

# Agenda

## Public Document Pack

Dorset County Council



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Meeting: Audit and Governance Committee  
Time: 10.00 am  
Date: 21 January 2019  
Venue: Committee Room 2 - County Hall, County Hall, Colliton Park, Dorchester,  
Dorset, DT1 1XJ

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David Harris (Chairman)  
Cherry Brooks  
Colin Jamieson  
Vacancy

Clare Sutton  
Ray Bryan  
William Trite

Richard Biggs  
Andrew Cattaway  
Vacancy

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### Public Speaking

Members of the public can ask questions and make statements at the meeting. The closing date for us to receive questions is 10.00am on 16 January 2019, and statements by midday the day before the meeting.

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**Mike Harries**  
Chief Executive

Contact: Denise Hunt, Senior Democratic Services  
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Date of Publication:  
Friday, 11 January 2019

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## 1. **Apologies for Absence**

To receive any apologies for absence.

## 2. **Code of Conduct**

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

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

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

## 3. **Minutes**

5 - 12

To confirm and sign the minutes of the meeting held on 25 October 2018.

## 4. **Public Participation**

(a) Public Speaking

(b) Petitions

## 5. **Points from the Chairman**

To receive a verbal update from the Chairman of the Committee, including the Inquiry Day held on 15 January 2019.

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

13 - 16

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

## 7. **Recruitment of Children's Social Workers**

17 - 20

To consider a report by the Joint Director for Children, Adults & Communities (attached).

## 8. **Financial Management Report**

21 - 32

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

## 9. **External Audit Plan**

33 - 56

To consider a report by the Council's External Auditor (attached).

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

57 - 88

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

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|---|-----------|
| <b>11. Treasury Management Mid Year update</b>  | 89 - 108  |
| To consider a report by the Chief Financial Officer (attached).   |           |
| <b>12. External Funding Update</b>  | 109 - 114 |
| To consider a report by the Chief Executive (attached).   |           |
| <b>13. Monitoring Corporate Plan Outcomes: Summary of issues being addressed by the Overview and Scrutiny Committees, December 2018</b> | 115 - 120 |
| To consider a report by the Chief Executive (attached).   |           |
| <b>14. Work Programme</b>   | 121 - 122 |
| To consider the Committee's current work programme.   |           |
| <b>15. Questions from County Councillors</b>  |           |
| To answer any questions received in writing by the Chief Executive by not later than 10.00am on 16 January 2019.                        |           |

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### Audit and Governance Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester,  
Dorset, DT1 1XJ on Thursday, 25 October 2018

**Present:**

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

Members Attending:

Councillor Peter Wharf, Cabinet Member for Workforce.

Officers Attending: Rupert Bamberger (Assistant Director - South West Audit Partnership), David Bonner (Intelligence, Insight and Performance Manager), Laura Cornette (Corporate Policy and Performance Officer), Christopher Matthews (Service Manager - HR Operations), Jim McManus (Chief Accountant), Mark Taylor (Group Manager - Governance and Assurance), David Wilkes (Senior Finance Manager - Treasury and Investments), Kirsty Snow (Senior Communications Officer), Sally White (Principal Auditor - South West Audit Partnership) and Denise Hunt (Senior Democratic Services Officer).

(Notes: These minutes have been prepared by officers as a record of the meeting and of any decisions reached. They are to be considered and confirmed at the next meeting of the Committee to be held on **Monday, 21 January 2019.**)

**Apologies for Absence**

48 Apologies for absence were received from Colin Jamieson and Bill Trite.

**Code of Conduct**

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

**Minutes**

50 The minutes of the meeting held on 29 June 2018 were confirmed and signed.

**Public Participation**

51 Public speaking

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

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

Petitions

There were no petitions received in accordance with the County Council's petition scheme at this meeting.

**Points from the Chairman**

52 The Chairman reported that preparatory work agreed via the Overview and Scrutiny Management Board (OSMB) looking at aspects of Children's Services was well underway. Further to the agreement of the scoping document, he was currently looking at the structure of the Inquiry Day which would take place on 15 January 2019. The Panel would be comprised of the Chairmen of the Overview and Scrutiny Committees.

## **Progress on Matters Raised at Previous Meetings**

53 The Committee considered a report containing outstanding actions since the last meeting on 29 June 2018.

### **Noted**

## **Annual Audit Letter 2017-18**

54 The Committee considered the Annual Audit Letter 2017-19 by the Council's external auditors, KPMG.

The Chairman asked about the £7.4m adjustment in respect of PPE.

The Chief Accountant advised that asset valuations had been undertaken in accordance with the same policy since 2010. However, in light of the auditor's recommendation, valuations would be carried out with an effective date of 30 September rather than on 1 April in future.

### **Noted**

## **Report of Internal Audit Activity - Plan Progress 2018-19**

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

The report was introduced by the SWAP Assistant Director. A key part of this latest update report related to Disclosure and Barring Service (DBS) checking where an audit opinion of "no assurance" had been given. The full audit report had been included as an appendix to the report. The Service Manager - HR Operations was also present at the meeting to explain the actions being taken to mitigate the areas that had been highlighted in the audit report.

However, to ensure appropriate coverage, the Committee agreed to initially focus on the other key issues contained in the SWAP quarterly report, before returning to a fuller discussion on DBS.

The SWAP Assistant Director reported on the proposed removal of 2 audits by the Interim Director of Children's Services relating to Children's Social Care Caseload Management and Readiness for Ofsted Inspection.

Members were concerned that significant audits that had been removed from the audit plan and other items added involving more minor matters. They sought reassurance from SWAP that audits were not being focussed away from the higher risk issues.

It was confirmed that SWAP responded to reactionary work throughout the year in order to address emerging issues (e.g. combat fraudulent activity). However, in such situations, these were reported by SWAP to the Committee to allow for an appropriate level of challenge and, where appropriate, to ensure a continuing dialogue with the relevant Director.

Following an explanation of the reasons for the removal of the 2 audits, it was agreed that a report on the Children's Social Care Caseload Management would be requested from the Interim Director of Children's Services and circulated to the Committee who could then decide whether they wished to take the matter further.

The SWAP Assistant Director was asked whether he was satisfied that the scrutiny that had already taken place in relation to the Ofsted Inspection had been effective. He confirmed that as this audit had only recently been requested to be removed, he had not yet received that assurance.

Turning his attention to the latest update on the audit of Dorset County Council's (DCC) oversight of Tricuro Governance Arrangements, the Chairman reported that following discussion at the last meeting of the Committee, his enquiries had resulted in agreement that the People and Communities Overview and Scrutiny Committee would now receive an annual report from council officers about Tricuro.

Members asked whether the Council had ever received copies of the minutes of the Tricuro Audit, Governance and Risk Committee and it was confirmed that the Council had never received minutes of this meeting. However, the details within this was considered to be a company issue and DCC needed to be assured and focussed in respect of the overall governance arrangements and confident in the effectiveness of its own contract monitoring arrangements. It was confirmed that monthly monitoring reports were, however, being received by the Council.

Members recalled that this issue had been under discussion by the Committee for some time, and the SWAP Assistant Director confirmed since January 2018. Routine formal follow-up of the actions remained on the audit schedule as these had not been implemented. In May / June 2018 the Interim Commissioning Strategic Lead for Adults and Community Services had indicated that a broader review had prevented the implementation of some of the actions. The Committee was eager to ensure a satisfactory conclusion was brought to the outstanding issues and that the necessary assurance could be provided on appropriate oversight of the arrangements by the Council. The SWAP Assistant Director noted that this would now be escalated to the Director of Adult & Community Services.

Members then asked about the audit work in relation to the governance of the Shaping Dorset Programme, seeking assurance on the ongoing issues. The SWAP Assistant Director advised that hyperlinks to the specific audit reports had been included in the report. He reported on the fast pace of the LGR Programme that required quick reporting by SWAP and that it was therefore difficult to pinpoint the key issues that required addressing as these would change between the pieces of assurance work. The audit reports were considered by the Shadow Executive and Shadow Overview and Scrutiny Committee and this also involved 'gateway review work' to provide a check on the key milestones.

During the discussion members highlighted that although the overall pace of the programme was very quick, there remained some areas of concern that had not progressed fast enough, and these were subject to oversight by the Shadow Council to ensure activity and improvement.

The Committee considered the DBS audit report in some detail and the SWAP Assistant Director stated that robust management responses and proposed actions had been given to mitigate the risks identified, if implemented, however, there remained uncertainty in relation to DBS checks for volunteers that had been risk accepted by the authority. The Corporate Leadership Team (CLT) had reviewed the report in full and requested updates at each of its meetings until implementation of the necessary actions had been signed off.

The Cabinet Member - Workforce welcomed the report and explained that DBS checks formed part of general managerial duties for staff commencing employment and also as part of the regular Personal Development Review process. A previous audit had awarded a partial assurance due to insufficient data analysis and capture. The subsequent officer development work to improve the process to capture this data had then led to the "no assurance" opinion as issues came to light. It was now considered vital that the action plan was robust to fully resolve these issues.

Officers confirmed the guidance for managers had been updated and improved and

was accompanied by appropriate training. CLT had considered the costs to support the necessary changes and had agreed the required funding levels. The Interim Director of Children's Services was keen to let the Committee know that Children's Services Directorate were 100% compliant for DBS checks. The risk in relation to volunteers had been carefully considered and was accepted, provided that there was assurance that updated guidance to managers had been issued and a register of volunteers was in place and available for scrutiny at any time.

The Service Manager - HR Operations stated that the SWAP report complemented work that was already taking place. Following the first audit 2 years ago officers had worked hard to improve the way in which data was collected and the SWAP report had been helpful in highlighting areas of further improvement.

Members expressed concern that the existing system was not sufficiently robust and that there was a risk that those managers who did not complete the checking process could pose a significant risk to the authority. The view was expressed that this role should be undertaken centrally in the same way as other organisations.

Members heard that although HR had an administrative role to process the applications and hold a central record once clearance was received, that DBS checking was completed by the manager as part of the recruitment process and through regular staff development review processes. Some changes had been made in HR to increase support and align DBS administration to the HR support roles for particular areas of the business. A risk assessment was undertaken for those people who commenced employment without DBS clearance in place. The audit report had highlighted 4 instances where a person had been employed without a DBS check, however, assurances were given by the Service Manager - HR Operations that they had not been deployed fully in the role in terms of any regulated activity.

The Vice-Chairman drew attention to occasions outlined in the report where these processes had clearly failed. She stated that it was important not to lose sight of this when the Committee was being told that there were adequate processes in place. It was important to recognise staff capacity as well as cost in fully resolving the issues.

The Cabinet Member for Workforce took on board the concerns and advised that CLT were clear that this was a priority in terms of capacity as well as cost. The decision to accept the risk in relation to volunteers had not been taken lightly, however, he wanted to take the opportunity to look at this again, based on the discussions and concerns that had been raised by the Committee.

The Chairman commented that the processes in place were dependent on a large number of managers understanding the complexity of the system and he invited the Cabinet Member for Workforce to attend the next meeting in January to report on activity and progress.

Members highlighted that there remained some ambiguity with the role of HR and that gaps in the procedures could potentially be exploited by predatory individuals, including those in voluntary roles.

The Service Manager - HR Operations stated that there were strict criteria to determine when a DBS check was necessary, particularly with regard to an enhanced check for regulated activity where roles involved unsupervised access to vulnerable adults and children. He confirmed that basic DBS checks were undertaken for employees who had access to sensitive information in IT systems. The DBS body was also clamping down on situations where organisations had implemented a process of 'overchecking'.

The Chairman highlighted the need for the Committee to be reassured that those



working in "at risk" areas could be identified and appropriate checks undertaken.

### **Resolved**

1. That a report is provided by the Interim Director of Children's Services concerning the removal of audits in relation to Children's Social Care Caseload Management and Readiness for Ofsted Inspection in order that the Committee can decide whether to take the issues further;
2. That the above audits be referred to the Chairman of the Safeguarding Overview and Scrutiny Committee;
3. That the Committee makes contact with the Cabinet Member for Health and Care to seek assurance that appropriate overall governance arrangements and contract management and monitoring procedures are in place with regard to Tricuro; and
4. That the Cabinet Member - Workforce provides an update on DBS checks at the next meeting in January 2019.

### **Financial Management Report**

56 The Committee considered a report by the Chief Financial Officer that provided an update on budget management and financial performance for 2018-19.

The Chief Accountant reported a £2.7m predicted overspend due to the same general causes of the variances outlined in the report, but principally around Children's Services provision.

The County Council's Section 151 Officer had presented a mid-year financial management update at a Budget Working Group that week setting out that the County Council would do the utmost to come in on budget in 2018-19.

The debt picture was generally improving and the SWAP audit work had been supportive of the objectives being established for the team being assimilated into Financial Services from Adult & Community Services. The reorganisation of this team as part of the integration into Financial Services had also resulted in savings in staff costs and a clearer focus on staff roles.

Members asked about the pressure on the High Needs Block (HNB) due to the rise in the numbers of Education, Health Care Plans (EHCPs). It was confirmed that councils could not ration or deny the requirements established in an EHCP despite the fact that this might cause potential conflict with councils' requirements to set a balanced budget.

The Vice-Chairman stated that schools in Weymouth & Portland were not doing well and she asked whether this could be a result of the lack of adequate provision in school for children with greater needs.

The Chief Accountant responded from a financial perspective and confirmed that the growth in resources was not commensurate with the growth in the level of challenge around outcomes. In addition, investment to create places in special schools had been absorbed by new demand, however, Dorset was far from being alone in this regard.

Members discussed the overspend at some length, in particular clarifying that the £3.6m forecast overspend in the Children's Services Directorate was in addition to the overspend on the High Needs Block of the Dedicated Schools Grant (DSG).

Members were informed that work was continuing with the Schools Forum to tackle complex budget and demand issues. There was also a high national profile around the DSG. Dorset had seen around a 60% growth in EHCPs since 2014 alongside 5% additional funding from government.

Members drew attention to the loss of the ability to control costs of independent carers in the context of shutting 2 of the 3 local authority children's homes. The view was expressed that closure of the homes had been a missed opportunity to work in partnership rather than being tied to independent providers. An update on the campaign for in-house foster carers was requested and it was reported that 56 foster carers were in the process of being recruited, but that not all of the cost savings could be achieved in the current financial year.

The Chairman highlighted the use of personalised budgets for transport costs, stating that the best interests of the child should be at the centre of the EHCP. The Chief Accountant acknowledged that the aim would be to provide a balance of cost and the needs of the child.

Members asked about late payments by debtors and it was noted that this could sometimes relate to people who were vulnerable or dying.

The Council was getting better at sending out invoices, however, there was always scope for improvement such as the use of online services by some elderly residents.

A final point was raised in relation to the Dorset Waste Partnership following the decision made by China to stop the importation of recyclate and whether the provision of a UK based solution involving substantial funding for a recycling facility would be required and therefore be considered in the short term.

#### **Resolved**

1. That the presentation to the Budget Working Group concerning the DSG and HNB is circulated to the Committee; and
2. That an update on the progress made of the impact on the budget through the provision of in house foster carers is included in the Financial Management report in January 2019.

#### **Treasury Management and Prudential Code Review 2017/18**

57 The Committee considered a report by the Chief Financial Officer which outlined the year end review of actual performance against the Treasury Management Strategy and update on other factors including economic background, impact on interest rates, performance against the annual investment strategy, new borrowing, debt rescheduling and compliance with the Prudential Code.

In response to questions it was confirmed that the total interest payment for the year was £7.5m, that the Council was currently £80m under borrowed and that £45m of funds were due to mature in the short term.

The Council was committed to borrowing £20m in November 2019 from a pension fund, however, this would not significantly change the look of the combined balance sheet for the new Dorset Council.

The Chairman commented that it would be useful to have graphical information in relation to the long-term trends to better understand the report.

Members were informed that the information was presented in a certain way in accordance with the Cipfa Code, however, officers had provided a summary of the main points and would look at presenting the information in graphical form.

A member commented that underborrowing was not a positive situation and that the level of interest being paid on existing borrowing was of grave concern, particularly going into the new Dorset Council. Borrowing would need better control going forward.

The Senior Finance Manager (Treasury & Investments) advised that the borrowing requirement was driven by the unfinanced capital programme. Opportunities to reduce borrowing costs through refinancing did exist but were limited as premiums for exiting borrowing arrangements must recompense the lender. Also, reducing the amount of Minimum Revenue Provision increased the time over which you could get the borrowing requirement down.

The Chairman advised that the Audit and Scrutiny Committee had looked at this quite seriously previously and had instigated a cap on the borrowing requirement. The Shadow Executive Committee would determine the policy for the new Dorset Council.

In summary, members were interested in exploring opportunities to repay some of that debt, providing options and choices about how this could be structured and investigated in future.

### **Noted**

#### **External Funding Monitoring Report 2018**

58 The Committee considered a report that provided an overview of external funding bidding activity during 2017-18.

The report was introduced by the Corporate Policy & Performance Officer who advised that since writing the report, an outstanding bid of £1.9m from the Heritage Lottery Fund included in the report had been secured.

The Vice-Chairman asked whether any benchmarking had been undertaken to see how Dorset performed against other local authorities and whether there was any prioritisation of bids in terms of allocation of resources to areas of greatest need. Members were also interested in the authorisation approval process for special projects outlined in the report.

Members were advised of the thresholds, but concern was expressed at the lack of opportunity for scrutiny and accountability beyond the Leader and the Chief Executive for the Special Projects Fund of £155k as well as a lack of process in place to prioritise bids.

The Corporate Policy and Performance Officer explained the process on receipt of a bid that included requesting details of match funders and a report linking the bid to one of the Council's corporate objectives. Local members were also notified prior to the bid being assessed by the Leader and Chief Executive between £20k and £500k. Bids were sometimes reduced during the assessment process. The process was dependent on bidders being proactive in contacting her and areas such as Dorchester and Purbeck had done very well and had reached saturation point.

Members considered that oversight and assurance was needed to ensure that there was a balance of grants being given across the region. Although £500k was the threshold in terms of a key decision as specified in the Council's Constitution, they were unsure whether this was fit for purpose in this instance.

The Corporate Policy & Performance Officer responded that all policies were currently being reviewed and that the County Council policy could be changed and brought in line with other councils during the transition to the Dorset Council.

Members asked about the risk to projects that had recently been granted EU funding if this was not spent in a fixed amount of time given Brexit.

Members were advised that a response would be sought from the EU funding officer.

### **Resolved**

1. That a progress report is considered at the meeting in January 2019;
2. That an update is provided on money received from Dorset LEP compared with other areas.

### **Monitoring Corporate Plan Outcomes: Summary of Issues being addressed by the Overview and Scrutiny Committees, October 2018**

59 The Committee considered a report containing a summary of the approaches taken by the Overview and Scrutiny Committees to address issues relating to the Corporate Plan delivery.

