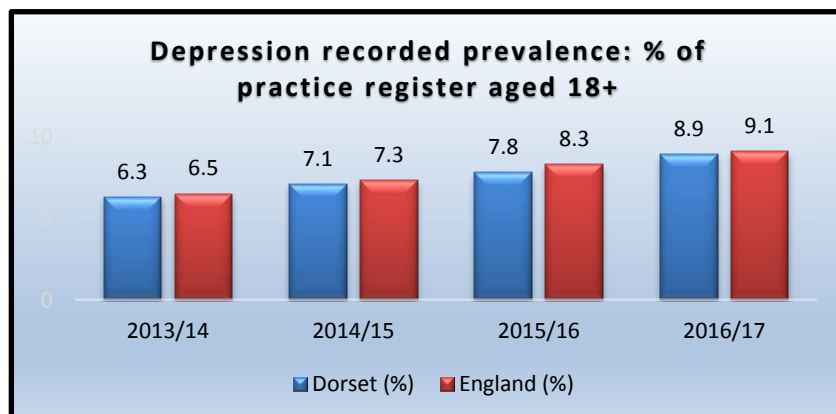
3.2.3 The percentage of young people successfully completing substance use treatment fell from 88% to 53% between Quarter 4 2017-18 and Quarter 1 2018-19.

3.3 **Excess weight**

The percentage of adults with excess weight rose over the year from 2016-2017 against a backdrop of a fall nationally. However, the Dorset percentage is below the England average. Obesity has been linked to deprivation, ethnicity (minority groups are more likely to be obese) and generational influence – obese parents are more likely to have obese children. Obesity is associated with health problems including pregnancy-related issues, mental health issues, type 2 diabetes, cardiovascular disease and some cancers. All these generate costs for the NHS so proactive work by the Live Well Service aims to reduce this.

3.4 **Mental health**

The recently added population indicator for mental health prevalence, 'Depression recorded prevalence: % of practice register aged 18+', measures the percentage of people registered with their doctor as suffering from depression. In Dorset, whilst the percentage of people grew, as nationally, the England average is slightly higher.



3.5 Cardiovascular disease & levels of physical activity in adults

Mortality rates data for those aged under 75 are no longer available for males and females separately. The combined rate suggests a slightly worsened trend in Dorset compared to an improvement nationally. Cardiovascular disease remains the biggest cause of death after cancer nationally.

- 3.5.1 Nationally, a reduction in smoking is one of the factors contributing to the fall over the last 50 years in deaths from cardiovascular disease. In Dorset, the percentage of clients smoking less at 3 months after a smoking cessation course worsened from 64% to 36% between Quarter 4 2017-18 and Quarter 1 2018-19.
- 3.5.2 Over the year in Dorset, the level of physical activity in adults remained unchanged. The percentage is higher than in England, but there was an improvement nationally.
- 3.5.3 The latest local quarterly data for clients increasing physical activity at three months shows an increase from 32% to 49%.

3.6 Percentage of children with good attendance at school

The consequences of poor attendance include difficulty in catching up and this can result in ongoing disadvantage. The impact of this may be felt beyond school age and follow through into life opportunities. Reasons for poor attendance can be linked to other school-based indicators e.g. a poor start in the early years may mean that children continue to struggle throughout their school life. Overall, there was a marginal decline in attendance over the year. Primary school attendance remained stable, but a small increase was evident in secondary school attendance. Potential factors affecting attendance include mental health/anxiety issues and unauthorised absence for family holidays.

- 3.6.1 The improved life chances gained through a good education can open opportunities for better paid work and continued independence beyond working age.

3.7 Percentage of children ready to start school

School readiness starts at birth and children not ready at the age of five can struggle. Dorset's overall performance improved over the year, but children from the poorest households often do less well at this stage, as do children with special educational needs. Preparation in these early years has a big impact on later life.

- 3.7.1 Percentage of children achieving expected standard at KS2 in reading, writing and maths - The trend in Dorset is expected to show continued improvement in 2018 which is a better position than nationally.

3.8 Percentage of 16 and 17-year olds who are not in education, employment or training (NEET)

Over the last quarter, there was marginal change in the percentage of 16 and 17-year olds who are not in education, employment or training (NEET), much in line with the SW average. The percentage in jobs without training (JWT) tends to be above average and rose over the quarter.

3.9 Delayed transfers from hospital care

The average over Q1 2018-19 (April to June) showed fewer delays than in the previous quarter and the quarter before that. The main reasons for delay were Awaiting home care (369 days), Awaiting reablement (220) and Awaiting completion of assessment (186). The target is a maximum of 9.0 social care-attributable delays per day. Whilst

the downward trend since last year has continued, we are not currently on track to meet the target by the end of September.

4.0 Economic Growth Committee – 15 October 2018 (Outcome: “Prosperous”)

4.1 The productivity of Dorset’s businesses (GVA per hour worked)

This indicator is key to the prosperity of Dorset businesses and residents and each of the other indicators in the ‘Prosperous’ suite impacts upon it. Whilst GVA per hour worked improved in Dorset over the year, the change was minor and masks the key point that productivity in Dorset is considerably below the national average – a situation which has changed little over a period of at least six years.

