Dorset County Council

Cabinet

Minutes of a meeting held at County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ on Wednesday, 31 January 2018.

Present:

Rebecca Knox	Leader of the Council
Jill Haynes	Deputy Leader and Cabinet Member for Health and Care
Steve Butler	Cabinet Member for Safeguarding
Deborah Croney	Cabinet Member for Economy, Education, Learning and Skills
Tony Ferrari	Cabinet Member for Community and Resources
Daryl Turner	Cabinet Member for Natural and Built Environment

<u>Members Attending</u>:
Graham Carr-Jones, County Councillor for Stalbridge and the Beacon
Spencer Flower, County Councillor for Verwood and Three Legged Cross
Nick Ireland, County Councillor for Linden Lea

<u>Officers Attending</u>:
Debbie Ward (Chief Executive), Richard Bates (Chief Financial Officer), Nick Jarman (Interim Director - Children's Services), Jonathan Mair (Head of Organisational Development - Monitoring Officer), Matthew Piles (Service Director - Economy) and Lee Gallagher (Democratic Services Manager).

<u>For certain items, as appropriate</u>:
Jim McManus (Chief Accountant).

(Notes:(1) In accordance with Rule 16(b) of the Overview and Scrutiny Procedure Rules the decisions set out in these minutes will come into force and may then be implemented on the expiry of five working days after the publication date. Publication Date: **Tuesday, 6 February 2018**.

(2) 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 Cabinet to be held on **Wednesday, 14 February 2018**.

(3) **RECOMMENDED** in this type denotes that a decision of County Council is required.)

Apologies for Absence

13 Apologies for absence were received from Mike Harries (Corporate Director for Environment and Economy). Matthew Piles (Service Director – Economy) attended the meeting for Mike Harries.

Code of Conduct

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

Minutes

15 The minutes of the meeting held on 17 January 2018 were confirmed and signed.

Matter Arising

<u>Min 10 – Questions from County Councillors</u>

Cllr Daryl Turner clarified that in relation to comments about the influence the Council had in respect of commercial services, he wished to amend the minute to read 'He also added that the County Council was obliged to provide an entitled service for children, and could not decide commercial services by operators but could try to influence positive outcomes where possible'.

Public Participation

16 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 at the meeting in accordance with the County Council's Petition Scheme.

Cabinet Forward Plan

17 The Cabinet considered the draft Forward Plan, which identified key decisions to be taken by the Cabinet on or after the next meeting. The following changes were noted:

- Local Government Reorganisation Progress and Work Programme – Date to be confirmed or special meeting to be arranged to consider the report.
- Local Authority School Relations – March 2018
- Home to School Transport – Outstanding Policy Consultation – Date to be confirmed

Resolved

That the Forward Plan be updated to include the items listed above.

The County Council's Budget

18 The Cabinet considered the following reports in relation to the County Council's budget:

Medium Term Financial Plan (MTFP) and Budget 2018-19 to 2020-21

18a The Cabinet considered a report by the Cabinet Member for Community and Resources on the Medium Term Financial Plan (MTFP) and Budget for 2018-19 to 2020-21. The report is attached as an annexure to these minutes.

Cllr Tony Ferrari provided a detailed introduction to the report and highlighted that, as an evolution of the policies of the Council, funding to both children's and adult services had been allocated differently due to financial pressures and transformation, and there was continuing pressure to make savings. The opportunity from Government to increase Council Tax base from 1.99% to 2.99% was proposed for 2018/19, and was also assumed for 2019/20, but could not be assumed for future years after 2019/20 so a prudent 1.99% increase was assumed. For these two years the additional 1% increase would raise just over £2m. However, the impact of the Local Government pay settlement would create an additional pressure on the budget of £1.4m. The social care precept of 3% would remain in place and form part of the overall Council Tax proposal of 5.99%. The Council Tax increase would create additional revenue of approximately £13m, but a further £18m was still required in savings for 2018/19 due to ongoing cost pressures.

An explanation was provided on other factors affecting the Council's budget planning assumptions in relation to the ability to create capital receipts and use the funding raised towards transformation, and continued lobbying and consultation in spring 2018 on negative Revenue Support Grant (RSG) funding from Government in 2019/20. A new funding formula would be applied by Government in 2020/21 which would remove the negative RSG issues.

The importance of transparency and communications regarding the ongoing budget pressures of the Council was discussed. It was felt that more proactive communications were needed to explain why the increases in Council Tax were needed, the extremely challenging work to provide services, increasing demands, and justification of the significant factors facing areas such as social care.

Specific reference was made to the children's services high needs budget and Special Educational Needs and Disability (SEND) activity, and that further information on the direction of travel and relationships with schools would be considered in March 2018.

Reference to the downward trend of highway condition and risks associated with the retender of transport contracts were included in the discussion. However, ongoing work with the Clinical Commissioning Group and the NHS could provide visionary changes in relation to holistic transport provision.

The Cabinet discussed the need to make budget information available moving forward for the new Dorset Council, which needed to build on considerations included in the Cabinet Member's report at paragraph 1.4 which started to outline the sense of direction that would be needed, and it would also need to provide visibility to the work of the Organisational Transformation Board.

Resolved
That, subject to confirmation of funding levels once the final settlement was received:
1. The service issues and risks associated with the savings measures arising from the updated Forward Together programme, set out in Appendix 2 of the Cabinet Member's report be agreed as the measures upon which further consultation takes place;
2. The risks associated with the use of one-off funding through flexible capital receipts and collection fund surpluses to balance the budget be noted;
3. The Council Tax increase of 2.99% for 2018-19 and note the assumption of 2.99% in 2019-20 and 1.99% beyond that be confirmed; and,
4. The Social Care Precept of 3% for 2018-19 and 0% in 2019-20, bringing the three-year total to the 6% allowed by Government be confirmed.

RECOMMEDED
1. That the County Council be recommended to approve:
a) the revenue budget strategy for 2018-19 to 2020-21:
b) the budget requirement and precept for 2018-19; and,
c) the position on general balances and reserves.
2. That the Chief Financial Officer present to the County Council a schedule setting out the Council Tax for each category of dwelling and the precepts on each of the Dorset Councils for 2018-19.
3. That the proposal to increase fees and charges for non-residential adult social care services by 5% in 2018-19 be approved.

Reason for Recommendations
To approve the Council Tax increase for 2018-19 and to enable work to continue to refine and manage the County Council's budget strategy for the remaining MTFP period.

Treasury Management Strategy Statement and Prudential Indicators for 2018-19
18b The Cabinet considered a report by the Cabinet Member for Community and Resources on the Treasury Management Strategy Statement and Prudential Indicators for 2018-19. The report is attached as an annexure to these minutes.

The Chief Financial Officer highlighted the importance of the Treasury Management Strategy and the parameters within which treasury management activity contributed as a vital part of the governance of the Council.

In terms of the borrowing capacity of the Council, it was confirmed that borrowing was built into a ceiling mechanism which had not been exceeded in recent years, but the level of borrowing was managed close to the ceiling of the operational range.

RECOMMENDED
The Cabinet recommends to the County Council approval of:
1. The Prudential Indicators and Limits for 2018/19 to 2020/21.
2. The Minimum Revenue Provision (MRP) Statement.
3. The Treasury Management Strategy.
4. The Investment Strategy.
5. Delegation to the Chief Financial Officer to determine the most appropriate means of funding the Capital Programme.

Reasons for Recommendations
1. The Prudential Code provided a framework under which the Council's capital finance decisions were carried out. It required the Council to demonstrate that its capital expenditure plans were affordable, external borrowing was within prudent and sustainable levels and treasury management decisions were taken in accordance with professional good practice. Adherence to the Prudential Code was mandatory as set out in the Local Government Act 2003.
2. This report recommended the indicators to be applied by the Council for the financial years 2018/19 to 2020/21. The successful implementation of the code would assist in our objective of developing 'public services fit for the future'.

Asset Management Capital Priorities
18c The Cabinet considered a joint report by the Cabinet Members for Community and Resources and Natural and Built Environment on the Asset Management Capital Priorities. The report is attached as an annexure to these minutes.

On considering the report a summary of the need to manage the available capital funding within the borrowing ceiling as part of the Treasury Management arrangements was provided. If the ceiling was met capital funding would only be generated through the sale of assets or after the repayment of previous commitments. This would introduce much lower levels of capital financing that the Council was historically used to.

The importance of the Digital Strategy was highlighted as key capital investment for the future to develop integration of services and drive out further efficiencies.