Following introduction of the report, the Vice-Chairman highlighted that 2 of the overview and scrutiny committees were duplicating work in terms of looking at attendance at schools and it was confirmed that this was an overlapping metric that would be investigated. She conveyed her personal view that from an audit and governance perspective, these issues could not be resolved in terms of the existing committee structure.

The Chairman highlighted that there was further work to be done in getting more joined up activity and provided examples of where improvements could be made.

The Intelligence, Insight and Performance Manager advised that his newly formed department had been brought together in 3 months, hoped to shine a light on these issues and have visibility across the piece. Work was also taking place on linking value for money to some of the outcomes.

### **Noted**

#### **Work Programme**

60 The Committee received its workplan and noted the following:-

- Update by SWAP and the Cabinet Member for Workforce regarding DBS checks.
- Update on the Inquiry Day (January 19) with any necessary budget adjustments to be fed into the Shadow Council budget meeting on 29 February 2019.
- The Internal Audit Plan 2019-20 to be considered in March 19 would be forwarded to the Shadow Executive for approval.
- The suggestion made to invite officers from Cotswold Council Counter Fraud and Investigation Services, who had given a good presentation at a recent SWAP event.

#### **Questions from County Councillors**

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

Meeting Duration: 10.00 am - 12.30 pm

# Audit and Governance Committee

**Dorset County Council**



Date of Meeting	21 January 2019
Officers	<u>Lead Cabinet Member</u> Rebecca Knox – Leader <u>Local Members</u> All Members <u>Lead Director</u> Mike Harries, Chief Executive
<b>Subject of Report</b>	<b>Progress on Matters Raised at Previous Meetings</b>
Executive Summary	This report records outstanding actions identified at the meeting held on 25 October 2018.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: Information used to compile this report is drawn together from the Committee’s recommendations made to the Cabinet, and arising from matters raised at previous meetings. Evidence of other decisions made by the Cabinet which have differed from recommendations will also be included in the report.
	Budget: No VAT or other cost implications have been identified arising directly from this programme.
	Risk Assessment: Having considered the risks associated with this decision using the County Council’s approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk: LOW
	Outcomes:
	Other Implications: None

## Progress on Matters Raised at Previous Meetings

Recommendation	That Members consider the matters set out in this report.
Reason for Recommendation	To support the Council's corporate aim to provide innovative and value for money services.
Appendices	Appendix 1 – Outstanding Actions
Background Papers	None
Officer Contact	Name: Denise Hunt, Senior Democratic Services Officer Tel: (01305) 224878 Email: <a href="mailto:d.hunt@dorsetcc.gov.uk">d.hunt@dorsetcc.gov.uk</a>

Progress on Matters Raised at Previous Meetings

Date of Meeting	Note Number and subject reference	Action Required	Responsible Officer	Completed (incl comments)
25 October 2018	55 - Report of Internal Audit Activity - Plan Progress 2018-19	<ol style="list-style-type: none"> <li>1. That a report is provided by the Interim Director of Children's Services concerning the removal of audits in relation to Children's Social Care Caseload Management and Readiness for Ofsted Inspection in order that the Committee can decide whether to take the issues further;</li> <li>2. That the above audits be referred to the Chairman of the Safeguarding Overview and Scrutiny Committee;</li> <li>3. That the Committee makes contact with the Cabinet Member for Health and Care to seek assurance that appropriate overall governance arrangements and contract management and monitoring procedures are in place with regard to Tricuro; and</li> <li>4. That the Cabinet Member - Workforce provides an update on DBS checks at the next meeting in January 2019</li> </ol>	<p>Nick Jarman</p> <p>Action dependent on the (1) above.</p> <p>Progress is captured in the Internal Audit Progress report included in this agenda.</p> <p>Cabinet Member for Workforce</p>	<p>No update available</p> <p>Action completed</p>
	56 - Financial Management Report	<ol style="list-style-type: none"> <li>1. That the presentation to the Budget Working Group concerning the DSG and HNB is circulated to the Committee; and</li> <li>2. That an update on the progress made of the impact on the budget through the provision of in house foster carers is considered in January 2019.</li> </ol>	<p>Jim McManus</p> <p>Nick Jarman</p>	<p>The presentation was circulated by e-mail on 1 November 2018.</p>

Progress on Matters Raised at Previous Meetings

<b>Date of Meeting</b>	<b>Note Number and subject reference</b>	<b>Action Required</b>	<b>Responsible Officer</b>	<b>Completed (incl comments)</b>
	58 - External Funding Monitoring Report 2018	<ol style="list-style-type: none"> <li>1. That a progress report is considered at the meeting in January 2019;</li> <li>2. That an update is provided on money received from Dorset LEP compared with other areas.</li> </ol>	Laura Cornette	This has been included as an item on this agenda.
	60 - Work Programme	<ul style="list-style-type: none"> <li>• update by SWAP and the Cabinet Member for Workforce regarding DBS checks.</li> <li>• update on the Inquiry Day (January 19) with any necessary budget adjustments to be fed into the Shadow Council budget meeting on 29 February 2019.</li> <li>• the Internal Audit Plan 2019-20 to be considered in March 2019 would be forwarded to the Shadow Executive for approval.</li> <li>• the suggestion made to invite officers from Cotswold Council Counter Fraud and Investigation Services, who had given a good presentation at a recent SWAP event.</li> </ul>	<p>Work programme to be updated in respect of these items</p> <p>a Verbal update on the Inquiry Day to be included under "Points from the Chairman"</p>	



# Audit Overview & Scrutiny Committee

**Dorset County Council**



Date of Meeting	21 January 2019
Officer	Nick Jarman, Joint Director for Children, Adults & Communities
<b>Subject of Report</b>	<b>Recruitment of Children’s Social Workers</b>
Executive Summary	<p>This report summarises the activity and outcomes over the past 12 months to recruit children’s social workers.</p> <p>It considers also the associated issues affecting caseloads, continuity of care and cost pressures.</p>
Impact Assessment:  <i>Please refer to the <a href="#">protocol</a> for writing reports.</i>	Equalities Impact Assessment:  N/A
	Use of Evidence:  Within the body of the report.
	Budget:  The costs of children’s services and in particular the cost of children in care are one of the most significant and hard to control costs for all top tier councils.  Having as full a complement as possible of experienced social workers and for social worker caseloads to be manageable can also be critical to the level of expenditure.  This report explains how new social workers have been successfully recruited over the last year and how improvements have been made to the manageability of caseloads themselves and more generally the effort made to make DCC an attractive employer in a market place for children’s social work professionals which is highly competitive.

## Recruitment of Children's Social Workers

	<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 Residual Risk HIGH</p> <p>Outcomes:</p> <p>The outcomes aimed for by recruiting additional social workers was to make caseloads manageable. This aim has largely been achieved. As a consequence the number of looked after children has stabilised in DCC whereas in most councils they are rising.</p> <p>Other Implications:</p> <p>As the report explains the number and permanence of social workers will affect the wellbeing of children who are 'open' to children's social care and the number of children looked after by the council.</p>
Recommendation	Members are asked to note this report.
Reason for Recommendation	N/A
Appendices	None
Background Papers	None
Officer Contact	<p>Name: Nick Jarman Tel: 01305 224166 Email: <a href="mailto:nick.w.jarman@dorsetcc.gov.uk">nick.w.jarman@dorsetcc.gov.uk</a></p>

## Recruitment of Children's Social Workers

### Recruitment of Children's Social Workers

#### 1. Context

- 1.1 In order to safeguard vulnerable children effectively, it is essential that social worker caseloads are manageable. This means that:
- Good quality work can be done with children and families
  - Social workers feel secure and are not overwhelmed by unmanageable, daunting caseloads
  - Experience shows that this is likely to reduce the number of children taken into care, which is massively costly (in all senses)
  - Social workers are more likely to be attracted to and remain with a service with manageable caseloads, as an employer of choice
- 1.2 Upon arrival in October 2017 the new Director for Children's Services made an unambiguous commitment, based upon his extensive experience elsewhere, to reduce frontline children's social worker caseloads to a manageable level (the ideal is 1 to 15).
- 1.3 By comparison, caseloads in neighbouring councils average 1 to 22, the highest being 1:30 and the range 1 to 15-30.
- 1.4 A report to Cabinet in late 2017 requested an extra £1m to recruit an additional 20 social workers, in order to reduce caseloads in the manner and for the reasons described above.

#### 2. Outcomes

- 2.1 In October 2017 the number of social worker vacancies covered by agency workers stood at 34. It is worth noting that:
- a) Agency social workers cost between £24k and £30k (depending on grade) more to employ than permanent social workers
  - b) Agency social workers may lead to discontinuity for children who are worked with. Frequent changes of social worker can prevent stable, productive relationships being formed
  - c) The market for social workers is a sellers' market where demand greatly outstrips supply
  - d) All Councils have social worker vacancies and depend to a greater or lesser extent upon agency workers
  - e) DCC is now considerably less reliant upon agency workers than its South West counterparts
- 2.2 At the time of writing the caseload average across children's services is 1 to 16.7. The range is 1 to 3.8 to 1 to 18.7.
- 2.3 During the period January 2018 to date the service has succeeded in recruiting 26 new social workers. In October 2017 there were 38 agency workers. This figure is reduced now to 18.
- 2.4 The service is currently holding 27.5 social worker vacancies. This is a deliberate tactic to anticipate the effects of LGR.

## **Recruitment of Children's Social Workers**

### **3. How Has This Been Achieved?**

- 3.1 From January 2018 an innovative, intensive recruitment campaign was set up. The efforts and talent of our own Comms Team need to be acknowledged here.
- 3.2 Some factors were critical to success. For instance:
  - We pitched our message on manageability of caseloads and a secure working environment
  - Imaginative use was made of social media
  - Prospects were followed up promptly and made to feel welcome
  - We shortened the line on recruitment with a 60-day target from interview to start work
- 3.3 We have restructured the assessment and case management teams. What were in January 2018 four area teams, have been compressed into two district teams; one East, one West.
- 3.4 We have not reduced the number of managers commensurately but have thereby reduced the ratio of workers to managers.
- 3.5 Until the Spring of 2018 social workers in the district (formerly area) teams held a mix of assessments and cases which are open and being worked.
- 3.6 A significant number of assessments which are nonetheless time-consuming, result in no further action. We found that the mix of assessments and open cases was tending to overwhelm social workers.
- 3.7 In the late Spring we introduced changes- Assessment Pods. This means that in District Teams, workers either do assessments or work open cases. This has taken much of the pressure out of the system.

### **4. Future Issues**

- 4.1 There is still work to be done. Much of this is around improving the quality and consistency of social work itself and supervision.
- 4.2 In the short term our most significant risk is that we do not lose social workers because of the LGR.
- 4.3 Provided that we do not, after April 2019 and for the first time in living memory, the children's social work establishment will be commensurate with the budget for it. This is a very sensitive, major risk.

# Audit & Governance Committee

**Dorset County Council**



Date of Meeting	21 January 2019
Officer	Richard Bates – Chief Financial Officer
<b>Subject of Report</b>	<b>Financial Management Report</b>
Executive Summary	<p>This report provides members of the Audit &amp; 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 Working 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"> <li>(i) note the Directors' latest estimates included in the forecast of outturn for 2018-19;</li> <li>(ii) note the risks inherent in the forecast;</li> <li>(iii) note the latest projections for savings from the Forward Together programme;</li> <li>(iv) note the continuing challenges and progress on the debt position since the last report; and</li> <li>(v) note the contents and key statistics in the payment performance section.</li> </ul>
<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 financial management reports to Audit &amp; Governance Committee</p>
<p>Officer Contact</p>	<p>Name: Jim McManus, Chief Accountant          Tel: 01305 221235          Email: <a href="mailto:j.mcmanus@dorsetcc.gov.uk">j.mcmanus@dorsetcc.gov.uk</a></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 15<sup>th</sup> 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 Directors have confirmed the latest forecast of outturn (AP8, November) as set out in the table, below. A verbal update on the December forecast will be provided at the meeting.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	Of which	
				Forward Together	Base budget
	£k	£k	£k	£k	£k
Adult & Community Services	135,086	136,682	(1,595)	(803)	(792)
Children's Services	66,121	71,313	(5,191)	(4,222)	(969)
Environment & Economy	37,254	36,519	735	(90)	825
Partnerships	19,800	19,553	247	0	247
Chief Executive's Dept	11,886	12,005	(119)	(210)	91
Total Service Budgets	270,148	276,071	(5,923)	(5,325)	(599)
Central/Corporate Budgets	(261,607)	(263,880)	2,274	0	2,274
Whole Authority	8,541	12,190	(3,649)	(5,325)	1,675

There is a further overspend on the High Needs Block of the Dedicated Schools Grant of £3.6m.

- 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 November, the Children's Services Directorate budget is forecast to overspend by £5.2m. The main pressures are within the Care & Protection area. The number of children coming into care has stabilised, but it has not been possible to drive the cost pressures down. The biggest risk area is high cost residential placements (starting at £4k per week) for highly vulnerable/dangerous adolescents. Alternative placement options for this group of children are limited. The priority continues to be the reduction in the number of children in high cost residential and IFA placements. Recruitment and training of our own in-house foster carers is continuing.

- 2.4 Dedicated Schools Grant (DSG)

In addition to the overspends set out in the table above, the DSG is forecast to overspend by £3.6m. The main pressure centre around the High Needs Block (HNB), despite additional HNB funding of £0.825m announced in December 2018. The HNB predominantly funds Education Health & Care (EHCPs). Mirrored nationally, there has been significant growth in the number of children and young people (CYP) with an EHCP. As at the end of December 2018 the number of Dorset

funded EHCPs was 2,465 which already exceeds the number expected at the end 2023 and is a rise of over 50% since April 2016 when the total was 1,594. Funding has not matched growth, thereby producing the overspend. Over £2m of the overspend is predicted to be in the Independent Schools budget where it is looking unlikely any savings will be achieved in this financial year from the project to review placements and bring children into county provision. 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 Directorate budget totals £135.1m for 2018-19 and is currently forecast to be overspent by £1.6m (1.2%). Built into the budget is a savings plan totalling £9.382m. High-risk areas within the plan include £4m savings from Adult Care Operations, an additional £1.3m income generation, £1.5m from the LATC contract and £900k from Early Help and Communities. The forecast overspend reflects shortfalls in savings plans for Adult Social Care of £700k and in Community Services of £103k (although these have now been covered through savings elsewhere) alongside pressures due to increased demand. Work is continuing to deliver savings.

### Environment & Economy

- 2.6 The Environment and Economy Directorate is forecasting a £735k underspend. This is an improvement since the previous forecast and is due to an increase in income in the Highways Traffic Team and a saving in staff costs in Corporate Development, despite a reduction in capital recovery from IT Services. The main risk to the Directorate is in the Building & Construction Service where there is reliance on fee-earning income, mostly from the Council's capital programme.

### Partnerships

- 2.7 The Dorset Waste Partnership is forecasting an overspend of £74k of which the Dorset County Council share is £48k. 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, although this looks increasingly unlikely for this year.
- 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 £119k, of which £169k 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.

### Central/Corporate budgets

- 2.10 A £2.274m favourable performance is being forecast at this stage with a slightly higher underspend being predicted against the contingency budget and lower interest payments on borrowing.



### **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 at a national level, not just locally. 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. 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 £74k. 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 Officers continue the drive for efficiency and savings. A vacancy management protocol is in force and 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 delivered 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.

### **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**

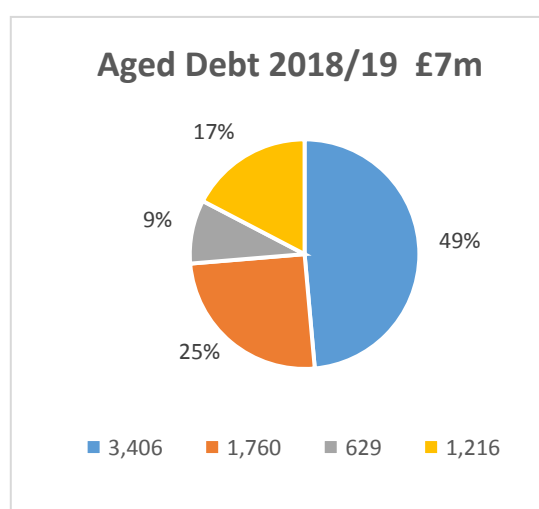
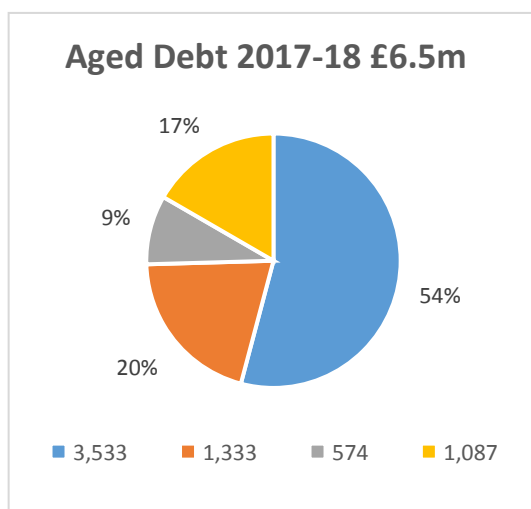
Savings measure	Assessment of Savings achievement				
	2018/19	Achieved	On course	More Work Needed	Not achievable
	£000's	£000's	£000's	£000's	£000's
Adults	9,382	6,806	1,773	803	-
Childrens	6,383	1,058	1,103	3,980	242
Env & Economy	1,749	1,399	260	-	90
Chief Exec's	854	440	204	210	-
Public Health	-	-	-	-	-
Dorset Waste Partnership	455	-	455	-	-
<b>Summary - All Savings 2018/19</b>	<b>18,823</b>	<b>9,703</b>	<b>3,795</b>	<b>4,993</b>	<b>332</b>

**5 Debt information**

5.1 As at 31st December, the County Council's "trade" debt was £7m; this is an increase of around £0.5m since March 2018. The increase in debt is due, in part, to the timing of the report with the overall figure being inflated by 5 invoices totalling £2.2m that have been raised within the past 30 days. The amount of debt over 6 months (180 days) has increased by £180k since March 2018 to £1.8m, most of this debt arises from the Adults and Community Services Directorate.