- 4.1.1 Raising productivity is key to improving living standards sustainably in the long term. Higher productivity achieved through greater effectiveness leads to better-paid job opportunities. This, together with higher job-satisfaction, improves quality of life for workers. The key drivers of productivity are traditionally seen as investment, skills, enterprise, competition and innovation and these link to all our indicators.

4.2 Investment in infrastructure

The availability of suitable infrastructure and workspace is key to business expansion decisions and can lead to the loss of valuable firms if they move elsewhere in search of these. Investment with partners in the Dorset Innovation Park is creating and safeguarding jobs by providing workspace for businesses, with a focus on advanced engineering. Together with other inward investment work, this will provide opportunities for economic growth and expansion to help raise our business start-up rate. The presence of new businesses leads to competition, innovation and the drive to become more effective.

- 4.2.1 Through investment in highways maintenance, we continue to repair and maintain the road network to keep businesses and commuters moving. The Shadow Dorset Council Executive Committee has approved the County Council decision to inject an additional £1.4m into road maintenance in this financial year.
- 4.2.2 The County Council manages the rollout of fixed line digital infrastructure across eligible parts of the county. The Superfast Dorset programme aims to provide as close to 100% as possible connectivity at 30Mbps by 2020, with 50% connectivity to ultrafast and businesses able to access faster services as required. Digital connectivity is essential for businesses, not just for their work processes but also introducing new ways to relate to customers and sell their goods and services.

4.3 Investment in skills

Investment in skills begins with the early years providing a sound foundation for later life. Good schools lead to higher achievement with improved employability and life chances for pupils. High quality schools are also attractive to businesses considering a move to the area. Access to good quality further and higher education in the local area is also attractive to businesses who may be willing to invest in apprenticeships and other forms of training, but reluctant to send employees too far afield with the consequent impact on work time. Building up awareness of the benefits of alternative routes to further and higher skills such as apprenticeships needs continued work with businesses, schools, parents and children.

- 4.3.1 Investment in workforce skills at any age – through apprenticeships or other training – is key to improving productivity. The acquisition of new skills through training or recruitment introduces new ideas and openings to new technologies which can lead to

innovation. In addition, the availability of a skilled labour pool is attractive to businesses looking to invest in Dorset.

- 4.3.2 As the business requirement for Level 4+ skills grow with technological change, it is crucial to improve this. Dorset's workforce has an older age profile than nationally with 36% aged 50+ compared with 28% in England on average. Upskilling can help resolve skills issues and encourage the adoption of new technologies but, as older workers move into retirement, businesses will need to attract new recruits.

4.4 Housing affordability

The high cost of housing in Dorset is a potential barrier to recruitment, particularly for key workers. Work with district and borough councils to facilitate the delivery of housing, and investment in accommodation for key workers may help to address issues of housing affordability.

Audit and Governance Committee Work Programme

Forward Plan

Chairman: Cllr David Harris
Vice Chairman: Cllr Clare Sutton

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
21 January 2019	1	<u>Financial Management Report</u>	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	Jim McManus Chief Accountant
	2	<u>External Audit Plan</u>	To consider the External Audit Plan for the forthcoming year.	Darren Gilbert Director, KPMG
	3	<u>Report of Internal Audit Activity – Plan Progress 2018/19</u>	To receive a report on SWAP’s independent work and assess the Council’s risk, governance and control framework.	Rupert Bamberger Assistant Director South West Audit Partnership (SWAP)
	4	<u>Treasury Management Year to Date Update</u>	To consider the update on treasury management 2017-18.	David Wilkes Finance Manager (Treasury and Investments)
	5	<u>Corporate Plan: Outcomes Focussed Monitoring Report</u>	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
11 March 2019	1	<u>Financial Management Report</u>	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	Jim McManus Chief Accountant
	2	<u>Internal Audit Plan</u>	To consider the Internal Audit Plan for the forthcoming year.	Rupert Bamberger Assistant Director South West Audit Partnership (SWAP)
	3	<u>Report of Internal Audit Activity – Plan Progress 2018/19</u>	To receive a report on SWAP’s independent work and assess the Council’s risk, governance and control framework.	Rupert Bamberger Assistant Director South West Audit Partnership (SWAP)
	4	<u>Corporate Plan: Outcomes Focussed Monitoring Report</u>	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

Date of Meeting		Item	Purpose / Key Lines of Enquiry (KLOE)	Lead Member/Officer
	5	<u>Annual Audit Letter</u>	This report summarises the key findings from the external audit of Dorset County Council.	Darren Gilbert Director, KPMG
	6	<u>Draft Annual Governance Statement and Local Code of Corporate Governance</u>	To consider the Annual Governance Statement which sets out key features of the governance framework in place in the Authority and provides a review of its effectiveness.	Mark Eyre Senior Assurance Manager (Governance and Assurance)
Other draft items / issues identified for potential review				

Debbie Ward
Chief Executive
October 2018

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