In relation to the investment in the Dorset History Centre extension as match funding to a Heritage Lottery Fund bid, it was confirmed that the bid had been unsuccessful but there were further possibilities being explored to add extra space that were being developed and would hopefully be significantly cheaper than the original scheme.

The Department for Transport and the Department for Education had not yet announced capital allocations, but would be added to the existing funding once notified.

RECOMMENDED
That the County Council be recommended to approve the capital programme for 2018/19 to 2020/21.

Reason for Recommendation
The available resources after taking account of committed projects were sufficient to

meet the current capital programme.

Consent to orders under the Cities and Local Government Devolution Act

19 The Cabinet considered a report by the Leader of the Council on consent to orders under the Cities and Local Government Devolution Act to enable Local Government Reorganisation to take place pending the final decision of the Secretary of State to progress the reorganisation.

Resolved

That the Chief Executive be granted delegated authority, after consultation with the Leader of the Council, to provide all necessary consents to enable the Secretary of State to make regulations under section 15 of the Cities and Local Government Devolution Act 2016 to enable local government reorganisation in Dorset to take place.

Reason for Decision

In order to enable the Secretary of State to make regulations so that local government reorganisation may take place simply and efficiently.

Panels and Boards

20 The Cabinet received the following minutes:

Dorset Waste Partnership Joint Committee - 15 January 2018

20a The minutes from the Dorset Waste Partnership Joint Committee meeting held on 15 January 2018 were noted.

Noted

Questions from County Councillors

21 A question was received from Cllr Clare Sutton to the Cabinet Member for Community and Resources in relation to Fees and Charges for Non-Residential Adult Social Care. The question and answer are attached as an annexure to these minutes.

A justification was also provided regarding the Consumer Price Index quoted in the question as the rate at the time of the decision to increase fees and charges by 5% was 3% at the time. This meant that a realistic extra cost faced by the County Council would have been approximately £120k instead of the £138k quoted in the direct answer to the question from Cllr Sutton.

It was further clarified that the increase of 5% on fees and charges was only applied to service users as a result of a financial assessment where the outcome indicated that they were able to pay.

Noted

Meeting Duration: 10.00 am - 10.50 am

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Cabinet

Dorset County Council

Date of Meeting	31 January 2018
Cabinet Member Tony Ferrari – Cabinet Member for Communities & Resources Lead Officer(s) Richard Bates – Chief Financial Officer	
Subject of Report	**Medium Term Financial Plan (MTFP) and Budget 2018-19 to 2020-21**
Executive Summary	This report provides the final update on the major national and local issues facing the County Council and how they affect the 2018-19 budget and financial strategy in ensuing years. Previous Cabinet meetings have agreed the basis for final development of the budget and MTFP, subject to the finalisation of the Forward Together programme and the risks surrounding the savings targets therein. This paper summarises the development of the budget and MTFP throughout the year, culminating in recommendations for Cabinet to propose to County Council regarding Council Tax and Social Care Precepts, expenditure allocation and savings measures. The budget monitoring information for 2017-18 has been routinely provided through the regular MTFP updates to Cabinet. Appendix 1 sets out the latest (December) forecast, predicting an overspend of some £4.1m. The root causes of the overspend have been drawn to Members' attention during the year and are summarised in this report. Focus will remain on reducing the overspend as far as possible, by 31 March to minimise the impact on the base budget in future years. Directors have made their best attempts to assess the impact of current and future years' pressures and build them into the MTFP to ensure we understand and accurately define the size of the Forward Together programme that must be delivered and balance this against judicious use of reserves and balances. This has been a key consideration of the S151 Officer in considering his statutory duty to ensure a balanced, achievable budget.

<table>
<tr><td></td><td><u>Summary of budget development</u>

The provisional local government finance settlement introduced flexibility around council tax for the next two years enabling the County Council to increase basic council tax by 2.99% in 2018-19 and 2019-20 to recognise inflationary pressures.

In addition to the 2.99% increase, the County Council will levy a 3% adult social care (ASC) precept in 2018-19 meaning a 5.99% increase in the county's council tax.

This increase takes the total ASC levy to the 6% total that Government introduced in the current planning period.

The Council's Forward Together programme (Appendix 2) sets out a savings target for 2018-19 which recognises that as well as closing the £10.2m budget gap set out in section 6.2, there are base budget pressures (section 2.2) which must also be addressed.

Surpluses on council tax collection funds will deliver one-off funding to allow the Council to accommodate further changes required as a result of reducing Education Services Grant and costs of transitioning some of our services, such as looked after children.

The County Council has responded to the consultation on the 2018-19 provisional settlement and looks forward to engaging in further consultations on negative RSG and fair funding. We also await the adult social care green paper.</td></tr>
<tr><td rowspan="3">Impact Assessment:</td><td>Equalities Impact Assessment:

In respect of the proposal to increase adult social care fees and charges, an EqIA screening tool has identified that a full EqIA is not required.

The remainder of this update does not involve a change in strategy. As the strategies for managing within the available budget is developed, the impact of specific proposals on equality groups will be considered.</td></tr>
<tr><td>Use of Evidence: This report draws on proposals and funding information published by the Government, briefings issued by such bodies as the Society of County Treasurers (SCT) and the content of Dorset County Council reports and financial monitoring data.</td></tr>
<tr><td>Budget: The report provides an update on the County Council's proposed budget strategy for 2018-19 and the following two years.

Major risks that influence the development of the financial strategy include:

• views taken on changes in grant funding, business rates growth, inflation rates, demographic and other pressures and</td></tr>
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<tr><td rowspan="3"></td><td>income from locally raised tax, including the Social Care Precept;
success in delivering the savings anticipated from the existing Forward Together programme and a further, significant transformation beyond that point to manage within our medium-term funding limits;
judgement on the prudent use of reserves, balances and contingency;
pressures arising that have not been factored into the budget and/or the Forward Together programme.</td></tr>
<tr><td>Risk Assessment: Having considered the risks associated with this decision using the County Council’s approved risk management methodology, the level of risk has been identified as:
Current Risk: HIGH
Residual Risk HIGH</td></tr>
<tr><td>Other Implications:

None.</td></tr>
<tr><td>Recommendation</td><td>The Cabinet is asked to consider the contents of this report and subject to confirmation of funding levels once the final settlement is received:
(i) consider the service issues and risks associated with the savings measures arising from the updated Forward Together programme, set out in Appendix 2 and agree these as the measures upon which further consultation takes place;
(ii) note the risks associated with the use of one-off funding through flexible capital receipts and collection fund surpluses to balance the budget;
(iii) confirm the Council Tax increase of 2.99% for 2018-19 and note the assumption of 2.99% in 2019-20 and 1.99% beyond that;
(iv) confirm a Social Care Precept of 3% for 2018-19 and 0% in 2019-20, bringing the three-year total to the 6% allowed by Government;
(v) recommend to the County Council:
a) the revenue budget strategy for 2018-19 to 2020-21
b) the budget requirement and precept for 2018-19
c) the position on general balances and reserves;
(vi) require the Chief Financial Officer to present to the County Council a schedule setting out the Council Tax for each category of dwelling and the precepts on each of the Dorset Councils for 2018-19.

And;</td></tr>
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	(vii) approve the proposal to increase fees and charges for non-residential adult social care services by 5% in 2018-19.
Reason for Recommendation	To approve the Council Tax increase for 2018-19 and to enable work to continue to refine and manage the County Council's budget strategy for the remaining MTFP period.
Appendices	1. CPMI for December 2017 2. Summary of Forward Together programme and savings proposals for 2018-19 3. Provisional budget and precept summary 2018-19
Background Papers	Local Government finance settlement Spending reviews SCT briefing papers Previous MTFP updates to Cabinet
Officer Contact	Name: Jim McManus, Chief Accountant Tel: 01305 221235 Email: j.mcmanus@dorsetcc.gov.uk

1. Background

1.1 The Medium Term Financial Plan (MTFP) sets out the key financial arrangements and assumptions on which the County Council's budget is based. It underpins delivery of the County Council's Corporate Plan. This report is the fifth and final of the year to update Members on the budget strategy and the forecast for the remaining two years of the MTFP.

1.2 During the year Members have already developed and agreed a number of strategies, including for Council Tax, the Social Care Precept, use of collection fund surpluses, use of capital receipts, inflation, wage growth, demographic factors and capital financing. It was also understood that more detailed measures for savings from transformation in the Forward Together programme would come to the January meeting once fuller consideration had been given to the robustness of the revised programme by Directorate Management Teams.