5.2 The table, below, shows the age profile of the debt, with comparator figures.

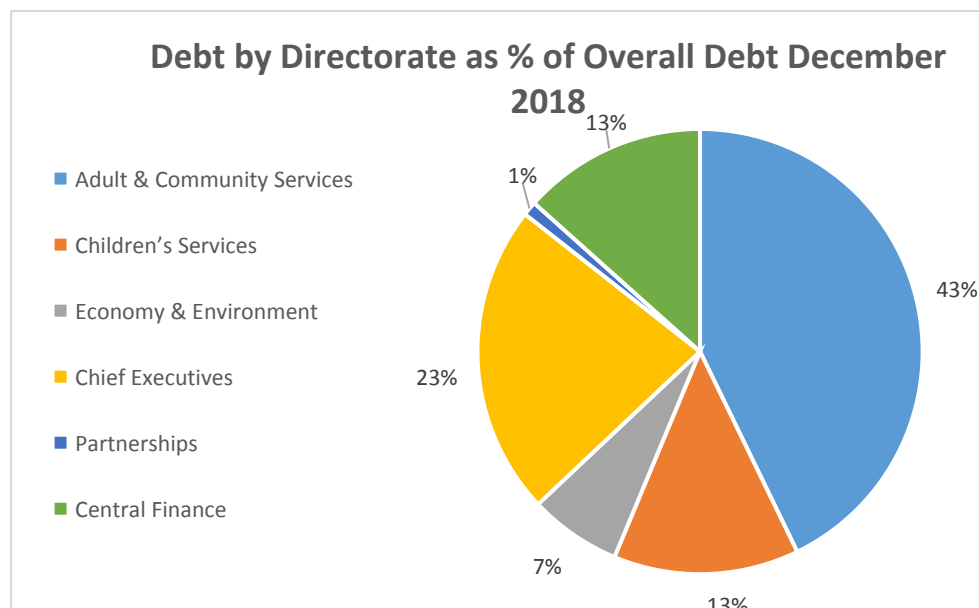
Financial year	< 30 Days £	30 – 180 Days £	181 – 365 Days £	> 1 Year £	Total £000
31 <sup>st</sup> March 2016-17	9,392	1,739	606	1,521	<b>13,258</b>
	71%	13%	5%	11%	
31 <sup>st</sup> March 2017-18	3,534	1,333	575	1,087	<b>6,529</b>
	54%	20%	9%	17%	
31 <sup>st</sup> December 2018	3,406	1,760	629	1,216	<b>7,011</b>
	49%	25%	9%	17%	



- 5.3 The table below shows the debt position by directorate. Adult and Community Services debt is over £1.5m lower than as of the end of last financial year. Around £1.4m is less than 6 months old, the remaining £1.6m is older. This debt is made up from monies owed by around 190 individual Service Users who have been invoiced for their contribution for their social care provision or transport to day-care facilities but have not paid despite several requests for payment. These debts are actively pursued either by our credit control team or by legal Services. If the monies cannot be recovered, then the debt will be written off in agreement with the A&C directorate.
- 5.4 The Environment and Economy debt is down by £500k. Almost all the debt now being less than 6 months old. The £80k debt over 1 year relates to several outstanding insurance claim settlements for damage caused to the highway network by individual drivers.

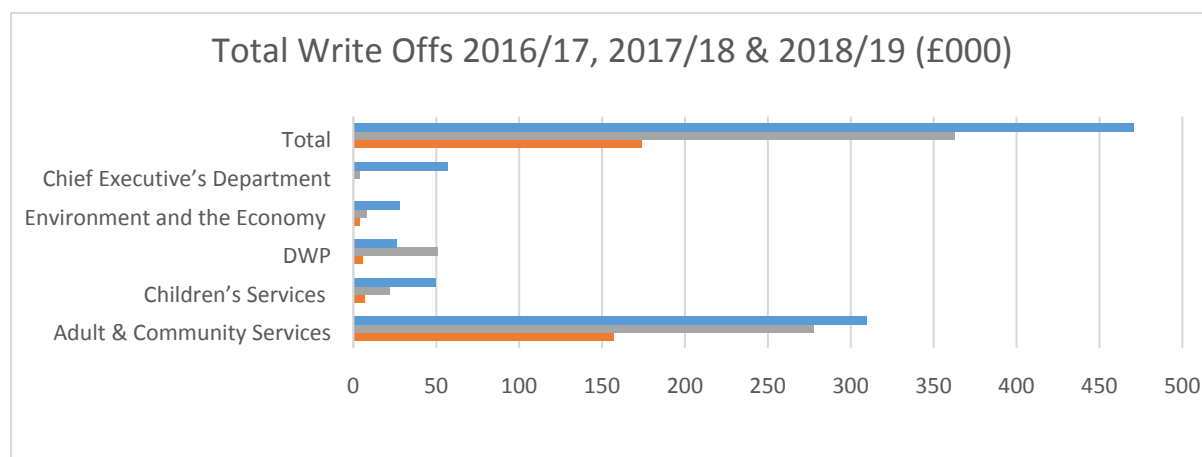
<b>Total Debt by Directorate 31/12/18 (£ 000)</b>							
<b>Directorate</b>	<b>&lt; 30 Days</b>	<b>30 – 180 Days</b>	<b>181 – 365 Days</b>	<b>&gt; 1 Year</b>	<b>Total (31/12/18)</b>	<b>Previous Total £ (31/03/17)</b>	<b>Variance (-ve is adverse)</b>
Adult & Community Services	374	977	523	1,127	<b>3,001</b>	4,673	1,672
Children's Services	309	586	42	8	<b>945</b>	540	-405
Economy & Environment	198	145	46	80	<b>469</b>	975	506
Chief Executives	1,553	31	1	1	<b>1,586</b>	174	-1,412
Partnerships	62	8	2	0	<b>72</b>	70	-2
Central Finance	910	13	15	0	<b>938</b>	95	-843
<b>Total</b>	<b>3,406</b>	<b>1,760</b>	<b>629</b>	<b>1,216</b>	<b>7,011</b>	<b>6,529</b>	-482

- 5.5 Central Finance debt is impacted by an outstanding invoice for £880k to Bloor Homes for S106 monies owed which was only raised in mid-December. Chief Executives debt shows a £1.4m increase but this again is a result of the timing of the report. An £840k invoice was raised to Tricuro for annual support costs in mid-December and three invoices totalling £460k were raised to North Dorset, West Dorset and Christchurch and East District Councils for Shaping Dorset Council programme costs again still outstanding but less than 30 days old.
- 5.6 The chart below shows that around 45% of 'trade' debt relates to Adult and Community Services raised for individuals accessing social care. Once the £2.2m for recently raised invoices in Chief Exec's and Central Finance is removed, it rises to around 65% of all debt. Environment and Economy and Children's Services account for almost all the remaining debt.

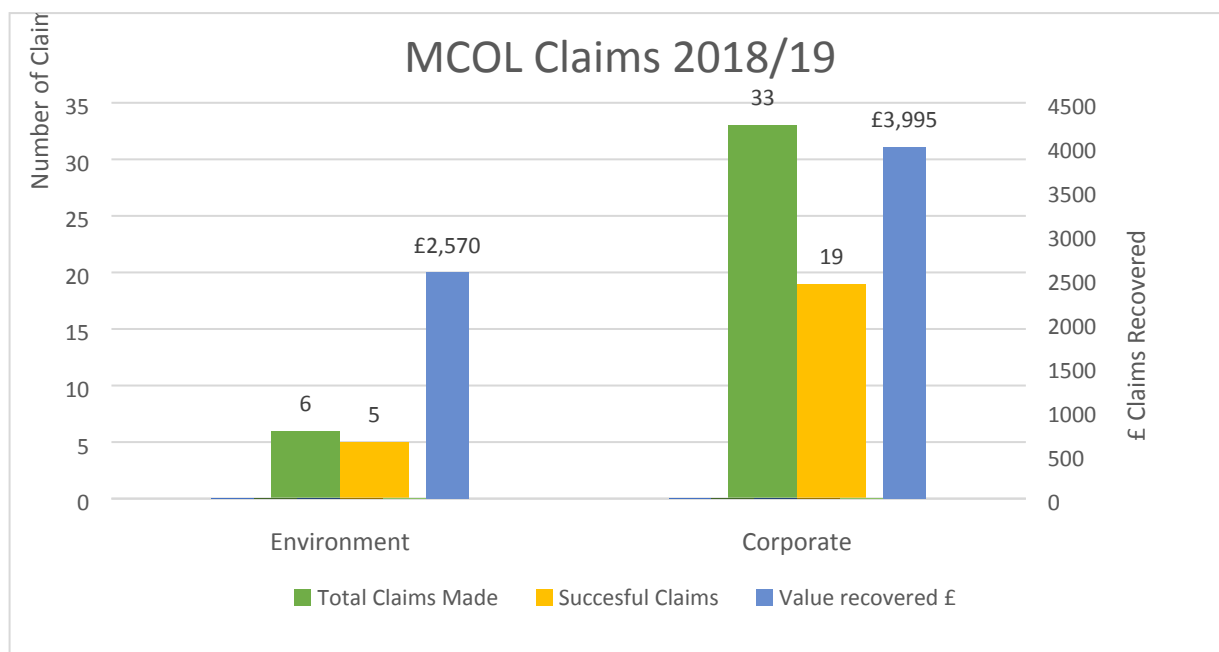


5.7 A detailed debt report is generated each month and published on SharePoint for inclusion in the CPMI report. Group Finance Managers and their teams are routinely supporting Budget Holders to manage debt and to encourage and support pre-payment whenever possible.

5.8 The total debt written-off in the 9 months to Dec 2018 was £174k, almost all of which (£157k) is accounted for by Adult and Community Services. Work is ongoing to clear out the most historic debts and to improve the process and the speed at which all debts are recovered, however debts are accruing almost as fast as they can be cleared and so the overall level of debt for this service area is stabilising.



5.9 MCOL - Since April 2018, 39 debtors have been pursued through money claims online (MCOL) owing debts of £11k. 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 and outstanding training fees. 24 of these debts have now been recovered which is worth over £6.5k. Three of these debts have now been referred to Legal Services to pursue. A further 10, worth just over £4k have been written off as it will not be economical to pursue further. These companies or individuals have been blocked on our financial system and therefore will not be able to access any other services in future unless these debts are paid.



## 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 remittance advices are also sent via email.

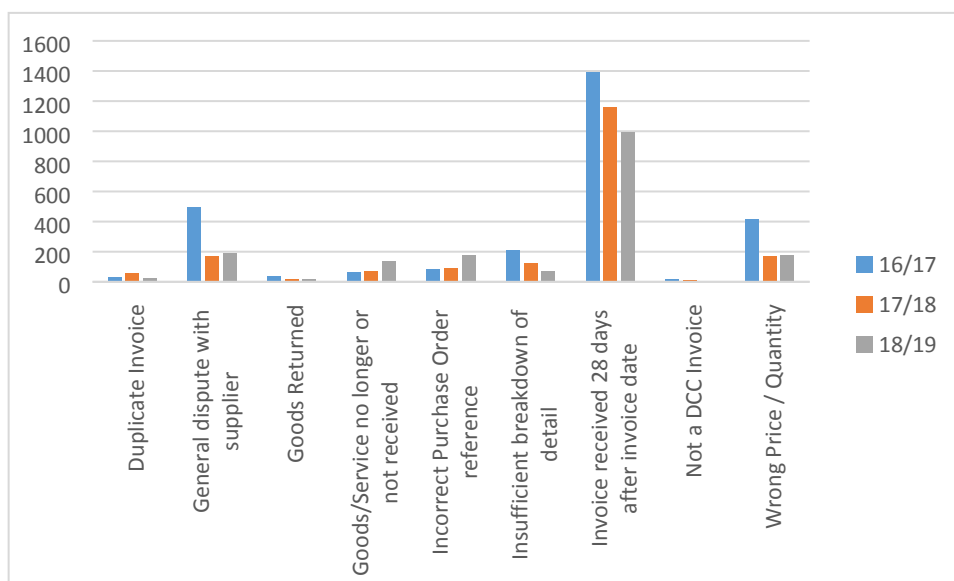
Cheque Payments Nov 2018	Count	£
Cheque payments this month	5	£621
Last month	9	£10,463
Nov 2017	16	£3,142

- 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 decrease in payment performance over the summer months is due to school summer holidays, meaning payment requests reached the AP Team out of time.

Month	2018-2019	
	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%	17,800
May	90%	16,932
June	90%	15,021
July	89%	18,870
August	88%	17,050
September	87%	18,536
October	89%	20,721
November	88%	16,165

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 Overall the number of disputed invoices has decreased however there are a few areas that have seen an increase from last year. These bear further investigation, the S2P hub have taken on more orders and this has led to increased consideration and categorisation of disputed invoices. Invoices that were previously not being marked as disputed due to lack of understanding out in the business are now being treated correctly.



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.

## Financial Management Report

Auto Goods Receipting	Vendors	Transactions	Orders	Hours	Cost
<£100	8	3,447	1,727	65	£712
£101 to £1,000	37	4,666	2,494	156	£1772
>£1,000	15	22,772	8,142	458	£5215
<b>Total</b>	<b>60</b>	<b>30,885</b>	<b>12,363</b>	<b>679</b>	<b>£7,699</b>

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 As we enter the last quarter of the year, it is important for Directors to highlight concerns where there are continuing areas of variance from budget so that the organisation can understand the risks in the remainder of the year and take remedial action where possible. It is vital that any ongoing issues are highlighted to the Interim S151 Officer for consideration as part of the budget-setting exercise for the new Dorset Council. 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.

7.3 A verbal update will also be given, at the Committee regarding the December forecast position.

**Richard Bates**  
**Chief Financial Officer**  
January 2019

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Planning report to the Audit and Scrutiny Committee for the year ending  
31 March 2019

Issued on 4 January 2018 for Audit and Scrutiny Committee meeting on 21 January 2018

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# Partner introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.

• A strong understanding of your internal control environment.

• A well planned and delivered audit that raises findings early with those charged with governance.

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I have pleasure in presenting our planning report to the Audit and Scrutiny Committee for our first year audit of the 2018/19 financial statements. I would like to draw your attention to the key messages of this paper:

### **Audit Plan**

- We are in the process of completing our handover with KPMG, including review of their prior year file.
- We are developing our understanding of the Council through discussion with management and review of relevant documentation from across the Council.
- Based on our progress to date, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.
- Based on our understanding of the Council we have developed our proposed materiality figure for the Council's audit.

### **Key risks**

- We have taken an initial view as to the significant audit risks the Council faces. These are:
  - Property Valuations
  - Completeness and cut off of Demand Led Expenditure
  - Pensions
  - Management Override of Controls

### **Regulatory change**

- Our audit is carried out under the Code of Audit Practice issued by the National Audit Office.

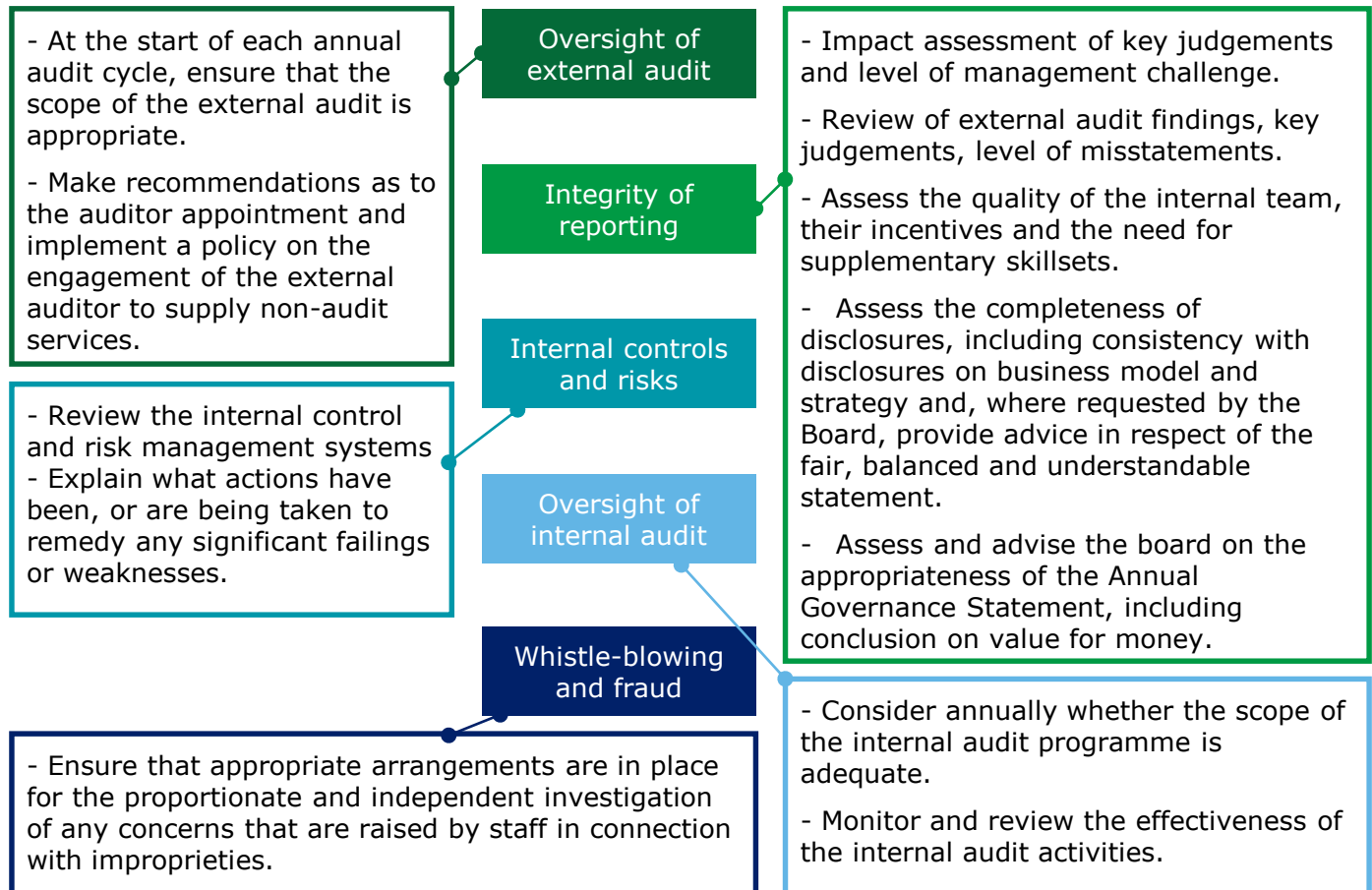
# Responsibilities of the Audit and Scrutiny Committee

## Helping you fulfil your responsibilities

Why do we interact with the Audit and Scrutiny Committee ?

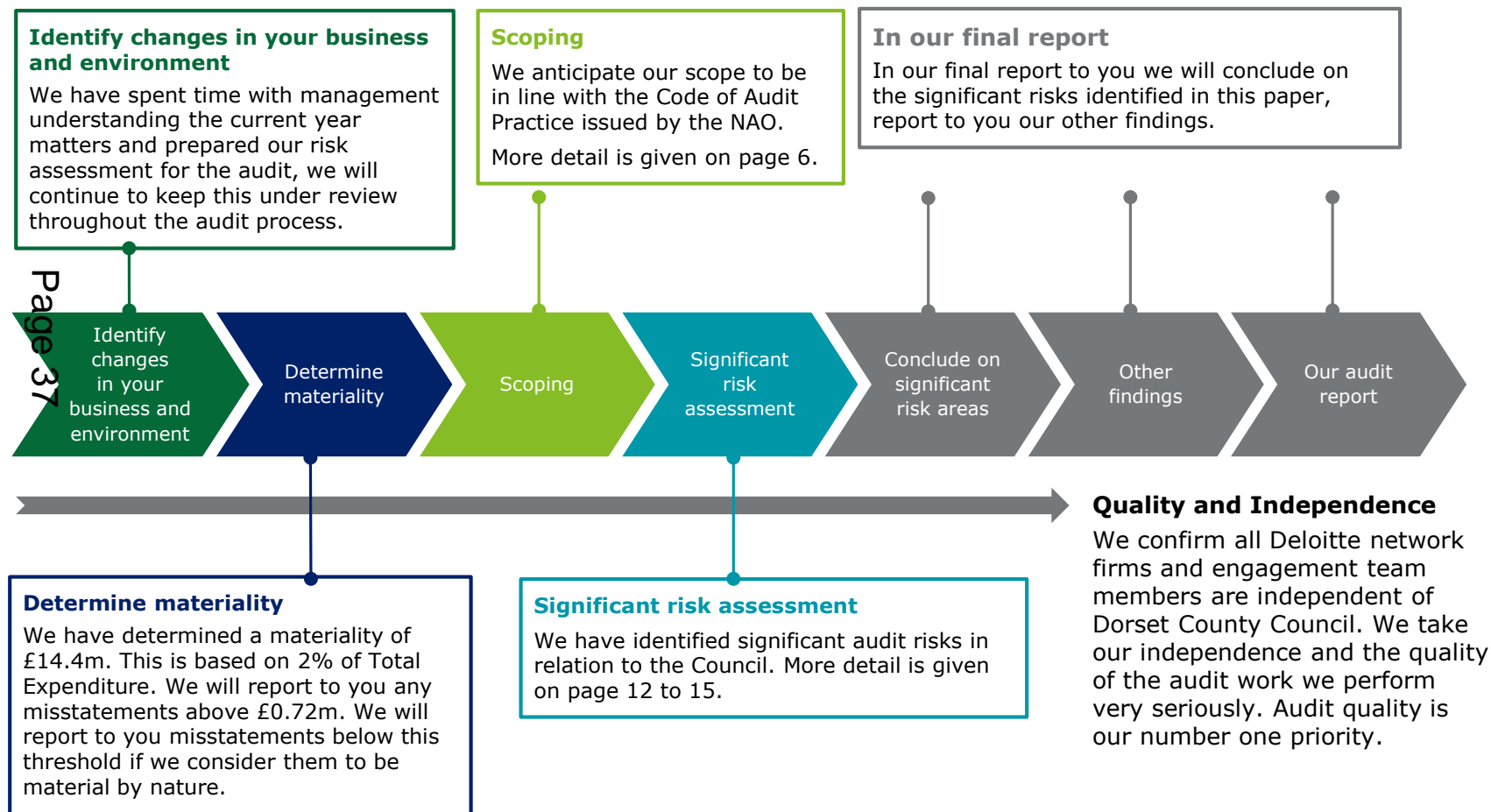


As a result of regulatory change in recent years, the role of the Audit and Scrutiny Committee has significantly expanded. We set out here a summary of the core areas of Audit and Scrutiny Committee responsibility to provide a reference in respect of these broader responsibilities.



# Our audit explained

## We tailor our audit to your business and your strategy



# Scope of work and approach

## We have four key areas of responsibility under the Audit Code

### **Financial statements**

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and Code of Audit Practice issued by the National Audit Office ("NAO"). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting ("the Code") issued by CIPFA and LASAAC.

We are also required to issue a separate assurance report to the NAO on the Council's separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

### **Annual Governance Statement**

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

### **Value for Money conclusion**

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

To perform this work, we are required to:

- plan our work based on consideration of the significant risks of giving a wrong conclusion; and
- carry out as much work as is appropriate to enable us to give a safe conclusion on the arrangements to secure VFM.

Our work therefore includes a detailed risk assessment based on the risk factors identified in the course of our audits. This is followed by specific work focussed on the risks identified.

We then provide a conclusion on these arrangements as part of our final reporting to you.

# Scope of work and approach

## Our approach

### Liaison with internal audit

The Auditing Standards Board's version of ISA (UK and Ireland) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

### Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

### Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Council complete the Code checklist during drafting of their financial statements.

We would welcome early discussion on the planned format of the financial statements, and whether there is scope for simplifying or streamlining disclosures, as well as the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

### Value for Money and other reporting

The Code of Audit Practice requires us to report by exception in our audit report any matters that we identify that indicate the Council has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Obtain and refresh our understanding of the Trust and its environment including the identification of relevant controls

Identify risks and any controls that address those risks

Carry out 'design and implementation' work on relevant controls

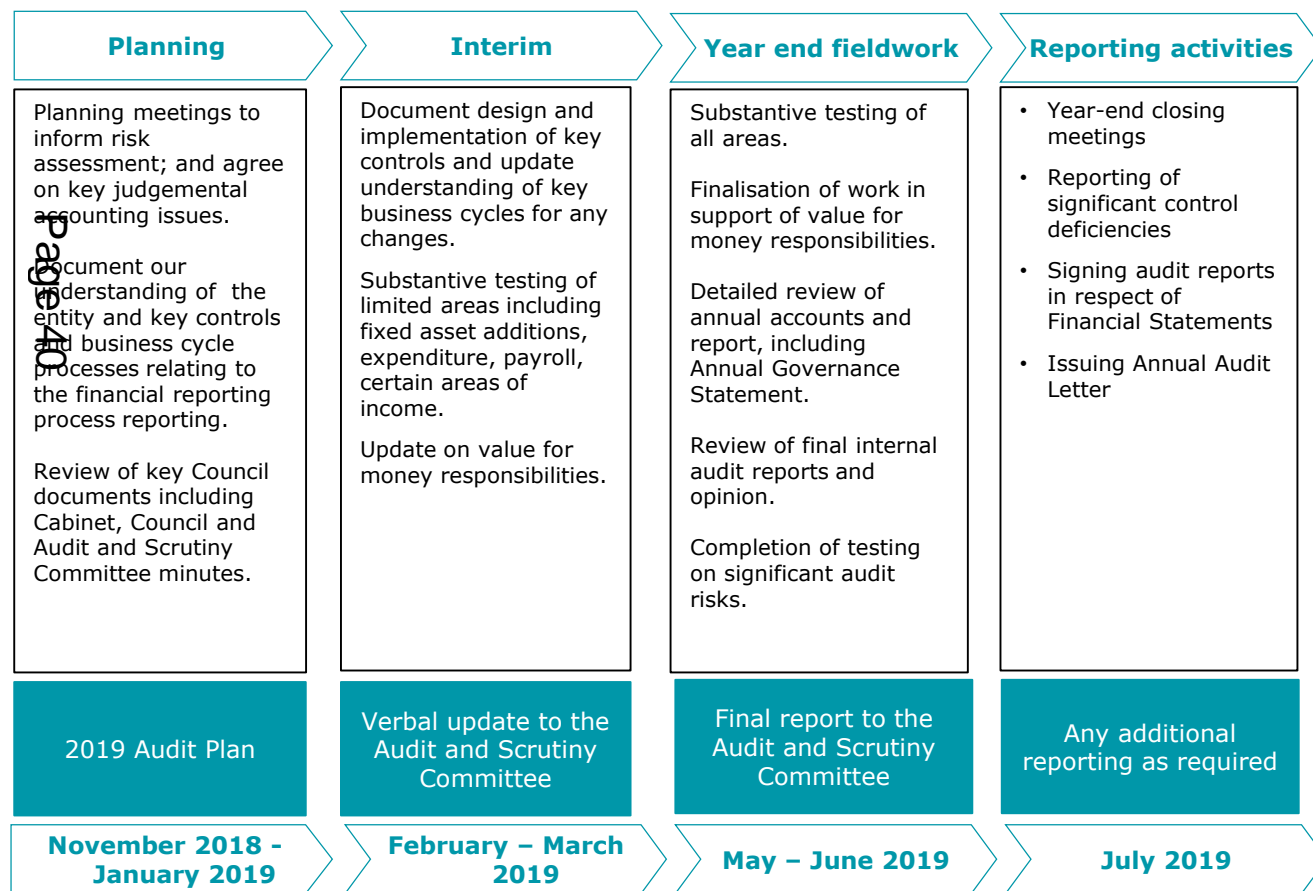
If considered necessary, test the operating effectiveness of selected controls

Design and perform a combination of substantive analytical procedures and tests of details that are most responsive to the assessed risks

# Continuous communication and reporting

## Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Ongoing communication and feedback



# Materiality

## Our approach to materiality

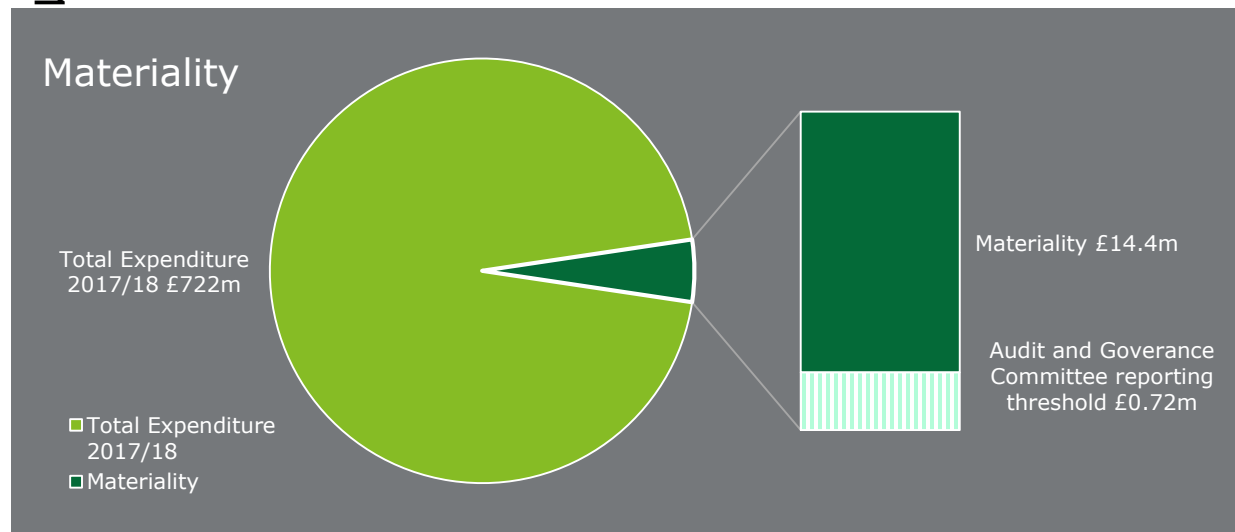
### Basis of our materiality benchmark

- The audit partner has determined materiality as £14.4m, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 2% of Total Expenditure based on the 2017/18 audited accounts as the benchmark for determining materiality.
- We will re-visit the determined materiality based on completion of interim audit procedures.

### Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.72m.
- We will report to you misstatements below this threshold if we consider them to be material by nature.

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Although materiality is the judgement of the audit partner, the Audit and Scrutiny Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

# Significant risks

## Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- the disclosures made by the Audit and Scrutiny Committee in their previous Audit and Scrutiny Committee report;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

### Deloitte view

Management must carefully consider the principal risks, uncertainties and accounting estimates of the Council. Given the confirmation of the merger of the Council's in Dorset we have included this as an area of audit interest – please see page 16.

### Principal risk and uncertainties

- Property valuations
- Impairment
- Economic environment
- Demand Led Services
- Funding Settlement.

### Changes in your business and environment

- Local Council merger & loss of staff.

### IAS 1 Critical accounting estimates

- Impairment
- Provisions and contingencies
- Property valuations





















### Audit and Scrutiny Committee report

- Pension valuations

The next page summarises the significant risks that we will focus on during our audit. All the risks mentioned in the prior year Audit and Scrutiny Committee report are included as significant risks in this year's audit plan. We have also included Completeness of Demand Led expenditure as a new significant risk as a result of our assessment of the Council.

# Significant risks

## Significant risk dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Management paper expected	Expected to be included in the Audit and Scrutiny Committee's report	Slide no.
Property Valuations			D+I				12
Completeness and cut off of Demand Led Expenditure.			D+I				13
Pensions			D+I				14
Management Override of Controls			D+I				15

At the planning state we have not identified any significant Value for Money risks. If this changes, we will report this fact to the committee in the next paper.

D+I: Assessing the design and implementation of key controls  
 OE: Testing of the operating effectiveness of key controls

# Significant risks

## Risk 1 – Property Valuation

---

**Risk identified**

The council held £767m of property assets at 31 March 2017 which decreased to £764m as at 31 March 2018. The decrease was in part due to disposals and transfers of 17m and upwards revaluations of £14m as a result of the Council undertaking a valuation exercise during 2017/18.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.

Furthermore the Council completed the valuation as at the 1 September 2018, 7 months before the year end. Any changes to factors used in the valuation process could materially affect the value of the Council's assets as at year end.

In addition Brexit / Brexit uncertainty could have a material impact on valuations between January and March 2019 which would need to be reflected in the year end valuation position.

There is therefore a risk that that the value of property assets materially differ from the year end fair value.

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**Response**  
Page 44

We will test the design and implementation of key controls in place around the property valuation, and how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;

We will review any revaluations performed in the year, assessing whether they have been performed in a reasonable manner, on a timely basis and by suitably qualified individuals;

We will use our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the year end indices used by the Council as well as the Impairment review memo prepared by the Council;

We will use our valuation specialists, Deloitte Real Estate, to support our review and challenge the appropriateness of the Council's assumptions on its assets values between September 2018 and Year end.

We will test a sample of revalued assets and re-perform the calculation assessing whether the movement has been recorded through the correct line of the accounts.

---

# Significant risks

## Risk 2 – Completeness and cut-off of demand led expenditure

---

**Risk identified** Under UK auditing standards, there is a presumed risk of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness and cut-off of demand led expenditure. We identify this demand led expenditure to be in the following budget areas for the Council: Care and Protection (Children’s Directorate) and Adult Care Service User Related (Adult & Community Services Directorate).

As at October 2018, the forecast year end overspend in Care and Protection is £3.6m, and Adult Care Service User Related £1.9m. Demand led children and adult services are facing national scrutiny from press and politicians, and the spend per service user can be significant. There is an inherent fraud risk associated with the under recording of expenditure in order for the Council to report a more favourable year-end position.

There is a risk that the Council may materially misstate expenditure through the accruals and provisions balance, including year-end transactions, in an attempt to report a more favourable year end position.

---

**Our response**  
Page 45

Our work in this area will include the following:

We will obtain an understanding of the design and implementation of the key controls in place in relation to recording completeness and cut-off of demand led expenditure (Care and Protection and Adult Care Service User Related);

We will perform focused testing in relation to the completeness and cut-off of demand led expenditure (Care and Protection and Adult Care Service User Related) including detailed reviews of provisions and accruals for these services; and,

We will review and challenge the assumptions made in relation to year-end estimates and judgements to assess completeness and accuracy of recorded demand led expenditure.

---

# Significant risks

## Risk 3 – Pensions

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**Risk identified**

The net pension liability is a material element of the Council's balance sheet. The council is an admitted body of the Dorset County Pension Fund. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore there are financial and demographic assumptions used in the calculation of the Council's valuation – e.g the discount rate, inflation rates, mortality rates. These assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data.

There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements

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**Our response**

Page 46

We will obtain an understanding of the design and implementation of the key controls in place in relation to review of the assumptions by the Council;

We will evaluate the competency, objectivity and independence of Barnett Waddingham, the actuarial specialist;

We will review the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used;

We will review the pension related disclosures in the financial accounts; and,

We will gain assurances over the pension assets.

---

# Significant risks

## Risk 4 – Management override of controls

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**Risk identified**

In accordance with ISA 240 (UK and Ireland) management override of controls is a significant risk for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness and cut-off of demand led expenditure, Pension valuations and the Council's property valuations) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

---

**Our response**

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

We will test the design and implementation of key controls in place around journal entries and key management estimates;

We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;

We will review accounting estimates for biases that could result in material misstatements due to fraud; and,

We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

---

# Areas of audit interest

The following areas have been identified. These are not currently significant risks, but may become significant risks if the risk profile changes during our audit and therefore are being brought to the Committees attention.

## Dorset Council

As at the 31 March 2019, Dorset County Council will merge with East Dorset, North Dorset, Purbeck, Weymouth & Portland and West Dorset Councils to form Dorset Council.

As part of the merger, there will be a workforce consolidation process, which could lead to key staff involved in the delivery of the Council's financial information leaving, which could impact on the ability to provide information to the audit team or staff prioritising merger related tasks rather than business as usual tasks or audit requests.

As part of the merger process the Finance Team has been asking our opinion on a number of issues, for example future accounting policies.

### Deloitte Response:

There is risk around the delivery of the audit, due to staff leaving the organisation as a result of the merger, being preoccupied with delivering the merger and the required changes. We have scheduled a larger interim audit to complete as much work as possible before the merger takes effect, and will hold regular catch ups with the finance team to monitor progress at final.

## Specialist Debt

The Council has the following specialist debt:

- o £54.5m Lender Option Borrower Option loans (LOBOs); and,
- o £25m Local Authority Loan Notes (LALNs).

There has been significant media attention on Local Authorities holding LOBOs / LALNs and the potential onerous nature of the contracts.

In addition the 18/19 CIPFA Code was revised for IFRS 9 and CIPFA / LASAAC issued clarification statement on accounting for LOBOs in May 2018.

### Deloitte Response:

We will review the Council's accounting treatment of the debt and use the expertise of a Deloitte Financial Instrument Specialist to review the debt and its valuation reported in the accounts.

## Private Finance Initiative (PFI)

The Council has two PFI contracts (Colfox School, and streetlight provision across the County) with total liabilities as at 31 March 2019 of £27.7m

The capital repayments, interest charges and service charges are calculated using the Council's PFI model. This is based on a variety of inputs.

### Deloitte Response:

We will review the Council's PFI model, reviewing the inputs and calculations used to generate the capital repayment, interest and service figures. We will also review the accounting treatment, ensuring it is in line with the Code / IFRIC 12.



# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit.

Our report includes:

- Our audit plan, including key audit judgements and the planned scope.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

We will update you if there are any significant changes to the audit plan.

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### Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

**Deloitte LLP**  
Cardiff | January 2019

# Appendices

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# Fraud responsibilities and representations

## Responsibilities explained



### Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



### Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of fraud in revenue recognition, the accuracy of accrued income, and management override of controls as a key audit risk for your organisation.

### Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### We will request the following to be stated in the representation letter signed on behalf of the Board:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.]
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.



# Fraud responsibilities and representations

## Inquiries

We will make the following inquiries regarding fraud:



### **Management:**

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.

### **Internal audit**

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

### **Those charged with governance**

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.



# Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

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## Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Dorset County Council and will reconfirm our independence and objectivity to the Audit and Scrutiny Committee for the year ending 31 March 2019 in our final report to the Audit and Scrutiny Committee .