1.3 These savings proposals and the assessment of the risk and potential impact of these upon the County Council's reserves and balances are the final building blocks in our financial model and must be clearly understood to ensure the risk to the organisation's financial security is managed robustly. These savings are set out in Appendix 2.

1.4 Cabinet is therefore asked to recommend the Budget Strategy to the County Council. In determining the Strategy, Council must take account of the following:

- the resources available; particularly through council tax and Social Care Precept, the settlement and the impact of the funding formula over the MTFP period;
- the present national economic situation and the Government's adherence to the fiscal tightening strategy to balance the national budget in the longer term;

- advice and information issued by the Government, including the report of the Spending Review 2015 (and fixed, four-year funding) and the Chancellor's Autumn Budget issued in November 2017;
- the Prudential Code for Borrowing and the County Council's capital financing policy;
- the County Council's corporate aims and priorities, agreed by the Cabinet;
- the potential impact of the strategy on service provision and the Council's performance in key service areas;
- the risks associated with reducing funding for current services or not addressing budget pressures;
- the risks associated with the Forward Together programme savings and the elimination of the structural budget deficit over the MTFP period;
- the use of reserves and balances;
- ongoing macro-economic conditions, especially uncertainty around withdrawal from the European Union.

2. Development of the budget and MTFP

Opening position

2.1 Members may recall from very early reports that the opening position for the current MTFP round was a budget gap of £27.4m in the first two years. The December reported highlighted that by the time we had reworked our financial model and reviewed our assumptions for the full three years of the planning period, the budget gap was £35.4m with £12.4m of this falling in 2018-19.

Outturn, forecast of outturn and cost pressures during the year

2.2 In developing the 2018-19 budget, Members were mindful of the forecast overspend against service budgets in 2017-18 and the actual overspend in 2016-17. The position during 2017-18 has gradually improved over the year to the extent that we are currently predicting an overspend of £4.1m. We continue to do everything we can to reduce this figure. Appendix 1 sets out the summary budget monitoring information from December's forecasting round. Members have received numerous reports and updates on our anticipated outturn over the course of the year so no further analysis is provided here.

Local Government finance settlement

2.3 The provisional settlement was announced by the Secretary of State for Communities and Local Government, Sajid Javid, on 19th December 2017. Much of it was already known to us and there was no significant, additional funding for the sector.

2.4 Members had signed-up to the Government's four-year funding deal so despite the fact that we will continue to press our case around negative RSG in 2019-20 and for resolving funding uncertainty beyond that, there was comfort that the majority of our funding was known and was being planned for with relative certainty. The summary funding table from settlement is shown below.

Dorset					
Illustrative Core Spending Power of Local Government;					
	2015-16	2016-17	2017-18	2018-19	2019-20
	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment[2]	73.3	56.1	43.6	38.6	29.3
Compensation for under-indexing the business rates multiplier	0.5	0.5	0.5	0.8	1.2
Council Tax of which;	195.9	204.9	217.1	232.0	240.8
Council Tax Requirement excluding parish precepts (including base and levels growth)	195.9	201.0	206.8	214.7	223.0
additional revenue from referendum principle for social care	0.0	3.9	10.3	17.2	17.9
Potential additional Council Tax from £5 referendum principle for all Districts	0.0	0.0	0.0	0.0	0.0
Improved Better Care Fund	0.0	0.0	7.4	9.8	11.8
New Homes Bonus[3]	1.6	2.0	1.6	1.0	0.8
New Homes Bonus returned funding	0.1	0.1	0.1	0.0	0.0
Rural Services Delivery Grant	0.3	1.5	1.2	1.2	1.2
Transition Grant	0.0	3.0	2.9	0.0	0.0
The 2017-18 Adult Social Care Support Grant	0.0	0.0	1.9	0.0	0.0
Core Spending Power	**271.8**	**268.2**	**276.4**	**283.3**	**285.1**
Change over the Spending Review period (£ millions)					13.3
Change over the Spending Review period (% change)					4.9%

2.5 As part of the settlement the Government also announced additional flexibility around council tax, raising the limit for local referendums to 3% for the next two years. The County Council's MTFP now assumes council tax of 2.99% in 2018-19 and 2019-20, with a 1.99% annual increase after that. In addition to "core" council tax our plan also assumes social care precept of 3% in 2018-19 and nothing thereafter, in line with the 6% total allowed by Government over that three-year period.

2.6 The settlement also included some key announcements about future funding prospects for local government. The first of these was that there will be a new funding formula in place ready for 2020-21. The consultation on the relative needs and resources aspect of this has already been launched and the County Council will be working closely with fellow SCT members to ensure the government receives both shire county and Dorset County Council input into the development of a new formula.

2.7 2020-21 will also see the implementation of 75% retention of business rates. The retention of more business rates will see a compensating reduction in Revenue Support Grant, Rural Services Delivery Grant and Public Health grant.

2.8 Spring will also see the launch of a consultation on negative RSG, a move which is warmly welcomed by the County Council. The settlement documentation announced that *"The Government will look at fair and affordable options for dealing with 'negative RSG'…"*. The County Council looks forward to contributing to the debate on this subject. At present our 2019-20 position is negative £10.1m RSG.

2.9 The Government also used the settlement to set out a commitment to publish a green paper by summer 2018 which will set out proposals for a sustainable settlement for social care. Government has already started a process of initial engagement through which it will work with experts, stakeholders and users to shape the green paper's proposals for long-term reform.

2.10 Grant information included in the settlement was broadly neutral for us, though there were changes in individual line items. For example, Rural Services Delivery Grant was £281k better than anticipated while New Homes Bonus was £230k lower.

Collection fund surpluses and growth in the base

2.11 Members will recall the most recent update around assumed growth of 0.75% in the Council Tax base and the use of £0.5m of surpluses to be declared on the collection funds for 2018-19. Actual figures from district colleagues mean we can revise our assumptions around growth to 1.26%. Collection Authorities have also told us that £4.1m will be distributed to us from surpluses in council tax collection funds as set out in Appendix C.

2.12 Much of this surplus is already included within previous financial assumptions around the need for one-off funding, however, so it is not new money. Members have previously been alerted to the need for short-term funds to manage the reduction in Education Services Grant (ESG) and to deal with the costs of looked-after-children as we transition to increased in-house fostering provision. These monies have therefore been treated as transfers to reserves in this budget round so they do not impact on the base budget and cause confusion when making comparisons between years. Money will be transferred from reserves as part of budget management in 2018-19, rendering this money one-off funding.

Flexible use of capital receipts

2.13 We continue to assume the use of £1m of capital receipts to help fund transformation costs and thereby contribute towards balancing the budget in 2018-19. The Government has also announced the extension of the flexible use of capital receipts for a further three years to 2021-22.

2.14 Cabinet has already approved £5m of capital receipt flexibility in the three years to 31/03/2019. £1.4m of this was applied in 2016-17 and further use is forecast in 2017-18. Our capital receipts strategy will therefore need to be revised in coming months and a paper on this subject will come back to Cabinet for approval in due course.

Base budget issues resolved

2.15 The additional funding provided by the flexibility around council tax has enabled base budget issues for the Coroner's Service to be resolved and also for additional funding to be provided for looked after children.

Pay award

2.16 The employers' pay offer of 2% plus higher increases for staff at lower pay points was higher than the 1% used in the development of the budget. There are further increases in 2019-20 which also need more detailed work. However, the additional cost in 2018-19 was around £1.5m, which has been built into the budget being presented to Members.

2.17 Provision has been made for National Living Wage costs in the MTFP and now the employers' offer for 2019-20 is clearer, more detailed work can be carried out to develop the next iteration of the budget and MTFP.

3 Council tax strategy

3.1 Cabinet has been clear and consistent in its strategy for council tax throughout recent budget rounds. The sustained reductions in funding from Government have meant that Cabinet had found it necessary to continue to increase council tax by 1.99% each year.

3.2 However, the additional flexibility – prompted by higher inflation – that was announced in the settlement means that Cabinet has now agreed to 2.99% annual increases in council tax in 2018-19 and in 2019-20. After that, the assumed increase reverts back to 1.99% in line with longer-term expectations around inflation and the flexibility allowed by Government.

3.3 In addition to this core council tax assumption, Cabinet has agreed to levy 3% Social Care Precept in 2018-19 and 0% in 2019-20. This will bring the total increase in this precept to the 6% agreed by Government over the three-year period to 2019-20. All funding delivered through the Social Care Precept must be used for adult social care. This does not, however, mean that the Adult & Community Services budget simply increases by this amount. This budget remains the highest area of the Council's spend and clearly cannot be protected from either efficiency savings or other budget reductions, such is the continuing magnitude of the funding change.