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## Fees

There are no non-audit fees.

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## Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's approach for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

---

## Relationships

We have not other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

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# Independence and Fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2018 to 31 March 2019 are as follows:

	Current year £'000
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	57
Audit of subsidiaries/other committees	0
<b>Total audit</b>	57
Audit related assurance services	0
Other assurance services	0
<b>Total assurance services</b>	0
<b>Total non-audit services</b>	0
<b>Total fees</b>	57

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# Our approach to quality

## AQR team report and findings

We maintain a relentless focus on quality and our quality control procedures and continue to invest in and enhance our overall firm Audit Quality Monitoring and Measuring programme.

In June 2018 the Financial Reporting Council ("FRC") issued individual reports on each of the eight largest firms, including Deloitte, on Audit Quality Inspections which provides a summary of the findings of its Audit Quality Review ("AQR") team for the 2017/18 cycle of reviews.

We take the findings of the AQR seriously and we listen carefully to the views of the AQR and other external audit inspectors. We remediate every finding regardless of its significance and seek to take immediate and effective actions, not just on the individual audits selected but across our entire audit portfolio. We are committed to continuously improving all aspects of audit quality in order to provide consistently high quality audits that underpin the stability of our capital markets.

We have improved the speed by which we communicate potential audit findings, arising from the AQR inspections and our own internal reviews to a wider population, however, we need to do more to ensure these actions are embedded. In order to achieve this we have launched a more detailed risk identification process and our InFlight review programme. This programme is aimed at having a greater impact on the quality of the audit before the audit report is signed. Consistent achievement of quality improvements is our aim as we move towards the AQR's 90% benchmark.

All the AQR public reports are available on its website. <https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

### The AQR's 2017/18 Audit Quality Inspection Report on Deloitte LLP

"The overall results of our reviews of the firm's audits show that 76% were assessed as requiring no more than limited improvements, compared with 78% in 2016/17. Of the FTSE 350 audits we reviewed this year, we assessed 79% as achieving this standard compared with 82% in 2016/17. We are concerned at the lack of improvement in inspection results. The FRC's target is that at least 90% of these audits should meet this standard by 2018/19."

"Where we identified concerns in our inspections, they related principally to aspects of group audit work, audit work on estimates and financial models, and audit work on provisions and contingencies. During the year, the firm has continued to develop the use of "centres of excellence", increasing the involvement of the firm's specialists in key areas of the audit. We have no significant issues to report this year in most of the areas we reported on last year."

"The firm has revised its policies and procedures in response to the revised Ethical and Auditing Standards. We have identified some examples of good practice, as well as certain areas for improvement."

#### The firm has enhanced its policies and procedures in the following areas:

- Increased use of centres of excellence ("CoE") involving the firm's specialists, including new CoEs focusing on goodwill impairment (established in response to previous inspection findings) and corporate reporting, to address increasing complexity of financial reporting.
- Further methodology updates and additional guidance issued to the audit practice including the audit approach to pension balances, internal controls, data analytics, group audits and taxation.
- A new staff performance and development system was implemented with additional focus on regular timely feedback on performance, including audit quality.
- Further improvements to the depth and timeliness of root cause analysis on internal and external inspection findings.

#### Our key findings in the current year requiring action by the firm:

- Improve the group audit team's oversight and challenge of component auditors.
- Improve the extent of challenge of management's forecasts and the testing of the integrity of financial models supporting key valuations and estimates.
- Strengthen the firm's audit of provisions and contingencies.

Review of firm-wide procedures. The firm should:

- Enhance certain aspects of its independence systems and procedures.

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# Dorset County Council

## Report of Internal Audit Activity

### Plan Progress 2018/19 – January 2019

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Agenda Item 10

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

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## 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 October no further significant risks have been identified.

As part of our last report a significant risk was identified in relation to **DBS checking** when our audit findings led us to issue a '**no assurance**' opinion. Since our last update we have undertaken a follow up audit where we have provided a revised assurance opinion of '**reasonable**'. The full follow up report is attached as an **Appendix** to this report and looks to reassure stakeholders that significant progress has been made towards the implementation of the recommendations raised.

As such, we no longer consider this to be a significant risk to the Council and would commend Human Resources staff and County Leadership Team for the focus that has been given to this important area. We still maintain a degree of concern around the process of ensuring DBS checking of volunteers, although we are reassured by the additional work undertaken by HR to establish the levels of use of volunteers across the Council. Further details can be found in the full follow up report.

We do not propose any further audit assurance work in relation to DBS checking during the final months of Dorset County Council, however this important area will be included in the audit plan for 2019-20 for the new Dorset Council to ensure that control has not been diminished.

### 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.

Since our last update we have provided data from a full staff survey on awareness and knowledge around whistleblowing along with benchmarking data from across SWAP partners to compare Anti-Fraud and Corruption Policy and Strategies. SWAP have also committed to provide a working protocol with the new Dorset Council for Fraud and Whistleblowing investigations along with National Fraud Initiative work.

As well as the above, we have continued to make available to DCC detailed analysis of expenditure, in order to identify potential duplicate payments. This is proving to be a valuable and worthwhile exercise which will continue to be ongoing. Data is currently being refined in order to identify the value of duplicate payments recovered directly as a result of SWAP's work in this area.

SWAP has provided support to the Shadow Dorset Council in undertaking three reviews of Shaping Dorset Council (SDC) programme governance, and a Gateway review, that have been reported to the Shadow Overview and Scrutiny Committee and the Shadow Executive Committee. The following reviews have been completed to date:

- [SDC Programme Audit – Programme Governance Review](#)
- [SDC Programme – Programme Governance Follow up](#)
- [LGR Programme – Further Programme Governance Review](#)
- [LGR Programme – Gateway 1 review](#)

SWAP is currently scoping and preparing to commence a second Gateway review.

# 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 3 January 2019) are as follows:

Performance Target	Performance
<b><u>Audit Plan – Percentage Progress</u></b>	
Completed	56%
Work at Report Stage	4%
Fieldwork	17%
Scoping	7%
Not yet Started	16%
<b><u>Quality of Audit Work</u></b>	
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>	99.7%
Percentage of SWAP staff qualified or working towards a qualification	100%
<b><u>Outcomes from Follow Up Audit Work</u></b>	
Percentage of Priority 1&2 recommendations for partial assurance audits, that remain outstanding when the follow up audit is undertaken	10 % (2 of 20)
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%

### 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 October

- No audits have been formally removed since the last report however the committee will be aware of the discussion at the October Audit and Governance meeting around a request from the Director for Children's Services to remove the following two reviews:
  - **Readiness for Ofsted Inspection** – *to provide assurance on the effectiveness of targeted Ofsted preparation work*
  - **Children's Social Care caseload management** – *following the investment of £1M to recruit additional Social Workers with the aim of reducing caseloads and making Dorset an attractive work environment for social care staff – To evaluate the success of this initiative and the mechanisms in place to ensure caseloads remain at manageable levels*
- In addition, there have been delays to the commencement of the following Children's services review:
  - **Fostering** – *to evaluate the success of the initiative to increase the number of in-house foster carers, imperative to the reduction in the numbers of expensive placements for looked after children*

Whilst the above audits have been requested to be removed or the start of the audit has been delayed, SWAP is of the opinion that these are valuable reviews and should be progressed.

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

- **Contract Overspends**  
This audit was added to the plan following a concern over a potential lack of overview of contract overspends

## Monitoring of Previously Reported Significant Risks

### Summary of progress in mitigating previously reported Significant Risks

Audit Title	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 up review is currently being undertaken to confirm progress against the recommended actions.
DBS checking	<p>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.</p> <p>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.</p> <p>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.</p>	All actions were planned to be completed by 31 October 2018	<p>Our most recent follow up review confirmed that all, but two recommendations were complete, with the other two in progress with completion dates by 31 December 2018.</p> <p>We have now followed up the status of these two remaining recommendations and it is reassuring to report that both recommendations have now been confirmed as completed.</p> <p>In relation to the DBS checking of volunteers, we are reassured by the additional work undertaken by HR to establish the levels of use of volunteers across the Council, as well as enhanced guidance/ communication in this area. In addition, benchmarking of DCC's approach to DBS checking of volunteers with other Local Authority's, has demonstrated broadly similar approaches.</p>

## Monitoring of Previously Reported Significant Risks

Audit Tittle	Significant Audit Findings	Dates of Implementing Key Actions Agreed by Service	Progress in Implementing Agreed Actions
	<p>Without maintaining a central record of volunteers, the Authority is unable to ensure that a DBS check is undertaken in every appropriate instance prior to volunteer work commencing.</p>		<p>Therefore, although there remains a degree of risk, DCC have demonstrated that their management of this risk is not unreasonable and has been adequately considered in the context of the existing controls.</p> <p>Therefore, previously reported significant risks are now considered to be adequately mitigated.</p>
<p>Governance Framework for Tricuro</p>	<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>	<p>All actions were due to be implemented by 1 October 2017</p>	<p>Further follow up work has now been completed and has confirmed that the recommendations contained within the original report have been adequately implemented.</p> <p>Therefore, previously reported significant risks are now considered to be adequately mitigated.</p>

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## 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
<b>Completed Work for Dorset County Council</b>								
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	4	-	1	3
Operational	Deferred Payments	1	Final	Partial	5	-	3	2

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## 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	N/A	-	-	-
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	N/A	-	-	-
Operational	Durlston Country Park	2	Final	Partial	8	2	5	1
Operational	Whistleblowing	1	Final	Partial	8	-	5	3
Operational	Adult and Community Services Debt Management and Debt Recovery	1	Final	Partial	3	-	3	-
Operational	Budget Assumptions	1	Final	Reasonable	1	-	1	-

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## Internal Audit Work Programme – 2018-19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major <span style="font-size: small;">↔</span> 3 = Medium		
						Recommendation		
						1	2	3
Operational	Deprivation of Liberty	2	Final	Reasonable	2	-	-	2
Operational	Wool Primary School	3	Final	Reasonable	13	-	1	12
Follow up	Tricuro Governance Arrangements – Follow up	3	Final	N/A				
Operational	Duplicate Payment Run advice work	2	Final	N/A	4	-	-	4
Follow up	Children’s Services Contract Monitoring Arrangements	3	Final	N/A				
Operational	Achievement of Savings Targets	2	Final	Partial	2	-	-	2
Follow up	DBS checking	3	Final	Reasonable	2	-	-	3
Operational	Cyber Security Firewall Management	2	Final	Reasonable	15	-	5	10
Operational	National Fraud Initiative Governance Arrangements	1	Final	Advice and Guidance	N/A			
Follow up	Committee Structure	3	Final	N/A				
Follow up	Corporate Working Groups	3	Final	N/A				
Operational	Key controls - reconciliations	3	Final	Substantial	1	-	-	1
<b>Completed work for Shadow Dorset Council</b>								
Operational	Governance of Shaping Dorset Programme	1	Final	Partial	5	-	5	-
Follow up	Governance of Shaping Dorset Programme	1	Final	N/A				


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## Internal Audit Work Programme – 2018-19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major <span style="font-size: small;">↔</span> 3 = Medium		
						Recommendation		
						1	2	3
Operational	Governance of Shaping Dorset Programme	2	Final	Partial	7	-	7	-
Gateway Review	Gateway 1 review	3	Final	N/A	7	-	7	-
<b>Reporting</b>								
Operational	Fraud Detection	2	Draft					
Operational	Duplicate payment reporting	1-4	Draft					
Operational	Green Assets Strategy	3	Draft					
<b>In progress</b>								
Operational	Data Quality – Mosaic	2	Fieldwork					
Operational	Public Health - Livewell Dorset	2	Fieldwork					
Operational	Mosaic Post Implementation Review	2	Fieldwork					
Follow up	High Needs Block	3	Fieldwork					
Operational	Supplier Resilience	3	Fieldwork					
Operational	Role of the Dorset Manager	3	Fieldwork					
Operational	Equality Impact Assessments	3	Fieldwork					
Operational	Pension Fund Investments Transfer	3	Fieldwork					
Operational	Continuing Health Care	3	Fieldwork					


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## 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	Compliance with IR35	3	Fieldwork					
Operational	Public Health contract compliance	3	Fieldwork					
Operational	Risk Management	3	Fieldwork					
Operational	Contract Overspends	3	Fieldwork					
Operational	Portesham Primary School	3	Scoping					
Operational	Safeguarding in Dorset Schools	3	Scoping					
Operational	Property Maintenance Framework	4	Scoping					
Operational	DWP - Enforcement	4	Scoping					
Operational	ICT Key Controls	4	Scoping					
<b>Yet to Commence</b>								
Operational	Fostering		Pending start date from Director					
Operational	Children's Social Care Caseload Management		Pending requested removal					
Operational	Effectiveness of Social Care Practice		Pending start date from Director					

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## 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	Readiness for Ofsted Inspection		Pending requested removal					
Operational	Dorset Travel		Not started					
Operational	Local Enterprise Partnership		Not started					
Operational	Scheme of Delegation		Not started					
Operational	Staff Performance Management		Not started					
Operational	GDPR Compliance		Not started					
Operational	WAN Management		Not started					
Operational	Software Licensing		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



APPENDIX



# Disclosure and Barring Service (DBS) Checking

## Final Follow Up Report

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Issue Date: 17<sup>th</sup> December 2018

Working in Partnership to Deliver Audit Excellence

Executive Summary

Audit Objective	Updated Audit Assessment	Progress Summary					
		Complete	In Progress	Not Started	Risk Accepted	Total	
To provide assurance that agreed actions to mitigate against risk exposure identified within the Disclosure and Barring (DBS) Checking audit 2018/19 report have been implemented.	<b>Reasonable</b> Based on the testing carried out as part of our follow up review, and the ongoing commitments provided as part of the management responses, we would offer an updated audit assessment of <b>Reasonable</b> in relation to the areas reviewed.	<b>Priority 1</b>	2	2		1	5
		<b>Priority 2</b>	2				2
		<b>Priority 3</b>	1				1
		<b>Total</b>	5	2	0	1	8

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Audit Conclusion

Since our original audit report was issued on 27<sup>th</sup> September 2018, significant progress has been made towards the implementation of the recommendations raised. HR staff should be commended for the focus that has been given to this important area.

We're encouraged by the positive progress made towards the implementation of recommendations raised within our original audit, however there is still work to be completed in some areas to ensure full implementation of the recommendations. Two additional recommendations have been raised as a result of the findings from this follow up review. These and details of the further work to complete can be found in the detailed action plan below. However, we are confident that given the current level of progress that full completion of the recommendations will be achieved with sustained focus.

We maintain a level of concern around volunteers, that the proposed actions, whilst going some way to help address these concerns, retain a degree of risk exposure as a result of not maintaining a comprehensive record of volunteers and their DBS statuses. As a result, it is not possible to be completely confident that all volunteers requiring a DBS check have received one. However, HR will be checking to ensure that for any volunteer where a DBS check has resulted in a declaration or positive check, that an appropriate risk assessment has been completed. This check is possible as a record of all volunteers who have been DBS cleared is available on the online DBS system. The first of these regular checks have been undertaken by HR and has highlighted three volunteers who had received a positive DBS check against volunteering roles which required a DBS clearance. Further investigation by HR identified that in two of the three instances the volunteer Childcare worker and Chaperone did not start in the voluntary positions. A third instance of a supported lodgings volunteer is currently being investigated by HR with the manager, to confirm that an appropriate risk assessment is in place. To assist the Council in any further considerations around tightening of controls around volunteers, SWAP are undertaking a cross-partner benchmarking exercise to establish how other Councils manage and monitor DBS clearances for volunteers where required. In order to prevent delay to issuing this report, we will report on the benchmarking exercise separately.



## Scope

Testing has been performed in relation to all priority 1 and 2 recommendations and supporting evidence obtained to support implementation of recommendations. Follow-up of the priority 3 recommendations is based on self- assessment by the responsible manager.

## Findings and Outcomes

### 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.

**1. Risk: The Authority fails to identify individuals unsuitable to work with vulnerable people, potentially leading to harm or detriment to the wellbeing of service users.**

### 1.1a Finding and Action

Issue	Recommendation	Priority 1
<p>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.</p>	<p>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).</p>	<p><i>SWAP Ref. 39205</i></p>
<p><b>Management Response / Agreed Action (27<sup>th</sup> September 2018)</b></p>		
<p>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 &amp; Community Services directorate and is well in progress across all other areas.</p>		

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.

#### Summary of Progress

In Progress

A review of all job roles across the Council to confirm the DBS status of posts have been correctly assessed and the appropriate level of clearance has been obtained is currently being undertaken. Whilst the work is still ongoing in certain Directorates e.g. Adults and Community and Public Health, a number of changes to the DBS status of roles have been made following these reviews. To date, a total of 47 job roles across all Directorate areas have been changed from previously having no DBS requirement to now requiring one. In addition to this, 84 job roles have been changed from previously requiring a DBS check to no longer needing one. The work is on-going in this area and therefore, these figures are subject to change. As such, the recommendation will remain in progress until all job roles across the Council have been assessed to ensure the correct DBS status has been assigned and the appropriate DBS clearances have been undertaken for all employees.

In order to validate the work undertaken so far in relation to the review of job roles across the Council to confirm the DBS status of posts, a sample of 12 job roles were selected from a report which detailed all current employees and their respective DBS requirements. Job roles which we felt may require a DBS check were selected based on a number of factors. For example, by selecting from high risk Directorate / Service areas such as Children's and Adult Services. One job role for a Cleaner / Caretaker within Children's Services was found to have been incorrectly allocated as not requiring a DBS check (allocated an N/A DBS code). However,

the manager has assured HR that the individual had been DBS cleared to the correct level and that the issue was a result of an inaccurate record within DES. DES has now been updated to reflect the correct DBS code. All other employees reviewed were found to have been correctly assessed.

Performance Development Reviews (PDR) reviews have been revised to include information related to DBS clearances of employees. Managers are now required to input a risk assessment date. Information including the DBS status of a post and the date of last check is also available to managers for their consideration. Employees are also required to provide an annual declaration to confirm / disclose any changes to DBS status. Changes to PDR reviews were communicated to all staff via SharePoint. We did not undertake any testing to evidence that this change had been appropriately implemented by managers.

Revised Implementation Date	31/12/2018	Revised Responsible Officer	Service Director Organisational Development
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1.1b Finding and Action		
Issue	Recommendation	Priority 1
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.	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
Management Response / Agreed Action (27 <sup>th</sup> September 2018)		
<p>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.</p> <p>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.</p>		

Changes to roles within the HR/Pay team have been introduced from 1<sup>st</sup> 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.

## Summary of Progress

Complete

SharePoint guidance has been rewritten to help ensure that managers are better equipped to assess the correct DBS status of posts. The guidance is comprehensive and covers for example information on why a check is required and the levels of check available. Managers are also advised that HR support is available if required. Changes to the DBS guidance was communicated by the HR & OD Communications team to all staff in October 2018 via SWAY (an Office 365 communications application) and through the Manager Mail publication issued on 16<sup>th</sup> November 2018.