4 Contingency, reserves and balances

4.1 The 2017-18 base budget for contingency was £2.3m. As usual, it has been subject to a broad range of calls this year but the December CPMI is positive in anticipating an underspend of around £1.25m. This position could improve further, depending on any further calls on the fund. The core contingency budget for 2018-19 is at a similar level.

4.2 £1.7m was released from reserves during the year as the funding was no longer required for the reasons originally anticipated. This was added to the balance of the general fund which now sits at £14.1m. This is above the lower end of our operating range of £10m, however any residual overspend in 2017-18 will reduce this figure.

4.3 An analysis of the County Council's reserves, as at 31 March 2017 was prepared for Members in December. This will be reviewed and reissued to take account of this year's closing reserves figures after we have produced the accounts for 2017-18.

5 Forward Together position and prospects

<u>Adult & Community Services</u>

5.1 The Adult & Community Services budget is forecast to overspend by £1.15m. The overspend reflects £2.0m where more work is needed to achieve the Forward Together targets and £900k underspend in other areas of the Directorate.

5.2 The forecast is a reduction from the previous reported position and is due to vacant posts and in-year delays in recruiting to additional posts arising from the application of £1m for additional Social Care staff from the improved Better Care Fund. Pressure continues in the Service User related spend where the budget is forecast to be £2.7m overspent.

5.3 The Directorate has a savings target of £7.1m of which £5.6m is attributable to the Adult Care Service User budgets. £4.2m relates to reviews of packages of care, the letting of the Dorset Care contract and improving brokerage function, £1m additional income and £400k relating to improved use of technology.

5.4 There is slippage in the programme savings of £2.0m due to the complexity of some of the cases being reviewed. There is also further risk around the assumed savings from Dorset Care contract, that came into force in December 2017 and how much impact that can have on the cost of care for the remainder of this year. It is for these reasons that it is still prudent to assume a high level of risk associated with savings going forward.

5.5 Moving in to 2018-19, the Directorate's budget will increase by approximately £2.4m. This is due to the Adult Social Care Precept (£6.7m) and an additional improved Better Care Fund (iBCF) allocation (£2.3m), offset by a previous Forward Together commitment of £6.6m. However, due to the underlying pressures within the service user budget (see para 5.2) and estimated inflation within the care market budgets of £2.5m (2.5%) the Forward Together savings requirement to meet the budget in 2018-19 will need to increase from £6.6m to £9.382m.

5.6 The proposed savings plan is shown in Appendix 2 with an appropriate risk rating against each area. Good progress is already being made towards some of the savings lines for 2018-19 with full-year effects of this year's work contributing towards reducing the cost of packages of care and additional income.

5.7 The wider directorate budget savings reflect both transformation strategy and a shift to ensuring that management costs are managed effectively. The reduction in planned spend in Libraries includes a reduction in the book fund of £225,000. This reflects a growing use of the digital offer and the increasing role of libraries beyond loaning books to a well-being and community facility.

5.8 In other areas there is much more risk associated with the programme through a combination of complexity and timing to achieve a full year effect in year. The savings include plans to improve the efficiency and value for money of Tricuro. This is the Local Authority Trading Company, where through individual assessment of eligible service users, current care packages in day services will be reviewed and may lead to a change in the day services offered with a focus on meeting outcomes and value for money. In addition, non-adult social care functions such as catering within the company will have subsidy removed and more efficient use of capacity in residential care will be implemented.

5.9 The directorate transformation programme promotes a greater focus on personalisation, including offering all service users the opportunity to take a direct payment to pay for their care, enabling them to have more control and flexibility in how their care needs will be met. This, alongside commissioning focused on outcomes and demand management, agreeing prices with the market reflecting value for money and meeting the requirement for high quality care and greater community capacity, will contribute to the delivery of savings.

5.10 Members are also asked to approve the proposal to increase fees and charges for non-residential, adult social care services by 5% in 2018-19 (subject to financial assessment and only those who can afford to pay will pay). The proposal was discussed at the Executive Advisory Panel for Pathways on 4th December, as reflected in the minutes presented to the Cabinet on 17th January. The Panel resolved that a 5% increase was appropriate for the Cabinet to consider and asked for some examples to be provided. The examples are set out in the following table:

Service	Details	2017-18 £	2018-19 £
Home Care (Domiciliary Care)	A visit lasting up to 30 mins	£10.50	£11.02
	A visit lasting 30-45 mins	£12.60	£13.23
	A visit lasting 45-60 mins	£15.75	£16.53
Day Care	Maximum charge per session, excluding the cost of transport, meals and beverages.	£23.53	£24.70
Standard transport		£2.63 per journey	£2.76 per journey

5.11 Members will be aware that nationally adult social care is facing unprecedented demands, and in Dorset the combination of rurality, aging population and increasing focus from the NHS on reducing costs in Continuing Care, and discharging people from hospital is having a significant adverse impact on ability to contain costs

Children's Services

5.12 Children's Services is forecasting an overspend in 2017-18 of £6.8m, this is despite additional one off funding of £2.4m. The reasons behind this overspend are well documented but in short are mainly due to the cost of children in care. Although the overall number of looked after children has reduced as planned from a peak of 506 in August 2016 to 446 in December 2017, it has not reached the best-case scenario that was budgeted for of 400. In addition, the mix of high cost/low cost placements has not seen the change expected with lower cost placements being replaced with higher cost placements in Independent Sector Fostering agencies and Residential Care Providers. This accounts for £7.8m of the overspend. There are other financial pressures within the Directorate around the increased costs associated with the use of agency Social Workers of £0.7m, the additional legal costs due to the increased numbers of Children in Care £0.2m and SEN Transport £0.7m.

5.13 The Medium Term Financial Plan has already considered and approved an additional £3.2m base budget increase to reflect the cost of rebasing numbers of Children in Care from 400 to 440, and an additional £1m invest to save programme to recruit an additional twenty Social Workers. Based on current spending requirements the Directorate has identified an additional budget requirement of £8.1m in 2018-19. In order to meet this requirement a savings programme totalling £6.3m has been identified, this will still leave the Directorate with a known shortfall of £1.8m in 2018-19 which will be funded by one-off collection fund balances.

5.14 Details of the Directorates savings programme can be found in Appendix 2 of this report. The modernising fostering strategy considered by Cabinet in September requested members to consider the use of transformation funding of £110k to facilitate the transformation of the fostering service and in particular the recruitment of 74 additional foster carers over the year, the use of this funding is vital to the delivery of the planned savings of £2m. All the programmes (Family Partnership zones, recruitment of foster carers working with children on the edge of care, reduction of re-referral rate) will be made to work consistent with one another to bear down on a reducing number of LAC and achieving the consequential budget savings. Delivery of this savings programme will represent a significant turnaround of an inbuilt and substantial overspend.

Dedicated Schools Grant

5.15 The pressure on the DSG budget continues with the High Needs Block now expected to overspend by £4.3m in 2017-18. The overspend is being driven by two main factors, the continued growth in the numbers of Education Health and Care Plans (EHCPs) rising by over 40% since March 2014 which has a direct impact on demand in the top up, independent school places and post 16 budget areas; and changes to the SEN code of practice in 2014 which means the local authority is now responsible for the education of young people with SEN up to the age of 25 rather than 19, having a direct impact on the post 16 budgets as the cohort of children increases each year.

5.16 The Schools Forum considered the DSG budget for 2018-19 at a meeting on 12th January. A proposal to transfer £1.1m from the Schools Block to the High Needs Block was previously rejected by the Schools Forum and we currently await the outcome of our appeal to this decision by the Secretary of State, the 2018-19 budget build assumes this appeal will be upheld. To bring the budget back to a balanced position a programme of savings/budget reductions totalling £3.3m has been developed. The Schools Forum accepted these proposals in principle asking from some more detail and clarity to be brought back to their meeting in February.

5.17 The DSG carried forward a net deficit of £4.1m into 2017-18, adding to this the expected overspend this year of £4.3m results in a total estimated deficit at the end of 2017-18 of £8.4m. It has been made clear to the Schools Forum that the Local Authority cannot bear this deficit and the risk involved means a recovery programme must be put into place as soon as possible. A five-year budget plan has been built and this will be considered as part of the deficit recovery plan at the February meeting of the Schools Forum. Further cost reductions will need to be found, this means the schools forum, schools at large and the local authority will need to consider carefully and imaginatively methods to dampen demand and reduce costs against the high needs block further.