Changes to the roles within the HR/Pay team were introduced in August 2018. The changes see the administration of DBS checks absorbed into the HR/Pay team role. The HR/Pay team will provide advice and support for pre-employment clearances, including provision of access to the online DBS system, advice on DBS checks and countersigning of applications to the DBS for a check to be undertaken. In house DBS training has been completed by the HR/Pay team. Guidance has also been issued to the HR/Pay team in relation to new starters to ensure that a DBS check has been undertaken and/or a risk assessment where no DBS check has been received before an employee commences employment in a role which requires a check, or if a positive check has been returned. Guidance has also been issued to the HR staff in relation to the process for creating a new post which is subject to DBS requirement or amending an existing post which has a DBS requirement. Pre-employment check training with an external provider was also completed at the end of November 2018. The HR/Pay Support team have attended this training as well as Senior HR team members. It is hoped that these changes together with the training provided, and guidance issued, will lead to an improvement in the controls surrounding DBS checks. We were provided with recent examples of the HR/Pay Support team staff sense-checking and challenging the level of DBS check indicated by the manager during the recruitment process which has highlighted an increased awareness and understanding of DBS within the team.

Directors have been notified by the Monitoring Officer of the outcomes from original audit and the need for compliance at CLT on 23<sup>rd</sup> October 2018. It has been agreed that until the recommendations are implemented, this will remain a standing item on CLT agendas.

1.1c Finding and Action		
Issue	Recommendation	Priority 3
<p>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.</p>	<p>I recommend that the Service Director Organisational Development ensures that DBS guidance is reviewed to clarify any ambiguity and correct any errors.</p> <p style="text-align: right;"><i>SWAP Ref. 39206</i></p>	
<p><b>Management Response / Agreed Action (27<sup>th</sup> September 2018)</b></p> <p>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.</p> <p>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.</p>		
<p><b>Summary of Progress</b></p>		<p><b>Complete</b></p>
<p>The revisions made to the guidance for managers to better assess the DBS status of posts together with the changes made to the HR/Pay team to better support DBS process has been discussed within 1.1b above.</p> <p>In addition to the above, DBS e-learning modules have been updated and were made available to managers at the end of August / early September 2018. A new module which covers a general overview of DBS regulations and what type of roles require a check has been launched. In addition to this, two existing modules which cover the DBS process within DCC have been revised. Before individuals can access the online DBS system, they must complete these modules and undertake an online assessment / test. There is a total of 153 active users to the online DBS system. As of 30th October 2018, 84 users who have access to the e-learning portal have completed the revised DBS modules. However, we cannot confirm how many of these users are also users of the online DBS system as the modules are available to anyone who has access to the e-learning portal. Therefore, an additional recommendation has been raised to ensure that all active users of the online DBS system complete the two new modules made available in relation to DBS.</p>		
<p><b>Additional Recommendation</b></p>		
<p>We recommend that the HR Service Manager - Operations ensures all staff who have access to the online DBS system complete the recently revised e-learning modules.</p>	<p style="text-align: right;"><i>SWAP Ref. 40124</i></p>	<p><b>Priority Score</b></p> <p><b>3</b></p>

Agreed Action	Timescale	31/03/2018
	Responsible Officer	HR Service Manager – Operations
<p>Agreed. We will identify system users who have not completed the new and/or revised modules and request that these users undertake the relevant modules within two months.</p>		

1.2a Finding and Action		
Issue	Recommendation	Priority 1
<p>Risk assessments for two existing employees with positive DBS checks could not be located within central records held by HR.</p>	<p>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 out as a matter of urgency.</p>	<p><i>SWAP Ref. 39208</i></p>
<p>Management Response / Agreed Action (27<sup>th</sup> September 2018)</p>		
<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>Summary of Progress</p>		<p>Complete</p>
<p>In early October 2018, a review of all current employees with a positive DBS clearance was undertaken to ensure that a risk assessment was in place for each of them. A total of 39 employees with a positive DBS check were originally identified. The HR team then checked each employee's personnel file to confirm the existence of a risk assessment. Where one could not be located, the employee's manager was contacted for a copy. In instances where a risk assessment was found not to have been completed, the manager was required to complete one. As of 31<sup>st</sup> October 2018, there were 14 employees in posts requiring a DBS check with a positive clearance where a risk assessment had not yet been completed or confirmed by their manager.</p> <p>Out of the 14 employees, no response had been received from management in relation to seven despite being engaged by HR Officers. The seven employees found not to have had a response back from management were reviewed to ensure there was evidence (e.g. email correspondents) to support that HR were actively</p>		

pursuing a response. Whilst we appreciate that there are circumstances where there may be delays in completing a risk assessment (e.g. when the manager is waiting to review a copy of the original DBS certificate which outlines the details of the positive return), we are concerned risk assessments are not being completed within a reasonable period of time. As such, a recommendation has been raised to address this issue for all future exercises currently planned to take place each month.

An update on the status of the risk assessments for the seven employees above was provided by HR on 3<sup>rd</sup> December 2018. HR confirmed that risk assessments have now been completed for all seven employees.

In addition to the above, a sample of 10 employees marked as having had risk assessments completed in the original report were checked to verify that a risk assessment was in place. In all 10 cases reviewed, a risk assessment was found to be in place.

### Additional Recommendation

We recommend that the HR service Manager - Operations ensures that any instances where requests for information from managers are not promptly actioned are escalated through appropriate channels.

Priority Score	2
Timescale	31/12/2018
Responsible Officer	HR Service Manager – Operations

### Agreed Action

We will introduce an escalation process which will notify the managers identified and give the manager a week to complete and return a risk assessment. When notified, if the employee is an individual in a regulated post, we will advise the manager that the employee cannot undertake regulated work unsupervised. If after that initial notification, no response is provided, we will give a further reminder which will copy in the manager's line manager as well as the HR Business Partner requesting a response be provided within a week. If we get no response from that, we will contact the manager's line manager directly by email, copying in the relevant Service Director, HR Business Partner and manager themselves advising that there is an urgent safeguarding issue that needs addressing. The HR Business Partner will raise the issue via DLT.

1.2b Finding and Action		
Issue	Recommendation	Priority 2
Risk assessments for two existing employees with positive DBS checks could not be located within central records held by HR.	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.	<i>SWAP Ref. 39207</i>
Management Response / Agreed Action (27 <sup>th</sup> September 2018)		
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.		
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.		
Summary of Progress		Complete
A monthly report from the online DBS system is produced which will identify employees with positive DBS clearances. If a risk assessment (for positive checks) has not been received, HR Officers will then chase managers until the risk assessment is received. A copy of the most recent report produced in October 2018 identified no new employees that HR weren't already aware of as not having a risk assessment (for positive checks) carried out. HR has undertaken an exercise specially in this area which focuses on bringing all records up to date by ensuring risk assessments have been completed for all individuals employed in post requiring a DBS check where a positive check has been returned. Details of this exercise has been detailed within 1.2a above.		

1.3a Finding and Action		
Issue	Recommendation	Priority 1
The Council does not maintain a central record of DBS clearance of volunteers.	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.	<i>SWAP Ref. 39652</i>



### Management Response / Agreed Action (27<sup>th</sup> September 2018)

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 outlined goes some way to help address the issue, at the time of the original audit, we were of the opinion that there was 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.

### Summary of Progress

**Risk Accepted**

SharePoint guidance has been updated to highlight the requirement for managers to ensure a check on volunteers is undertaken and the importance of maintaining a register of volunteers. A template has also been produced and is available on SharePoint for managers to utilise in order to record a register of volunteers within their Directorate / Service area. Supplementary guidance related to volunteers which includes information related to the recruitment, training, expenses, insurance etc. of volunteers has also been made available to managers through SharePoint. Changes to the guidance in relation to volunteers was communicated by the HR & OD Communications team to all staff in October 2018 via SWAY (an Office 365 communication application) and through the Managers Mail publication in November 2018.

The Audit & Governance Committee requested information around the use of volunteers across the county council. HR colleagues have been able to establish that volunteers are used across certain teams within the county council to complement the workforce and support the delivery of services. Areas where volunteers are regularly used have been confirmed by the HR Service Manager - Operations as per below:

Directorate	Service / Activity
<b>Adults &amp; CS</b>	Trading Standards
	History Centre
	Libraries
	Registration
	Commissioned services
	Arts Development Company
	Popps (Partnership of people project)
<b>Children's Services</b>	Schools and Governors
	Family Partnership Zones
	Licensing Team
	Cedar House
	Music Service
	Dorset Syrian Resettlement Programme
	Post 16 /Enterprise
	Weymouth Outdoor Education Centre
<b>Environment and Economy</b>	
ICT	Superfast Dorset and digital champions
Greenspace	Clearing Rights of Way
	Cutting verges
	Admin
DWP	Litter Picking

Feedback obtained by the HR Service Manager - Operations from directorates indicated that in the vast majority of cases, volunteers are not engaged in work that would require DBS clearances. The type of work, levels of access to children or vulnerable adults and/or the levels of supervision in place influence the necessity for a DBS clearance to be in place. The HR Service Manager - Operations confirmed that where clearances are required, processes are maintained within each individual directorate, with records kept locally to monitor compliance.

A check of volunteers who have been DBS cleared will be undertaken on a periodic basis by HR to ensure that a risk assessment has been completed for any volunteers which have a positive DBS clearance. The check can be undertaken by HR as a record of all volunteers who have been DBS cleared will be available on the online DBS system. However, the onus is on managers enlisting the services of a volunteer to ensure that a DBS check is undertaken on all volunteers which require one and that a record of volunteers is maintained within their Directorate / Service areas. As a result, there remains a degree of risk that a volunteer could be engaged into a post which requires a DBS check who has not had one.

The first check on volunteers to ensure that a risk assessment has been completed for any volunteers which have a positive DBS clearance was undertaken in October 2018. Three volunteers were identified with positive DBS checks in volunteering posts which require a DBS clearance. Managers for each of the three volunteers were contacted by HR to ensure that a risk assessment had been completed for each. The findings of which have been detailed below:

Position	Level of DBS Check Required	Date Manager Contacted for Risk Assessment	Date Manager provided Risk Assessment / Justification	Audit Commentary
Supported Lodging Provider	Enhanced	29 <sup>th</sup> October 2018	In Progress	See below
Childcare Worker	Enhanced	27 <sup>th</sup> October 2018	28 <sup>th</sup> October 2018	Volunteer did not commence with role due to other employment
Chaperone	Enhanced	27 <sup>th</sup> October 2018	30 <sup>th</sup> October 2018	Volunteer was not engaged by manager as a result of the positive check

With regard to the Supported Lodging Provider, following initial contact with the manager on 29<sup>th</sup> October 2018, the manager was subsequently chased a further two times before a response was received. This finding supports the issue outlined within 1.2a above where managers were not providing a prompt response to HR with regard to risk assessments (for positive DBS checks) for employees A recommendation has been raised within 1.2a above to address the this.

An update on the status of the risk assessment for the Supported Lodging Provider was provided by HR on 3<sup>rd</sup> December 2018. HR have been informed by the manager for the service that the volunteer did not commence with the role.

Whilst guidance relating to volunteers has been updated and a process is in place to check volunteers with positive DBS checks, there is still a degree of risk that volunteers could be appointed into positions which require a DBS check without one being undertaken as the onus is for managers to ensure that a comprehensive and accurate record of volunteers is maintained. To assist the Council, we are currently in the process of undertaking a separate benchmarking exercise with our Partner authorities (both District and County Councils) in order to establish how volunteer DBS checks are managed in other authorities. The findings will be communicated to HR in a separate report.

**2. Risk: 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.**

**2.1a Finding and Action**

Issue	Recommendation	Priority 1
Risk assessments are not completed for all individuals appointed before DBS clearances are received.	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.	<i>SWAP Ref. 39210</i>

**Management Response / Agreed Action (27<sup>th</sup> September 2018)**

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.

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

**Summary of Progress** **In Progress**

A process is now in place whereby the HR/Pay team reviews the status of a DBS check as they set up the employment record. The process is outlined within a new starter flow chart available to the HR/Pay team. The new starter flow chart outlines steps to be taken in a number of circumstances which ensure either a check has been undertaken or an appropriate risk assessment is in place where employees are either starting in positions before a DBS clearance is received or if a positive check has been returned. A weekly report from DES is run which will identify new starters without a DBS check in positions requiring one. HR Officers chase managers to ensure that a risk assessment (starting without DBS) is completed for all employees matching the above criteria. At the time of testing, we were provided a copy of the most recent report dated 17<sup>th</sup> October 2018. The report highlights all current employees without a DBS check in posts requiring one. A total of 35 employees were identified originally within the report. As of the 6<sup>th</sup> November 2018, there were 14 employees still awaiting clearances and no confirmation has been obtained from their managers as to whether a risk assessment has been completed or if a DBS check has been received. A sample of five employees

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marked as not having had a response back from managers confirming whether a risk assessment has been completed or if a DBS check has been received were also checked to ensure that HR were actively pursuing a response. In all five cases, there was evidence to support that HR had been chasing managers for a risk assessment. A weekly report will be provided to HR Business Partners which will identify new employees in posts which require a DBS check who have started without DBS clearances being received. The information within these reports are used by HR Business Partners to chase managers directly to ensure that a risk assessment is completed whilst DBS clearances are pending.

Whilst we are able to confirm that managers are being chased by HR to ensure a risk assessment is in place for employees who have started in posts which require a DBS check without clearances being received, there are still 14 employees awaiting clearances with no confirmation obtained from their managers whether a risk assessment has been completed or if a DBS check has been received. The implementation of the recommendation is therefore considered to be in progress.

An update on the status of the risk assessment was provided by HR on 3<sup>rd</sup> December 2018. HR have confirmed that there are now just two employees awaiting clearances or a completed risk assessment.

It should also be noted that a sample of five employees marked as having had their DBS clearances received and a further five marked as having had risk assessments completed since the report was produced were checked to verify that these were in place. In all cases reviewed, we verified that a DBS check had been received and the correct clearance had been obtained or that a risk assessment had been completed.

Revised Implementation Date	31/12/2018	Revised Responsible Officer	Service Director Organisational Development
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2.1b Finding and Action		
Issue	Recommendation	Priority 2
Risk assessments are not completed for all individuals appointed before DBS clearances are received.	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.	SWAP Ref. 39209

## Management Response / Agreed Action (27<sup>th</sup> September 2018)

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. 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.

### Summary of Progress

**Complete**

As part of a sample test performed in our original audit, there were four instances where a risk assessment could not be located for an employee appointed into a post before a DBS clearance was received. No response was provided by the manager as to whether one had been completed before the audit was finalised. As a result, a recommendation was raised to ensure that these were in place. As part of this follow up, we were provided with the risk assessments for all four of the employees. In all four cases, a risk assessment had been completed after the original audit testing had been concluded. The recommendation is considered complete.

The piece of work described within the Management Response which ensures staff with DBS clearance outstanding have completed risk assessments in place has been discussed as part of 1.1b above.

## Audit Framework and Definitions

Assurance Definitions	
<b>None</b>	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.
<b>Partial</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	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
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	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:	
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

## 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 and Governance Committee

## Dorset County Council



Date of Meeting	21 January 2019
Officer	Chief Financial Officer
<b>Subject of Report</b>	<b>Treasury Management Mid Year update 2018/19</b>
Executive Summary	<p>At the meeting of the Cabinet on 31 January 2018 members approved the Treasury Management Strategy Statement and Prudential Indicators for 2018-19. Cabinet had previously approved the adoption of the CIPFA Prudential Code and in turn the adoption of the Treasury Management Code of Practice. In adopting the code, recommended best practice is for Members to receive an annual report on the Treasury Management Strategy and Prudential Indicators, a mid-year update on progress against the strategy and a year-end review of actual performance against the strategy.</p> <p>This report is the mid-year 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:	<p>Equalities Impact Assessment:</p> <p>N/A</p>
<i>Please refer to the <a href="#">protocol</a> for writing reports.</i>	<p>Use of Evidence:</p> <p>CIPFA 2017/18 benchmarking</p>

	<p><b>Budget:</b></p> <p>All treasury management budget implications are reported as part of the Corporate Budget monitoring and outturn report, alongside the Asset Management reports that include the progress of the capital programme.</p>
	<p><b>Risk Assessment:</b></p> <p>This report is for information. However, treasury management is an inherently risky area of activity and a number of controls are embedded in its operation. The key Treasury risks are highlighted as part of the Annual Treasury Management Strategy approved by Cabinet as part of the Budget setting process. This report highlights any variances from this strategy and draws out any specific risks which have arisen.</p> <p>Current Risk: HIGH Residual Risk MEDIUM</p>
	<p><b>Other Implications:</b></p> <p>N/A</p>
<b>Recommendation</b>	<p>That the Committee:</p> <p>1. Note and comment upon the report.</p>
<b>Reason for Recommendation</b>	<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>
<b>Appendices</b>	<p>Appendix 1 – Prudential Indicators Appendix 2 – Interest Rate Forecast Appendix 3 – Schedule of Borrowing at 31-Dec-2018 Appendix 4 – Schedule of Investments at 31-Dec-2018</p>
<b>Background Papers</b>	<p>Treasury Management Strategy Statement 2018/19 Capital Programme Budget and Monitoring reports 2018/19</p>
<b>Report Originator and Contact</b>	<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 0.50% 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 increase in Bank Rate there have been some small increases to returns from short term investments and the cost of shorter term borrowing, but with negligible differences to 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 projected Underlying Borrowing Requirement at 31 March 2019 is £302.0m, £16.7m below the expected level of £318.7m when the annual strategy was agreed by Council in February 2018, and £3.8m lower than the position as at 31 March 2018, primarily due to capital programme slippage.
- 1.6 External borrowing at 31 December 2018 was £206.4m and is expected to increase to £211.0m by the end of the financial year, £15.8m below the position at the start of the financial year and £21.4m below the expected level when the annual strategy was agreed.
- 1.7 Therefore the Council is expected to be £91.0m under-borrowed at the end of the financial year, £4.7m higher than the expected level of £86.3m when the annual strategy was agreed, but below the target level of £100m.
- 1.8 The forecast net cost to the Council of interest on debt less returns on investments is £7.2m for 2018/19, compared to £7.3m for 2017/18.
- 1.9 As at 31 December 2018, the Council held £25m of debt maturing before 31 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 throughout 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 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 minimum:
- An annual treasury strategy in advance of the year;
  - A mid-year treasury update report (this report), and
  - An annual review following the end of the year describing the activity compared to the strategy.
- This report also meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA prudential Code for Capital Finance.
- 2.5 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policies and activities. This report is therefore important in that respect as it provides details of the mid-year position for 2018/19 for treasury activities, and in doing so highlights compliance with the Council's policies previously agreed by members. The report provides commentary of the overall performance of the treasury activities of the Council, and all of the prudential indicators are summarised in Appendix 1.