Environment & Economy

5.18 The Environment Directorate is forecasting an underspend in 2017-18 of £52k. This is due to underspends in Economy, Planning and Transport and in the Highways areas of Network Management, Network Development and Fleet Services. The main cause of these underspends is due to vacancy management, savings coming to fruition as part of a two-year savings plan and an increase in external income.

5.19 The main risk areas in 2017-18 is in Dorset Travel where contracts have needed to be retendered and the part year effect on the initial contracts which came into effect in September 2017, so there is still some uncertainty in 2017-18 which will continue into 2018-19.

5.20 For 2018-19 the Directorate has developed detailed savings plans which are shown in Appendix 2. When continuing surplus in budget areas have been found, these have been used as part of the savings plan going forward. The risk areas for the Directorate is in Dorset Travel, Economy, Planning and Transport and IT Services.

5.21 Dorset Travel budget may be significantly impacted in 18-19 due to the retender of contracts which is currently unknown.

5.22 Economy, Planning and Transport planning fees are low in 2017-18 but have been offset by underspends in other areas. Should this continue in 2018-19 the service would not have the capacity to meet this under recovery of income.

5.23 Capital income recovery from projects in IT Services is a significant risk area in 2018-19 and work is being carried out to mitigate the risk.

Public Health

5.24 The Public Health grant allocation for 2018-19 has been reduced by 2.5% to £33.4m. There are no planned changes to the elements that are retained within the individual local authorities.

5.25 Public Health Dorset recognises the budget challenges both to the central public health grant and the wider local authority budgets and continues to work to deliver savings. As a consequence, grant reductions in 2018-19 should be manageable without compromising existing local authority commitments.

Dorset Waste Partnership

5.26 DWP is projecting an underspend of £1.483m (County Council share £954k) mainly due to waste tonnage figures being more favourable than predicted in the budget and favourable recyclate costs/prices. There is increasing risk that recyclate business could move against us due to recent market changes brought about by changes in China's policy.

5.27 The budget for 2018-19 represents a cash standstill and also involves the application of £383k from the equalisation reserve to fund the costs of the employers' pay offer that emerged after the budget had originally been drafted assuming 1% pay inflation. A number of more challenging assumptions are inherent in the 18-19 budget which were not included previously. There is therefore risk around these areas which the Senior Management Team and the Joint Committee will keep under review during the year.

Chief Executive's Directorate

5.28 The Directorate is forecasting a very small net overspend of £14k. The most significant area of budget variance is the Way We Work property programme is still forecasting £163k of whole-authority, property savings that are not achievable due to changing service needs and Cabinet decisions to retain property that was previously considered surplus to requirements.

5.29 The main budget pressure in the Directorate in 2018-19 is the Way We Work savings plan where £500k of savings will need to be harvested but should there be any slippages, this would impact on this target.

Local Government Reorganisation

5.30 We are currently waiting for an announcement from the Secretary of State regarding the *Future Dorset* proposals. In the meantime, the County Council's Finance Team is working with service managers across all councils to build models for disaggregating costs of services delivered in Christchurch. Progress so far is positive but there is plenty still to do.

5.31 At the same time as we are reviewing the revenue costs and funding implications of service delivery we are also considering the impact of balance sheet disaggregation. Whilst this is relatively straight forward exercise for items like land and buildings, it becomes increasingly complex for items such as roads, infrastructure, loans, capital financing and reserves.

6 Updated financial position and recommended budget summary

6.1 Working all of our assumptions and plans through the financial model delivered a gross budget gap of £11.7m. We had previously assumed that £0.5m of this would be funded from collection fund surpluses and a further £1m from the flexible use of capital receipts.

6.2 The remaining £10.2m will be funded by the savings measures from the Forward Together programme, set out in Appendix 2. Appendix 2 targets a significantly higher figure than this £10.2m as it also needs to deal with whatever base budget overspend is carried into 2018-19. We will not know the final position until the current year finishes so an update will need to be brought to Cabinet early in the new year to give assurance that savings are sufficient to balance the budget in the new year including any carried-forward pressures.

Provisional budget summaries for 2018/19 to 2020/21

Assumed council tax increase			*5.99%*	*2.99%*	*1.99%*
Band D equivalent tax			*£1,406.34*	*£1,448.37*	*£1,477.17*
			2018/19	2019/20	2020/21
			£M	£M	£M
Previous year's budget			264.1	275.7	271.0
Move in specific grants applied as general funding			3.0	-1.6	3.2
Commitments provided for:					
- Resource Allocation Model			2.5	3.0	3.6
- Other central commitments			13.6	10.0	0.6
- Collection Fund surplus			4.1		
Total budget requirement before savings			**287.4**	**289.0**	**278.5**
Estimated budget available			**275.7**	**271.0**	**270.9**
Savings required	3-year total:	-37.3	-11.7	-18.0	-7.6
Savings found by:					
- Forward Together programme			-10.2		
- Use of Collection Fund/Balances (One Off)			-0.5	-0.5	
- Use of Capital Receipts (One Off)			-1.0	-1.0	
- Remainder still to be found to avoid scaling			0.0	-16.5	-7.6

7 Consultation and equality

7.1 This high-level update of the budget strategy itself does not involve a change in strategy and therefore does not require an impact assessment. However, as the strategy for managing within the available budget is developed and as particular courses of action are formulated and consulted upon, Directorate Leadership Teams will take forward specific impact assessments for relevant equality groups and consult with overview and scrutiny committees where necessary.

8 Risk assessment

8.1 A number of risks have been identified and reviewed during this annual update of the MTFP and budget setting round, which include:

- the possibility that the Forward Together programme (including the inclusion of unsolved base budget issues carrying forward for 2017-18) fails to provide transformation at the level that is required over the MTFP to deliver the necessary savings, or that the programme needs additional investment to realise the savings that have been identified;
- economic performance does not match the expectations of central Government plans and even more austerity measures are applied to our funding;
- continuing risks from the Business Rates Retention scheme as the risks lie materially with local authorities, not with central Government;
- improved Better Care Fund – there are significant risks with this funding due to the performance targets with the health service to which it is now linked. There is also a significant risk beyond 2019-20 where there is currently no guarantee of on-going funding.
- the risk of an increase in the numbers of Unaccompanied Asylum Seeking Children which will bring budget pressures with them if sufficient support funding is not made available from Central Government. ;
- focus on LGR could easily deflect from delivery of the savings programme;
- the risk any further overspends on service budgets in the context of the reduced level of our general balances.

9 Statutory declarations

9.1 Section 25 of the Local Government Act 2003 requires all financial officers with responsibilities under s151 of the local Govt Act 1972 to make a statement regarding the robustness of estimates and the adequacy of reserves at the time the budget is set. The Council has a statutory duty to “have regard to the report when making decisions about the calculations’’.

9.2 There are also other safeguards aimed at ensuring local authorities do not over-commit themselves financially. These include:

- the Chief Financial Officer's powers under section 114 of the Local Government Act 1988, which require a report to the Cabinet and to all members of the local authority if there is or is likely to be unlawful expenditure or an unbalanced budget;
- the Local Government Finance Act 1992, which requires a local authority to calculate its budget requirement for each financial year, including the revenue costs which flow from capital financing decisions. The Act also requires an authority to budget to meet its expenditure after taking into account other sources of income. This is known as the *balanced budget requirement*;
- the Prudential Code, introduced under the Local Government Act 2003, which has applied to capital financing and treasury management decisions from 2004-05;

- the assessment of the financial performance and standing of the authority by the external auditors, who give their opinion on the financial standing of the authority and the value for money it provides as part of their annual report to those charged with governance.

9.3 The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management in each of the Council's service directorates. Dorset's Scheme of Financial Management sets out the responsibilities of all those involved in managing budgets and incurring commitments on behalf of the County Council. It was substantially reviewed and rewritten to coincide with the introduction of DES and updated again several times, most recently in 2014 to reflect the changes made to Contract Procedure Rules and the Scheme of Delegation. Under the scheme, managers are required to identify savings to offset overspends elsewhere on budgets for which they are responsible. I will be writing to each Director and Head of Service to remind them of their obligations under the County Council's *Scheme of Financial Management*. This is timely in that the scheme is under review again at the time of writing.

9.4 Whilst budgets are based on realistic assumptions, some budgets are subject to a degree of estimating error as actual expenditure can be determined by factors outside the Council's control, for example demand-led budgets such as provision for adults with a learning disability. It is also generally not appropriate or affordable to increase budgets to reflect overspends in the previous year. A reasonable degree of challenge to manage within the resources available is necessary and monitoring of expenditure, in order to take corrective action if necessary, is particularly important during a time of budget reductions.

9.5 The Council has well-developed arrangements for the monitoring of budgets during the year, which are reported through the Corporate Performance Management Information system (CPMI), published via SharePoint. A system of dashboards has also been introduced in 2017-18 alongside refresher training on budget management in DES for managers.

9.6 Technical aspects of the budget process applied for 2018-19 have been similar to recent years. The Resource Allocation Model (RAM) again provides a robust starting point for addressing inflationary, demographic and volume pressures in an open and fair manner. It provides a sound platform on which to build and develop future medium term financial strategies and budgets.

9.7 Member involvement in budget development has been exercised particularly through meetings of the Forward Together Board, regular update reports to the Cabinet and all-member briefings. There was also a significant programme of training during the spring and summer 2017 due to a significant number of newly-elected Members to the Council.

9.8 In addition to the above and discussions at committees, members have had access to the earlier, detailed budget reports which have provided the national and local context for the medium term financial plan and budget strategy. These reports included an update for the provisional local government finance settlement. The budget strategy has also been covered in meetings of the Audit and Governance Committee.

9.9 Taking all these factors into consideration, I consider that the estimates prepared in line with the strategy explained in this report are robust. However, the challenge of managing expenditure within them should not be underestimated; particularly given our short-term use of one-off funding and the need to deliver significant savings through transformation. Close monitoring will be required during the year and prompt corrective action must be taken whenever planned savings are not being delivered and progress toward a balanced budget for 2018-19 is not sustained. The position outlined above, regarding the authority's projected general fund balance makes achievement of our savings targets critical.

Richard Bates
Chief Financial Officer
January 2018

Appendix 1

CPMI – December 2017

Cost Centre Management Budget Monitoring Summary	Responsible Officer	Year 2017-18 'Above Line' Net Budget Only £000's	Forecast £000's	October Projected Under/(Over) Spend £000's	November Projected Under/(Over) Spend £000's	December Projected Under/(Over) Spend £000's	Forward Together Projected Under/(Over) Spend £000's	Other Projected Under/(Over) Spend £000's
Children's Services Directorate								
Childrens Service Budget								
Care & Protection	Vanessa Glenn	33,013	41,618	(7,988)	(8,522)	(8,605)	0	(8,605)
Design & Development	Patrick Myers	11,671	11,367	259	323	304	(400)	704
Director's Services	Nick Jarman	2,359	2,469	(102)	(104)	(110)	(150)	40
Prevention & Partnerships (DCC)	Jay Mercer	13,045	13,836	(706)	(841)	(792)	(150)	(642)
Application of Contingency/Control Node	Richard Bates	2,399	0	2,399	2,399	2,399	0	2,399
Total Children's Services Budgets (DCC)		62,486	69,290	(6,139)	(6,745)	(6,804)	(700)	(6,104)
Prevention & Partnerships (DSG)	Jay Mercer	44,854	49,258	(3,773)	(4,325)	(4,404)	0	(4,404)
P&P DSG Funding	Jay Mercer	(44,867)	(44,867)	0	0	0	0	0
Directors Services (DSG)	Nick Jarman	400	400	0	0	0	0	0
Directors Services DSG Services	Nick Jarman	(400)	(400)	0	0	0	0	0
DSG Services	Jay Mercer	(1,357)	(1,357)	0	0	0	0	0
Total Children's Services Budgets (DSG)		(1,370)	3,034	(3,773)	(4,325)	(4,404)	0	(4,404)
DSG Adjustment		0	0	0	0	0	0	0
Children's Services (DCC + DSG) Total		61,116	72,324	(9,912)	(11,070)	(11,208)	(700)	(10,508)
Adult & Community Services Directorate								
Adult Care Service User Related	Harry Capron	73,960	76,670	(2,284)	(2,905)	(2,710)	(1,903)	(807)
Adult Care	Harry Capron	12,304	11,569	455	474	735	0	735
Commissioning and Safeguarding	Diana Balsom/Sally Wernick	34,252	33,798	496	436	455	0	455
Early Help & Communities	Paul Leivers	9,270	9,075	37	232	194	(100)	294
Director's Office	Helen Coombes	3,383	3,207	134	138	176	0	176
Adult & Community Services total		133,169	134,319	(1,163)	(1,624)	(1,150)	(2,003)	853
Environment and the Economy Directorate								
Economy, Planning & Transport	Maxine Bodell	2,312	2,203	93	71	108	0	108
Dorset Travel	Chris Hook	14,329	14,423	110	98	(95)	(190)	95
Business support Unit	Matthew Piles	359	407	(58)	(60)	(48)	(48)	0
Coast & Countryside	Phil Sterling	2,504	2,563	(59)	(50)	(59)	(36)	(23)
Buildings & Construction	David Roe	138	167	23	15	(29)	0	(29)
Pooled R&M	David Roe	137	137	0	0	0	0	0
Network Management	Simon Gledhill	1,128	962	127	166	165	0	165
Network Development	Tim Norman	1,040	1,008	5	4	32	0	32
Network Operations	Martin Hill	4,075	4,067	5	8	8	0	8
Fleet Services	Sean Adams	(163)	(180)	27	1	17	0	17
Emergency Planning	Simon Parker	214	212	7	7	2	0	2
Director's Office	Mike Harries	828	823	6	5	5	0	5
Streetlighting PFI	Tim Norman	3,862	3,862	0	0	0	0	0
ICT	Richard Pascoe	5,171	5,225	(115)	(95)	(54)	(38)	(16)
Environment and the Economy Directorate Total		35,934	35,881	172	169	52	(312)	364

Cost Centre Management Budget Monitoring Summary	Responsible Officer	Year 2017-18 'Above Line' Net Budget Only £000's	Forecast £000's	October Projected Under/(Over) Spend £000's	November Projected Under/(Over) Spend £000's	December Projected Under/(Over) Spend £000's	Forward Together Projected Under/(Over) Spend £000's	Other Projected Under/(Over) Spend £000's
Chief Executives								
Chief Executives Office	Debbie Ward	275	278	(4)	(4)	(4)	0	(4)
Partnerships	Karen Andrews	189	157	27	32	32	0	32
Communications	Karen Andrews	247	247	(0)	0	0	0	0
Policy and Research	Karen Andrews	440	438	0	1	1	0	1
Commercial Services	Karen Andrews	431	431	(1)	(1)	0	0	0
Governance and Assurance	Mark Taylor	657	657	(2)	0	0	0	0
Legal & Democratic Services	Jonathan Mair	2,876	2,872	8	8	4	0	4
Financial Services	Richard Bates	2,891	2,837	73	30	54	0	54
County Buildings	Peter Scarlett	(1,469)	(1,370)	(103)	(95)	(100)	0	(100)
WWW Property Savings	Peter Scarlett	(441)	(278)	(164)	(164)	(163)	(164)	1
Human Resources	Sheralyn Towner	1,335	1,182	104	104	153	0	153
Cabinet	Richard Bates	3,325	3,318	30	(1)	7	0	7
Chief Executives Total		10,757	10,771	(32)	(89)	(14)	(164)	150
Partnerships								
Dorset Waste Partnership	Karyn Punchard	19,702	18,748	992	882	954	0	954
Public Health	David Phillips	300	300	0	0	0	0	0
Partnerships Total		20,002	19,048	992	882	954	0	954
Central Finance								
General Funding	Richard Bates	(24,009)	(24,009)	0	0	0	0	0
Capital Financing	Richard Bates	24,594	22,999	793	1,494	1,594	0	1,594
R&M	Richard Bates	1,287	1,287	0	0	0	0	0
Contingency	Richard Bates	606	(644)	1,250	1,250	1,250	0	1,250
Precepts/Levy	Richard Bates	677	677	0	0	0	0	0
Central Finance	Richard Bates	(264,132)	(264,132)	0	0	0	0	0
Central Finance Total		(260,978)	(263,822)	2,043	2,744	2,844	0	2,844
Total Above Line Budgets		**0**	**8,521**	**(7,900)**	**(8,989)**	**(8,521)**	**(3,179)**	**(5,342)**
Excluding DSG Budgets		**1,370**	**5,487**	**(4,127)**	**(4,664)**	**(4,117)**	**(3,179)**	**(938)**