## **3. Treasury Management Advisers**

- 3.1 The Council uses Link Asset Services (formerly Capita Asset Services) as its treasury management advisers.
- 3.2 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;

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

3.3 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.

#### 4. The Economy and Interest Rates

4.1 UK economic growth in the first half of 2018/19 was seen as modest, but sufficiently robust for the Monetary Policy Committee (MPC) to unanimously vote to increase Bank Rate on 2<sup>nd</sup> August from 0.5% to 0.75%. Some MPC members have expressed concerns about a build-up of inflationary pressures and the MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are widely expecting the next increase in Bank Rate for the second half of 2019. However, the MPC are expected to tread cautiously before increasing Bank Rate again, especially given all the uncertainties around Brexit.

4.2 Part of Link's service is to assist the Council to formulate a view on interest rates, and their most recent forecast for UK Bank Rate, short term investment returns (LIBID) and borrowing rates from the Public Works Loans Board (PWLB) is shown in Appendix 2. Link believe that future increases will be small and gradual, with Bank Rate reaching 2.0% by early 2022, but that the pace of change will be dependent on wider economic developments.

#### 5. Capital Expenditure and Financing

5.1 The Council's capital programme 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 The Council is only permitted to borrow to finance capital expenditure or for short term cash flow needs and cannot borrow to fund on-going revenue expenditure.

5.3 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 2016/17 and 2017/18, the budget for 2017/18 and the latest projected outturn for 2018/19 are summarised in Table 1 below. Projected capital spend for 2018/19 is approximately £6.5m lower than budget due to slippage.

**Table 1 Capital Expenditure 2016/17 - 2018/19**

<b>Prudential Indicator 1</b>	<b>2016/17 actual £'000</b>	<b>2017/18 actual £'000</b>	<b>2018/19 budget £'000</b>	<b>2018/19 projected £'000</b>
<b>Capital Expenditure</b>	<b>69,022</b>	<b>56,833</b>	<b>64,341</b>	<b>57,864</b>

## **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 actual CFR for 2017/18 is shown as well as the budgeted and latest estimate for the 2018/19 financial year. It is difficult to predict the exact CFR at year-end as it is largely affected by the spending profile of the capital programme and year end accounting decisions.

**Table 2 Capital Financing Requirement (CFR)**

<b>Capital Financing Requirement Prudential Indicator 2</b>	<b>2017/18 Actual £'000</b>	<b>2018/19 Budget £'000</b>	<b>2018/19 Projected £'000</b>
<b>Underlying Borrowing Requirement b/f</b>	<b>298,769</b>	<b>305,763</b>	<b>305,763</b>
Capital Expenditure	56,833	64,341	57,864
Grants and Contributions	-38,942	-30,011	-41,855
Capital Receipts Applied	-3,522	-7,573	-4,935
Revenue Contributions (RCCO)	-728	-5,169	-5,229
Reserves Applied	0	0	0
Minimum Revenue Provision	-9,920	-10,539	-9,646
Other Adjustments	3,273	1,891	0
<b>Underlying Need to Borrow</b>	<b>305,763</b>	<b>318,703</b>	<b>301,962</b>
Other Long Term Liabilities	34,861	32,600	32,600
<b>Capital Financing Requirement</b>	<b>340,624</b>	<b>351,303</b>	<b>334,562</b>

**7 Borrowing as at 31 December 2018**

- 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 2018/19 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 which external debt is not normally expected to exceed, based on the CFR plus an allowance for short term borrowing that might be required for cash flow purposes or unexpected calls on capital resources. The authorised limit is based on the operational boundary but includes a margin to allow for unusual or unpredicted demands on cash. The Council has complied with these prudential indicators.
- 7.4 Table 3 highlights the Council's gross borrowing, its investment balances and the net borrowing against the CFR and authorised borrowing limit.

**Table 3 Gross and Net Debt (excluding PFI)**

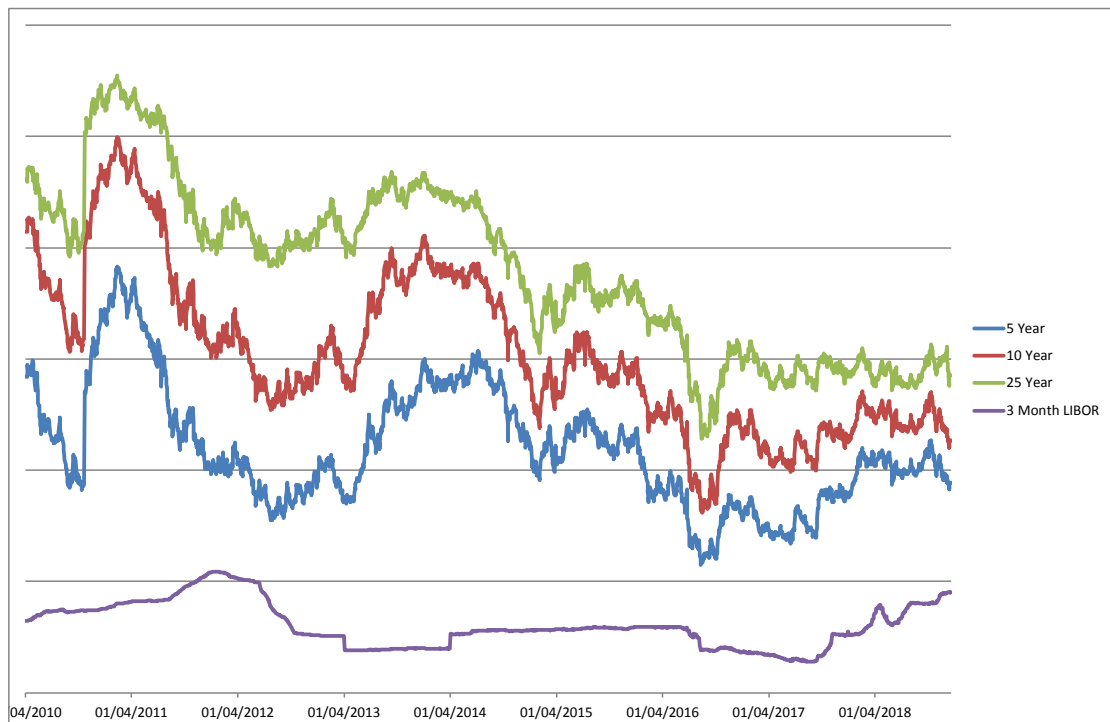
<b>Gross and Net Debt Prudential Indicators 5-7</b>	<b>Actual 31/03/2018 £'000</b>	<b>Budget 31/03/2019 £'000</b>	<b>Projected 31/03/2019 £'000</b>
Gross Debt	226,863	232,423	210,963
Investments	47,029	22,000	21,268
Net Debt	179,834	210,423	189,695
Underlying Need to Borrow	305,763	318,703	301,962
Under Borrowing	78,900	86,280	90,999
Operational Boundary	335,000	340,000	340,000
Authorised Limit	355,000	360,000	360,000
Maximum Gross Debt	242,423	232,423	226,863

7.5 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 reduce investment balances and delay borrowing. This strategy has been adopted for two main reasons:

- To reduce counterparty risk on the Council's investments – the lower the level of investment balances the lower the size of any losses if counterparties fail, which 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.

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

**Chart 1 - Key Interest Rates 31 March 2010 – 30 November 2018**





- 7.7 Prior to September 2008 the 3 month LIBOR rate moved broadly in line with the longer period borrowing rates, and reflected the flat yield curve at that time. This meant that it was possible to take borrowing in advance of need and invest it, temporarily until it was required, at a similar rate to that at which it was borrowed.
- 7.8 However, since the financial crisis short term investment rates have reduced significantly, and although the longer term borrowing rates have also reduced slightly, the gap between borrowing costs and investment returns has increased markedly. Borrowing costs over 25 years are currently in the region of 2.9% compared to the 3 month LIBOR rate of approximately 0.9%. On a typical borrowing tranche of £10m, this difference would amount to a carrying cost of approximately £200k per annum, until it has been spent.
- 7.9 For this reason, the Council has adopted a strategy of delaying long term borrowing until the cash is actually required. However, the Council continues to be mindful as to the projections for long term borrowing costs, as projected increases in these costs will result in higher future long term borrowing costs if borrowing is delayed.
- 7.10 A schedule of actual borrowing as at 31 December 2018 is shown in Appendix 3. Projected borrowing at 31 March 2019 is expected to decrease by £15.9m from the position at 1 April 2018, but this is subject to continual review throughout the year. Projected changes in borrowing for the financial year are set out in table 4 below:

**Table 4 - Movements in Borrowing**

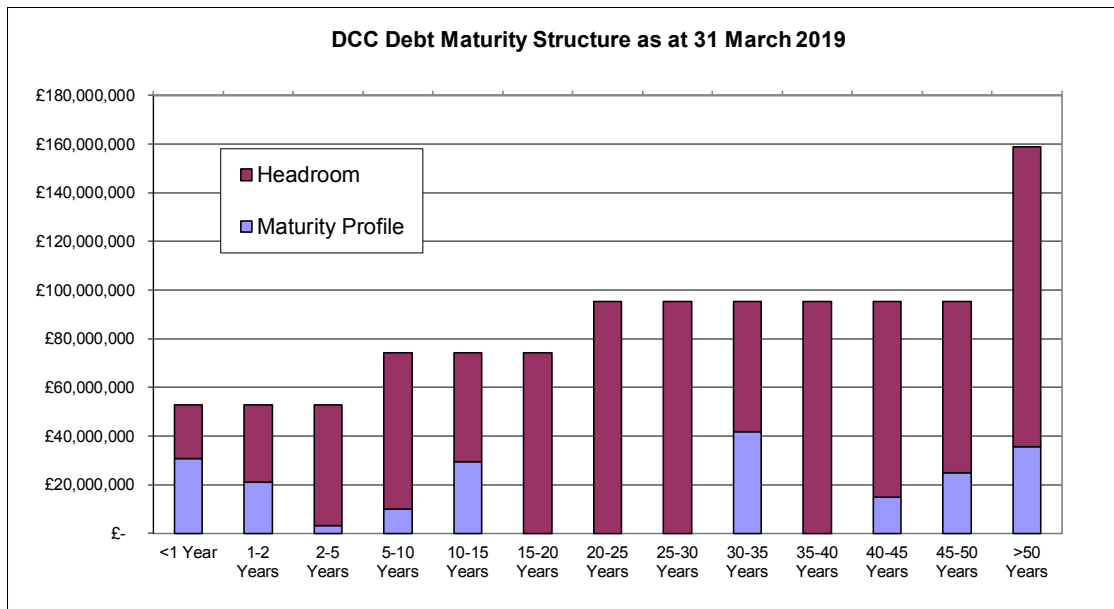
	<b>Rate</b>	<b>Outstanding</b>
<b>Borrowing as at 31/03/18</b>	<b>3.27%</b>	<b>£226,862,516</b>
<b>Less Repayments:</b>		
Loan 2 PWLB annuity	4.70%	-£883,710
Loan 3 PWLB annuity	4.65%	-£15,926
Loan 46 Leicester City Council	0.60%	-£10,000,000
Loan 49 London Borough of Camden	0.60%	-£10,000,000
Loan 50 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
<b>Plus New Borrowing:</b>		
ANO Council	1.15%	£10,000,000
ANO Council	1.15%	£10,000,000
ANO Council	1.15%	£10,000,000
<b>Projected Borrowing as at 31/03/19</b>	<b>3.52%</b>	<b>£210,962,880</b>
<b>Net Increase / (Decrease)</b>		<b>-£15,899,636</b>

- 7.11 The table shows that a further £30m of borrowing is anticipated over the remainder of the financial year. It is assumed that this will be drawn down in three equal tranches from other local authorities for durations of up to 12 months at an interest rate of 1.15%. The exact amounts, durations and rates may vary depending upon need and availability, and any borrowing decisions

will also need to be mindful of the likely combined balance sheet for the new Dorset Council.

- 7.12 The Council has also entered into a forward commitment to borrow £20m in 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.
- 7.13 The Council has a target of maintaining an under borrowed position of around £100m (approximately one third of the borrowing requirement). 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.
- 7.14 The maturity structure of the Council's borrowing remains within the prudential limits for 2018/19, as set out in the chart below:

**Chart 2 Debt Maturity Structure**



- 7.15 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.

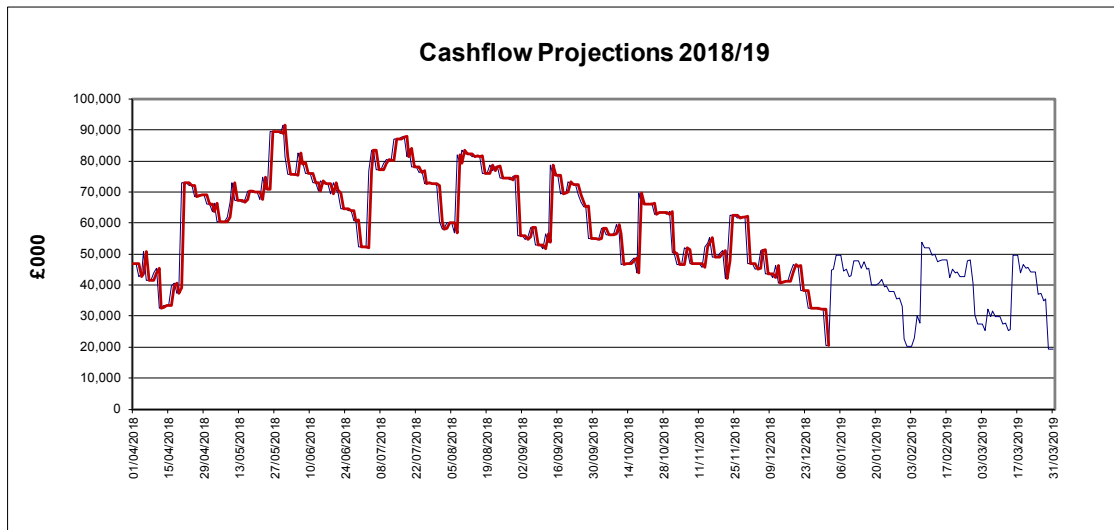
**8 Investments as at 31 December 2018**

- 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 has been maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fall 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 to date, and the forecast balances for the remainder of the year.

**Chart 3 Cashflow Projections 2018-19**



- 8.4 A schedule of actual cash and investments as at 31 December 2018 is shown in Appendix 4. Table 5 shows the investment balances at the start of the year, the maximum, minimum and average balances held, and the balances at the end of the year for 2017/18 and as projected for 2018/19.

**Table 5 - Analysis of Investments**

	Actual 2017/18 £'000	Budget 2018/19 £'000	Projected 2018/19 £'000
<b>Investments as at 1 April</b>	<b>15,664</b>	<b>21,500</b>	<b>47,029</b>
Maximum cash balance	44,891	59,100	91,499
Minimum cash balance	8,496	9,800	19,424
Average cash balances	44,891	34,300	56,324
<b>Investments as at 31 March</b>	<b>47,029</b>	<b>22,000</b>	<b>19,424</b>
<b>Gross Investment Income</b>	<b>151</b>	<b>191</b>	<b>351</b>
Average Return	0.34%	0.56%	0.62%
Less DLEP Income*	39	45	164
<b>Net Investment Income</b>	<b>112</b>	<b>146</b>	<b>186</b>

\*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 projected for the year is approximately £190k, compared to the budget of £150k and £110k 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 7 day LIBID rate, a widely used benchmark for returns on liquid cash, averaged 0.48% over the year to date.

- 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 December 2018 are listed in Appendix 3, alongside the analysis of the investments in terms of counterparty, credit ratings, sovereigns and maturity profiles.

## **9 Member and Officer Training**

- 9.1 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.
- 9.2 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.

## **10 Local Government Reorganisation in Dorset**

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. It will therefore be necessary to 'disaggregate' existing investments and borrowings attributable to Christchurch Borough Council from the County Council's assets and liabilities.

**Richard Bates**  
**Chief Financial Officer**  
**January 2019**

## Prudential and Treasury Indicators

	2016/17 actual £'000	2017/18 actual £'000	2018/19 budget £'000	2018/19 projection £'000	
PI 1 <b>Capital Expenditure</b>	<b>69,022</b>	<b>56,833</b>	<b>64,341</b>	<b>57,864</b>	
Financed in Year	57,566	43,192	42,753	52,019	
Additional Capital Financing Requirement	11,456	13,641	21,588	5,845	
PI 2 <b>Capital Financing Requirement - made up of</b>	<b>336,343</b>	<b>340,624</b>	<b>351,303</b>	<b>334,562</b>	
Long Term Borrowing	298,769	305,763	318,703	301,962	
Other Long Term Liabilities	37,574	34,861	32,600	32,600	
PI 3 <b>External Debt</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Gross Debt	213,282	226,863	232,423	210,963	
Investments	15,664	47,029	22,000	19,424	
Net Debt	197,618	179,834	210,423	191,539	
<b>Long Term Borrowing Requirement</b>	<b>298,769</b>	<b>305,763</b>	<b>318,703</b>	<b>301,962</b>	
<b>Under borrowing</b>	<b>85,487</b>	<b>78,900</b>	<b>86,280</b>	<b>90,999</b>	
	<b>2017/18 limit £'000</b>	<b>2017/18 actual £'000</b>	<b>2018/19 limit £'000</b>	<b>2018/19 projected £'000</b>	<b>2018/19 headroom £'000</b>
PI 4 <b>Operational Boundary for external debt -</b>					
borrowing	335,000	226,863	340,000	210,963	129,037
other long term liabilities	38,000	34,861	36,000	32,600	3,400
<b>TOTAL</b>	<b>373,000</b>	<b>261,724</b>	<b>376,000</b>	<b>243,563</b>	<b>132,437</b>
PI 5 <b>Authorised Limit for external debt -</b>					
borrowing	355,000	226,863	360,000	210,963	149,037
other long term liabilities	40,000	34,861	38,000	32,600	5,400
<b>TOTAL</b>	<b>395,000</b>	<b>261,724</b>	<b>398,000</b>	<b>243,563</b>	<b>154,437</b>
PI 6 <b>Upper limit for fixed interest rate exposure</b>					
Net interest re fixed rate borrowing / (investments)	11,000	7,414	12,000	7,400	4,600
PI 7 <b>Upper limit for variable rate exposure</b>					
Net interest re variable rate borrowing / (investments)	2,000	0	2,000	0	2,000
PI 8 <b>Maturity structure of fixed rate borrowing</b>	<b>upper limit</b>	<b>Actual as at 31/3/18</b>		<b>upper limit</b>	<b>Projected as at 31/3/19</b>
< 12 Months	25%	20%	< 12 Months	25%	15%
1 to 2 Years	25%	0%	1 to 2 Years	25%	10%
2 to 5 Years	25%	10%	2 to 5 Years	25%	1%
5 to 10 Years	35%	4%	5 to 10 Years	35%	5%
10 to 15 Years	35%	13%	10 to 15 Years	35%	14%
15 to 20 Years	35%	0%	15 to 20 Years	35%	0%
20 to 25 Years	45%	0%	20 to 25 Years	45%	0%
25 to 30 Years	45%	0%	25 to 30 Years	45%	0%
30 to 35 Years	45%	14%	30 to 35 Years	45%	20%
35 to 40 Years	45%	4%	35 to 40 Years	45%	0%
40 to 45 Years	45%	7%	40 to 45 Years	45%	7%
45 to 50 Years	45%	11%	45 to 50 Years	45%	12%
>50 Years	75%	16%	>50 Years	75%	17%
	<b>2017/18 Limit £'000</b>	<b>2017/18 Max Reached £'000</b>	<b>2018/19 Limit £'000</b>	<b>2018/19 Current £'000</b>	<b>2018/19 Headroom £'000</b>
PI 9 <b>Limit for investments &gt; 1 year</b>	20,000	0	20,000	0	20,000