Appendix 2

Forward Together Programme savings

Savings Measure	18/19	Forward Together RAG rating Green - Achieved Yellow - On course Amber - More work required Red - Currently unlikely to be achieved				
Adult & Community Services			Green	Yellow	Amber	Red
Managing our Income	1,300,000	Green/Yellow	600,000	700,000		
Increased income & efficiencies in Early Help & Community Services	200,000	Yellow		200,000		
Maturing our LATC	1,500,000	Yellow		1,500,000		
Pathway Modernisation and Demand Management	400,000	Yellow		400,000		
Adult Social Care Ops Delivery	4,000,000	Green/Yellow	652,000	3,348,000		
Contract changes	250,000	Yellow		250,000		
Maximising efficiency in housing related support	832,000	Green	832,000			
Library Services	314,000	Green/Yellow	225,000	89,000		
Early Help	20,000	Green	20,000			
Trading Standards	161,900	Green/Yellow	29,100	132,800		
Policy, Finance, Welfare	60,100	Yellow		60,100		
Early Help & Communities General	193,300	Yellow/Amber		14,000	179,300	
Business Development & Performance	150,700	Green/Yellow	20,700	130,000		
	9,382,000		**2,378,800**	**6,823,900**	**179,300**	**0**

Savings Measure	18/19	Forward Together RAG rating Green - Achieved Yellow - On course Amber - More work required Red - Currently unlikely to be achieved				
Chief Executives Department			Green	Yellow	Amber	Red
Early Retirement costs	50,000	Yellow		50,000		
Review of South West Audit Partnership (SWAP) days	15,000	Amber			15,000	
Human Resources	65,000	Amber			65,000	
Review of Communications	50,000	Amber			50,000	
Financial Services	55,000	Amber			55,000	
Review of Programme Office	60,000	Amber			60,000	
Other intra departmental Services efficiencies	5,000	Amber			5,000	
Cross Department Efficiencies	50,000	Green	50,000			
Estate & Assets - additional income and property service changes	110,000	Amber			110,000	
'Way we work' property programme - rationalisation of property	504,000	Amber			504,000	
	964,000		**50,000**	**50,000**	**864,000**	**0**

Savings Measure	**18/19**	**Forward Together RAG rating Green - Achieved Yellow - On course Amber - More work required Red - Currently unlikely to be achieved**				
Children's Services	£		Green	Yellow	Amber	Red
Modernising Fostering - new strategy	2,000,000	Yellow		2,000,000		
Reduce numbers of Looked after children	1,500,000	Amber			1,500,000	
Commissioning Review	500,000	Amber			500,000	
Safeguarding	100,000	Green	100,000			
SEN Transport - Personal Travel Budgets	483,000	Amber			483,000	
Review of residential care placements	1,200,000	Green/Amber	600,000		600,000	
Adoption	50,000	Amber			50,000	
Payment of support arrangements	500,000	Amber			500,000	
	6,333,000		**700,000**	**2,000,000**	**3,633,000**	**0**

Savings Measure	**18/19**	**Forward Together RAG rating Green - Achieved Yellow - On course Amber - More work required Red - Currently unlikely to be achieved**				
Environment and Economy	£		Green	Yellow	Amber	Red
Environment - additional income, non-pay efficiencies and grant reductions	300,000	Amber			300,000	
Highways - additional income, operational efficiencies and innovations	392,000	Amber			392,000	
Economy - Planning and Transport - additional income and staffing efficiencies	202,000	Yellow		202,000		
Business Support Unit - operational efficiencies and innovations	50,000	Yellow		50,000		
Dorset Travel - additional income, fleet efficiencies and innovations	170,000	Amber			170,000	
ICT – Full year effect of 2017/18 service efficiencies on 2018/19	313,000	Green	313,000			
ICT – operational efficiencies and innovations	127,000	Amber			127,000	
Directors Office - operations efficiencies (staffing) including BSU	85,000	Amber			85,000	
Total savings required	**1,639,000**		**313,000**	**252,000**	**1,074,000**	**0**

Total Transformation Savings	**18,318,000**		**3,441,800**	**9,125,900**	**5,750,300**	**0**

Not part of main DCC Transformation Programme -

Savings Measure	**18/19**	**Forward Together RAG rating Green - Achieved Yellow - On course Amber - More work required Red - Currently unlikely to be achieved**				
	£		Green	Yellow	Amber	Red
Dorset Waste Partnership - changes in budget assumptions - DCC share	455,000	Yellow		455,000		

Total Transformation Savings	**18,773,000**		**3,441,800**	**9,580,900**	**5,750,300**	**0**

Appendix 3 Provisional budget and precept summary 2018-19

Provisional Precept and Budget Summary 2018-19

		£	£
Budget Requirement: -			275,687,165
To be met from: -	Start-up Funding Assessment		38,571,000Cr
	Council Taxpayers		237,116,165
	Estimated Surplus on Collection Funds		4,124,568Cr
	Precept required in 2018-19		232,991,596

PRECEPTS

District Councils	**Tax Base 2018-19**	**Estimated Surplus on Collection Funds 2017-18 £.p.**	**Precept 2018-19 £.p.**	Tax Base 2017-18	Precept 2017-18 £.p.
CHRISTCHURCH	19,948.00	259,677.00Cr	28,053,670.32	19,624.00	26,038,496.88
EAST DORSET	37,708.00	427,841.00Cr	53,030,268.72	37,043.00	49,151,245.41
NORTH DORSET	26,057.10	510,721.00Cr	36,645,142.01	25,910.10	34,379,334.39
PURBECK	19,182.31	95,566.09Cr	26,976,849.85	19,052.10	25,279,659.93
WEST DORSET	41,782.20	1,547,153.00Cr	58,759,979.15	41,255.60	54,740,817.97
WEYMOUTH & PORTLAND	20,994.70	1,283,610.00Cr	29,525,686.40	20,721.30	27,494,471.33
	165,672.31	4,124,568.09Cr	232,991,596.45	163,606.10	217,084,025.91

COUNCIL TAX

	2018-19	2017-18
BASIC AMOUNT	**1,406.34**	£1,326.87
		5.99% increase
BAND A	**937.56**	884.58
BAND B	**1,093.82**	1,032.01
BAND C	**1,250.08**	1,179.44
BAND D	**1,406.34**	1,326.87
BAND E	**1,718.86**	1,621.73
BAND F	**2,031.38**	1,916.59
BAND G	**2,343.90**	2,211.45
BAND H	**2,812.68**	2,653.74

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Cabinet

Dorset County Council

Date of Meeting	31 January 2018
Cabinet Member Tony Ferrari - Cabinet Member for Community and Resources Lead Officer Richard Bates – Chief Financial Officer	
Subject of Report	**Treasury Management Strategy Statement and Prudential Indicators for 2018-19**
Executive Summary	The CIPFA Prudential Code highlights particular aspects of the planning of capital expenditure and the funding of that expenditure. The Code requires the publication and monitoring of Prudential Indicators which inform Members of the scope and impact of the capital spend. In addition, there are separate requirements under the CIPFA Treasury Management Code to publish a Treasury Management Strategy. This report sets out the issues for consideration and seeks agreement to the required indicators and strategies.
Impact Assessment:	Equalities Impact Assessment: There are no equality issues that arise from this report.
	Use of Evidence: Historical trends and experiences along with professional advice and recommended best practices have been followed in the development of this strategy and the formulation of the Prudential Indicators.
	Budget: All treasury management budget implications are reported as part of the Corporate Budget.

	Risk Assessment: Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: HIGH Residual Risk MEDIUM Treasury management is an inherently risky area of activity. This report describes those risks and the controls in place to mitigate those risks.
	Other Implications: None.
Recommendation	The Cabinet recommends to the County Council approval of: 1. The Prudential Indicators and Limits for 2018/19 to 2020/21. 2. The Minimum Revenue Provision (MRP) Statement. 3. The Treasury Management Strategy. 4. The Investment Strategy. 5. Delegation to the Chief Financial Officer to determine the most appropriate means of funding the Capital Programme.
Reason for Recommendation	The Prudential Code gives a framework under which the Council's capital finance decisions are carried out. It requires the Council to demonstrate that its capital expenditure plans are affordable, external borrowing is within prudent and sustainable levels and treasury management decisions are taken in accordance with professional good practice. Adherence to the Prudential Code is mandatory as set out in the Local Government Act 2003. This report recommends the indicators to be applied by the Council for the financial years 2018/19 to 2020/21. The successful implementation of the code will assist in our objective of developing 'public services fit for the future'.
Appendices	1. Treasury Management Investment Policy and Annexes 2. Schedule of Delegations
Background Papers	CIPFA Treasury Management Code of Practice Local Government Finance Settlement 2018/19 CIPFA Prudential Code for Capital Finance in Local Authorities
Officer Contact	Name: David Wilkes, Finance Manager (Treasury & Investments) Tel: 01305 224119 Email: D.Wilkes@dorsetcc.gov.uk

1. Background

1.1. The Treasury Management function of the Council manages the cashflow, banking, money market transactions and long term debts, and in doing so manages the risks associated with these activities with a view to optimising interest earned and minimising the costs of borrowing. The cash turnover of the Council from day to day activities is approximately £1,500m a year; with roughly £750m a year cash income and £750m cash expenditure, reflecting the fact that the Council is required to set a balanced budget. These large sums of monetary activity mean that Treasury operations within Local Government are highly regulated.