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**Link Asset Management - Interest Rate Forecast**

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
BANK RATE	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.95%	2.00%	2.10%	2.20%
12 month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5 Yr PWLB	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10 Yr PWLB	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25 Yr PWLB	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.00%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50 Yr PWLB	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

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Borrowing as at 31 December 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	4,422,511	4.70%
Loan 3	PWLB	Annuity	21/12/2004	20	25/03/2023	256,144	79,610	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	Maturity	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	25/09/2013	20	21/12/2032	9,500,000	9,500,000	2.53%
Loan 48	BAE Systems	LALN	11/12/2017	48	11/12/2065	25,000,000	25,000,000	3.90%
Loan 50	West Sussex County Council	Maturity	22/01/2018	1.0	21/01/2019	10,000,000	10,000,000	0.70%
Loan 51	London Borough of Havering	Maturity	08/01/2018	1.0	07/01/2019	5,000,000	5,000,000	0.70%
Loan 52	PCC for West Midlands	Maturity	27/02/2018	1.0	27/02/2019	5,000,000	5,000,000	0.70%
Loan 53	London Borough of Wandsworth	Maturity	05/02/2018	1.0	04/02/2019	5,000,000	5,000,000	0.75%
<b>Total / Weighted Average Rate</b>						<b>216,357,450</b>	<b>206,417,922</b>	<b>3.53%</b>
<b>PWLB - Total / Weighted Average Rate</b>						<b>96,257,450</b>	<b>86,317,922</b>	<b>3.96%</b>
<b>LOBOs &amp; LALNs - Total / Weighted Average Rate</b>						<b>64,500,000</b>	<b>64,500,000</b>	<b>3.58%</b>
<b>Inter Authority - Total / Weighted Average Rate</b>						<b>25,000,000</b>	<b>25,000,000</b>	<b>0.71%</b>
<b>Other - Total / Weighted Average Rate</b>						<b>30,600,000</b>	<b>30,600,000</b>	<b>4.51%</b>

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**Cash and Investments as at 31 December 2018**

Counterparty	Start Date	Maturity	Amount £'000	Rate %	Long Term Rating at Start Date	Current Counterparty Rating	Sovereign
<b>Call Accounts</b>							
NatWest Bank	31/12/2018	01/01/2019	148	0.20	A+	A+	UK
<b>Money Market Funds</b>							
BNP Paribas MMF	31/12/2018	01/01/2019	11,800	0.77	AAA	AAA	UK
Federated Prime Rate MMF	31/12/2018	01/01/2019	8,450	0.74	AAA	AAA	UK
<b>Total Cash and Investments</b>			<b>20,398</b>				
Weighted Average Yield			0.75%				

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# Audit and Governance

**Dorset County Council**



Date of Meeting	21 January 2019
Officer	Corporate Policy and Performance Officer
<b>Subject of Report</b>	<b>External Funding Update Report</b>
Executive Summary	Following the 2017/18 External Funding report presented at the October 2018 committee, several questions were asked regarding funds received to the Dorset Area compared to the Conurbation and also of how Brexit will affect the Council's ability to lever in funding. This report does its utmost to answer these questions, although not all the answers, particularly in relation to Brexit can be certain at this time.
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>This report does not relate to a new policy or change in service.</p>
	<p>Use of Evidence:</p>
	<p>Budget:</p> <p>There are no new budget implications in this financial year.</p>
	<p>Risk Assessment:</p> <p>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>Other Implications:</p> <p>The majority of external funding bids need to take place in partnership with other agencies, not least from the voluntary and community sector.</p>

## External Funding Monitoring Report

	Hence a partnership approach to external funding activity is required in most cases.
Recommendation	The Members review the presented report and comment where appropriate.
Appendices	No Appendices included
Background Papers	Dorset Gateway Project Dashboard
Officer Contact	Name: Laura Cornette & Jon Bird Tel: 01305 224306 Email: <a href="mailto:l.cornette@dorsetcc.gov.uk">l.cornette@dorsetcc.gov.uk</a> & <a href="mailto:j.bird@dorsetcc.gov.uk">j.bird@dorsetcc.gov.uk</a>

## External Funding Monitoring Report

### 1 Funds received to Dorset via the Local Enterprise partnership (LEP) compared to the Conurbation.

1.1 The Dorset LEP was created in 2013 and has received 3 grant funded rounds of £70,000,000 to date under the Growth Deal Fund.

1.2 To date there has been a total of 11 projects funded under the Growth Deal Fund in Dorset compared to 9 projects in the Conurbation and 3 Pan Dorset. This investment totals at **£82,480,580**.

1.3 The investment has been distributed across the county as follows:

Dorset	£8,075,000
Conurbation	£90,360,150
<b>Total difference</b>	<b>£82,285,150</b>
<i>Pan Dorset</i>	<i>£195,430</i>

1.4 The projects funded throughout the duration of the funding, are as follows:

Project Name	Project Delivery Partner	Total Growth Deal Funding (£)	Dorset / Conurbation
Agri-Tech Centre	Kingston Maurwood College	900,000	Dorset
Dorset Innovation Park – strategic delivery	DCC & PDC	1,000,000	Dorset
Gillingham Access to Growth	DCC	3,450,000	Dorset
Jurassica	Jurrassica	300,000	Dorset
Literary and Scientific Institute	Bridport Area Development Trust	56,250	Dorset
Mary Anning Wing	Lyme Regis Museum	56,250	Dorset
Mine – The Journey	MEMO, Albion Stone & Eden Project	1,000,000	Dorset
Quadrant – Dorset Innovation Park	PBC	600,000	Dorset
Shire Hall	WDDC	56,250	Dorset
Swanage Pier	Swanage Pier Trust	56,250	Dorset
Western Growth Corridor	W&PBC	600,000	Dorset
Bournemouth International Growth Programme	BBC & DCC	452,000,00	Conurbation
Engineering & Manufacturing Project & Finance and Business Project	Bournemouth & Poole College	£2,565,150	Conurbation
Holes Bay	BOP	5,000,000	Conurbation
Innovation Studio	Arts University Bournemouth	1,400,000	Conurbation
Institute for Medical Imaging and Visualisation	Bournemouth University	1,400,000	Conurbation
Lansdowne Business District	BBC	8,500,000	Conurbation
Orthopaedic Research Project	Bournemouth University	1,650,000	Conurbation
Port of Poole Infrastructure programme	BOP	23,310,000	Conurbation
Wallisdown Road	BBC	1,335,000	Conurbation
Custom Brokerage Service	Dorset Chamber of Commerce & Industry	138,930	Pan-Dorset
Bid writing Support Service	Brooks Kebbey Ltd.	37,000	Pan-Dorset
Customer Relationship Management System	Tractivity Ltd.	19,500	Pan-Dorset

## External Funding Monitoring Report

1.5 Dorset has also benefitted by **£13,328,394** from the LEP Growing Places Fund which is a business loan facility to enhance economic development.

1.6 The investment has been distributed across the county as follows:

Dorset	£3,050,000
Conurbation	£8,278,394
<b>Total difference</b>	<b>£5,228,394</b>
<i>Pan Dorset</i>	<i>£2,000,000</i>

1.7 The projects funded under the Growing Places Loan Fund are as follows:

Project Name	Project Delivery Partner	Total Growth Deal Funding (£)	Dorset / Conurbation
Castle Court, Osprey Quay	W&PBC	500,00	Dorset
Cobham Gate	Glenleigh Developments Ltd.	1,500,000	Dorset
North Dorset Business Park	DCC	800,000	Dorset
Committed Project #1	West Dorset	250,000	Dorset
Alder Hills	Bournemouth Churches Housing association	775,000	Conurbation
Bionanovate	Bionanovate Ltd.	1,700,000	Conurbation
Boscombe Regeneration Community Land Trust	BBC	1,194,394	Conurbation
Field International	Field International	2,315,000	Conurbation
Hamworthy	BOP	660,000	Conurbation
Committed Project #2	South East Dorset	1,634,000	Conurbation
Ultrafast Broadband	DCC	2,000,000	Pan Dorset

1.8 There will be no more funding allocation to the LEP from the EU as a result of Brexit.

1.9 The Dorset LEP members are meeting in January 2019 to review projects that have been allocated funding. They may well take the decision to re-allocate some of the pre-committed funds to other projects to ensure the funds are spent by the 2021 deadline.

1.10 The UK Shared Prosperity Fund (UKSPF) has been designed to replace EU structural funding, including the Growth Deal and Growing places Funds however, it is still unclear how much funding will be made available, how it will be allocated, and who will take decisions over how the funding is spent. It is likely to be closely tied to UK Industrial and Clean Growth Strategies. Early indications suggest that LEPs or Combined Authorities may have a key role in the allocation of funding. Dorset is communicating both directly and through regional and national groups so the needs of Dorset and areas with similar economic development needs are taken into consideration in the development of the fund and its allocation procedures.

## 2 How Brexit may affect the Council's funding opportunities – Background

2.1 The Dorset County Council European Strategy 2017-2020 (January 2017) states that DCC will use EU funding and work to influence EU policy to further DCC's corporate aims.

2.2 The DCC Implications of Brexit for DCC report (October 2017) confirmed DCC will continue to seek EU funding and influence future UK policy to benefit Dorset's residents and businesses.

2.3 Current EU funding

2.3.1 The Government has agreed to underwrite the full 2014-20 EU programme period and allocation of funds, even if there is a 'no deal' scenario. This means that Whitehall will continue to sign new projects after the EU exit, during 2019 and 2020, up to the value of programme allocations, including structural investment funds and payments to the agricultural sector.



## External Funding Monitoring Report

2.3.2 European Structural and Investment Funds (worth €16bn to the UK and £40 million to Dorset), are designed to reduce regional disparities.

They include:

- European Regional Development Fund (ERDF), focused on business support and innovation, which is funding business support programmes such as the Dorset Growth Hub, and the DCC-managed Low Carbon Dorset Programme. It also funds the INTERREG programmes, several of which have funded a variety of projects with DCC as a partner.
- European Social Fund (ESF), which concentrates on social inclusion, and funds a series of education and training projects targeted at those Not in Education, Employment or Training.
- European and the European Agricultural Fund for Rural Development (EAFRD), which has supported the development of rural areas and reforms within the agricultural sector and funded the DCC-managed Northern Dorset and Southern Dorset LEADER programmes.

2.4 Future EU funding: The short term

2.4.1 LEPs are continuing to issue call windows for ERDF and ESF. Provided projects are contracted by 31st December 2020, the funding will be guaranteed to enable projects to run up to 31st December 2023. Dorset LEP is currently on track to allocate the remaining sums of ERDF and ESF, Calls for Interreg projects will continue and DCC will continue to bid for suitable opportunities.

2.5 Longer term future funding: Replacement for EU funds

2.5.1 In addition to the UK Shared Prosperity Fund (para 1.10). Agricultural policy has contributed significantly to Dorset's rural communities and is of direct relevance to County farms. The Government has pledged to continue to commit the same cash total in funds for farm support across the UK until the end of this Parliament. The Agricultural Bill makes provision for the Government to provide financial assistance to those managing the land and delivering public benefits, such as air and water quality and public access. It proposes to phase out direct payments over a seven-year agricultural transition period from 2021, bringing an end to direct payments in 2027.

2.5.2 The UK may decide to buy into EU funding programmes. At present it is considered likely the UK will look to cooperate with academic and research projects, where the UK has historically been a net recipient of EU funding. Although there is some support for continued participation in INTERREG programmes, it appears there is less interest in buying into these programmes.

**Mike Harries**  
**Chief Executive**  
**January 2019**

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# Audit and Governance Committee

**Dorset County Council**



Date of Meeting	21 January 2019
Officer	<p><u>Local Members</u> All Members <u>Lead Director</u> Mike Harries, Chief Executive Officer</p>
Subject of Report	<p><b>Monitoring Corporate Plan Outcomes: Summary of issues being addressed by the Overview and Scrutiny Committees, December 2018</b></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 of the Audit &amp; Governance Committee follows the O&amp;SC meetings in January (with the Economic Growth O&amp;SC yet to come). Therefore, this report provides a summary of the key issues relating to Corporate Plan delivery that was, or is likely to be, discussed by members at those three meetings.</p>
Impact Assessment:	<p><b>Equalities Impact Assessment:</b> 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><b>Use of Evidence:</b> The outcome indicator data in this report is drawn from a few local and national sources, including: Business Demography (ONS); 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><b>Budget:</b> 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><b>Risk:</b> 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><b>Outcomes:</b> 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 report summarises 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><b>Other Implications:</b> None</p>
<p>Recommendation</p>	<p><b>That the committee:</b></p> <ul style="list-style-type: none"> <li>• considers the summaries in this report of the issues being addressed by the Overview and Scrutiny Committees in the current round, and:</li> <li>• if necessary, recommends that one or more of the Overview and Scrutiny Committees focuses attention on an issue or issues requiring investigation and scrutiny.</li> </ul>
<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  <a href="https://www.dorsetforyou.gov.uk/corporate-plan-outcomes-framework">https://www.dorsetforyou.gov.uk/corporate-plan-outcomes-framework</a></p>

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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. Safeguarding Committee - 14 January 2019 (Outcome: “Safe”)

### 2.1 Children

The rate of persistent absenteeism has risen among secondary school age children. Responsibility for pupil absence primarily rests with the parent/carer, with schools responsible for monitoring and encouraging attendance where there are problems. The local authority will support this role through the offer of early help where appropriate and providing an enforcement role regarding parents/carers who fail to ensure that their children attend school regularly.

### 2.2 Adults

In adult safeguarding, areas for focus include:

- Ensuring decision making is consistent and accurate;

- Ongoing monthly case file audits to highlight areas of development and good practice;
- Focus on Making Safeguarding Personal to ensure robust recording of service users identified outcomes;
- Ensuring S42 enquiries are concluded on MOSAIC and outcome (i.e. risk reduced, risk remains, risk removed) is completed.

### **3. People and Communities Committee – 09 January 2019 (Outcome: “Healthy” and “Independent”)**

#### **3.1 Healthy**

As a council we still tend to look at performance as one figure for whole Dorset, rather than thinking through whether there are particular population groups that we may need to focus on more to ensure we are serving the whole population appropriately.

The opportunity of LGR could be used to ensure a greater focus on communities and understanding their specific needs and issues. This would fit with the focus of the NHS through the Dorset Integrated Care System which is developing a population health management approach focusing on localities across Dorset.

#### **3.2 Independent**

**3.2.1** Achievement at Key Stage 2 is the biggest challenge facing Dorset. Nationally Middle schools do not perform well at Key Stage 2 – and Dorset has one third of pupils in Middle Schools in year 6. Whilst this has a considerable impact on achievement there is still improvement to be made at Key Stage 2 across all school phases. The newly formed Dorset School Improvement Board is bringing together Academies, MATS, Mainstream Schools and Dorset School Improvement Officers in order to bring together all parties involved in School Improvement – and Key Stage 2 is the clear priority, particularly progress in Maths.

**3.2.2** Regarding delayed transfers from hospital care, the number of delays has continued to reduce over the year and our ranking is expected to improve a little further when official data for October/November is released<sup>1</sup>. We have been comfortably meeting our Better Care Fund target of 9 delays per day since the end of September.

### **4. Economic Growth Committee – 23 January 2019 (Outcome: “Prosperous”)**

**4.1** Increasing productivity is the very evident message underlying the Government’s Modern Industrial Strategy, and the call to action for industry, commerce, Local Enterprise Partnerships and local authorities. Productivity is typically measured, as here, as GVA (Gross Value Added) per hour worked. The UK typically lags behind the other G7 nations, including Germany, France, the United States of America and Italy, and the South West of England typically lags behind London and the South East. Thus, Dorset will always lag behind the national average, distorted by London and South East.

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<sup>1</sup> An oral update was given at the meeting confirming the latest position at 97<sup>th</sup> out of 151 local authorities, an improvement from 104<sup>th</sup> as reported.

- 4.1.1** Productivity is a blunt measurement. It is more helpful to consider Dorset's progress and performance against the various factors which actually contribute to productivity, and which we need to improve to achieve the inclusive and sustainable economic growth we are seeking to achieve.
- 4.1.2.** These factors include: -
- Improving the skills of the workforce
  - Investment in digital and physical infrastructure
  - Innovation in the way we provide goods and services
  - Increasing enterprise through business creation, growth and exporting
- 4.1.3** Whilst we have seen a marginal improvement in productivity for Dorset, we need to look beyond this indicator, and seek to do so with other indicators and outcomes.
- 4.1.4** Officers have identified the need for a more joined up approach to apprenticeships that addresses all aspects of the council's involvement as a levy payer and employer, as a commissioner of services, in its economic development functions around meeting the skills needs of the area and in its statutory functions to promote all post 16 education and training options to young people.

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# 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.

<b>Date of Meeting</b>		<b>Item</b>	<b>Purpose / Key Lines of Enquiry (KLOE)</b>	<b>Lead Member/Officer</b>
<b>11 March 2019</b>	1	<b><u>Financial Management Report</u></b>	To consider and comment upon the budget monitoring information including actions taken to address any overspend.	<b>Jim McManus</b> Chief Accountant
	2	<b><u>Report of Internal Audit Activity – Plan Progress 2018/19</u></b>	To receive a report on SWAP’s independent work and assess the Council’s risk, governance and control framework.	<b>Rupert Bamberger</b> Assistant Director South West Audit Partnership (SWAP)
	3	<b><u>Corporate Plan: Outcomes Focussed Monitoring Report</u></b>	To consider and comment upon the monitoring report for the quarter and agree any future actions with regard to the issues raised.	<b>Anne Gray</b> Principal Research Officer Insight, Intelligence and Performance Team
	4	<b><u>Draft Annual Governance Statement and Local Code of Corporate Governance</u></b>	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.	<b>Mark Eyre</b> Senior Assurance Manager (Governance and Assurance)
<b>Other draft items / issues identified for potential review</b>				

**Mike Harries**  
Chief Executive  
January 2019