1.2. The Local Government Act 2003 introduced greater freedoms for Councils in relation to capital investment and the powers to borrow to finance capital works. To ensure that Councils use these powers responsibly, the Act requires the Council to adopt the CIPFA Prudential Code and adhere to annually produced Prudential Indicators. The underlying objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with the best professional practice. There are prudential indicators which summarise the expected capital activity and apply limits upon that activity and as a result the levels and types of borrowing. They reflect the outcome of the Council's underlying capital appraisal systems.

1.3. Within this prudential framework there is an impact on the Council's treasury management activity, as it directly impacts on its borrowing and investment activities. As a consequence the treasury management strategy is included as part of this report to complement these indicators.

1.4. This report revises the previously approved prudential indicators for 2018/19 and 2019/20, adds an extra year for 2020/21, and sets out the expected treasury operations for the next three year period. It fulfils four key legislative requirements:

- The reporting of the prudential indicators setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities);
- The setting of the Council's Minimum Revenue Provision (MRP) Policy, which states how the Council will repay the borrowing made to fund capital purchases through the revenue account each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007, and in accordance with CLG Guidance);
- The reporting of the Treasury Management Strategy Statement which sets out how the Council's treasury function will support the capital programme decisions, day to day treasury management and the restrictions on activity set through the treasury prudential indicators. The key indicators are required as part of the Local Government Act 2003 and is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code.
- The reporting of the investment strategy which sets out the Council's criteria for choosing investment counterparties and how it minimises the risks faced. This strategy is in accordance with the CLG Investment Guidance.

1.5. The above policies and parameters provide an approved framework within which the officers undertake the day to day capital and treasury activities.

2. Treasury Management Advisers

2.1. The Council uses Link Asset Services (formerly Capita Asset Services) as its treasury management advisers. Link provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- Credit ratings-market information service comprising the three main credit rating agencies.

2.2. Whilst the advisers provide valuable support to the internal treasury function, the final decision on treasury matters remains with the Council. This service is subject to regular review.

3. Economic Outlook and Prospects for Interest Rates

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

	Now	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
BANK RATE	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.25	1.25	1.25
3 month LIBID	0.40	0.40	0.40	0.40	0.40	0.60	0.60	0.60	0.70	0.90	0.90	1.00	1.20	1.20	1.20
6 month LIBID	0.45	0.50	0.50	0.50	0.60	0.80	0.80	0.80	0.90	1.00	1.00	1.10	1.30	1.30	1.40
12 month LIBID	0.65	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.10	1.30	1.30	1.40	1.50	1.50	1.60
5 Yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	2.30
10 Yr PWLB	2.10	2.10	2.20	2.30	2.40	2.40	2.50	2.60	2.60	2.70	2.70	2.80	2.90	2.90	3.00
25 Yr PWLB	2.70	2.80	2.90	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.40	3.50	3.50	3.60	3.60
50 Yr PWLB	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10	3.20	3.30	3.30	3.40	3.40

3.2 At its meeting on 2 November 2017, the Monetary Policy Committee (MPC) agreed a 0.25% increase in Bank Rate to 0.50%, thus removing the reduction in August 2016 after the EU referendum. The MPC also indicated that they anticipated two further increases of 0.25% to end at 1.00% by 2020. The Link Asset Services forecast above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

3.3 The overall longer run trend is for gilt yields and therefore PWLB rates to rise, albeit gently. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Federal Reserve has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK, with the degree of that upward pressure dampened by the prospects for economic growth and rising inflation, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

3.4 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Link's view is that the overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

4. Capital Programme Prudential Indicators

4.1. The Prudential Indicators (PIs) are driven by the Council's Capital Programme plans. The Capital Programme influences all borrowing decisions made by the Council and the subsequent Treasury Management activity associated with this. The PIs are also influenced by wider Council decisions and the effect of the revenue and capital proposals included in the reports elsewhere on this agenda. All assumptions in this report are therefore consistent with the Medium Term Financial Plan.

4.2. The corporate criteria for capital investment, as laid out in the Asset Management Plan, were used to establish a list of priority projects for possible inclusion in the forward plan. The capital expenditure figures in 2016/17 and the estimates of capital expenditure to be incurred in the current and future years, that form the basis of the Prudential Indicators, are based on the Capital Programme 2018/19 to 2019/20 report.

Prudential Indicator 1 – Capital Expenditure

4.3. The first requirement of the Prudential Code is that the Authority must make reasonable estimates of the total capital expenditure it intends to incur over the following three financial years. Table 1 illustrates the actual and anticipated level of capital expenditure for the five years 2016/17 to 2020/21 and is the starting point for setting the rest of the PIs. Members will already be familiar with the figures from the quarterly Asset Management Monitoring reports to the Cabinet.

Table 1 – Capital Programme Expenditure 2016/17 to 2020/21

	2016/17 £000 Actual	2017/18 £000 Estimate	2018/19 £000 Estimate	2019/20 £000 Estimate	2020/21 £000 Estimate
Environment	31,701	31,741	22,405	18,483	12,965
Childrens	21,618	20,102	23,990	1,593	3,988
Adult & Community	571	690	850	4,622	2,838
Cabinet / Whole Authority	9,658	8,088	14,962	1,893	1,893
Dorset Waste Partnership	3,289	2,829	5,114	6,991	5,798
Vehicles	2,185	1,539	1,053	510	1,000
Structural Maintenance	0	5,517	5,967	5,967	5,967
Contingency & Flexibility	0	2,555	0	0	0
Anticipated Slippage	0	-10,000	-10,000	5,000	5,000
Total Capital Expenditure	**69,022**	**63,061**	**64,341**	**45,059**	**39,449**

4.4. The figures appear to show a decline in capital expenditure from 2019/20 onwards. This is because they only include expenditure that can be financed from sources that are reasonably certain at this point in time. Figures for 2019/20 and 2020/21 also include slippage from previous years and funding from already earmarked capital receipts. Assumptions have been made about the likely level of government funding in future years and may therefore require revision.

4.5. The capital expenditure figures assume a certain level of funding from borrowing for each year. Capital expenditure which cannot be immediately financed, or paid for, through revenue or capital resources (such as capital receipts), will require funding through either new borrowing or the utilisation of available cash resources pending borrowing. Proposals on the level of borrowing for capital purposes are shown at paragraph 7.2 of this report and are set out for approval in the Revenue and Capital reports on this agenda.

Prudential Indicator 2 – The Capital Financing Requirement

4.6. The capital financing requirement (CFR) measures the Authority's underlying need to borrow for capital purposes. This figure includes all long term borrowing as well as financing that is implicit in Private Finance Initiative schemes and finance leases.

4.7. As part of a proactive and efficient Treasury Management Strategy, the Council does not differentiate between cash held for revenue purposes and cash held to fund the capital programme. At any point in time the Council has a number of cash flows, both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices.

4.8. External borrowing arises from long term funding of capital spend and short term cash management if required, and as such can fluctuate over a number of months and years. In contrast, the capital financing requirement reflects the Council's underlying need to borrow for a capital purpose. The CIPFA Prudential Code includes the following as a key indicator of prudence:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

4.9. This basically means that the Council can only borrow for capital purposes and only for the capital expenditure it has set out and approved over the course of its three year capital programme. Estimates of the end of year capital financing requirement for the Council for the current and future years and the actual capital financing requirement at 31 March 2017 are:

Table 2 Capital Financing Requirement (CFR) 2016/17 to 2020/2021

	2016/17 £000 Actual	2017/18 £000 Estimate	2018/19 £000 Estimate	2019/20 £000 Estimate	2020/21 £000 Estimate
Borrowing Requirement	298,769	307,654	318,703	317,130	320,586
Long Term Liabilities	37,574	34,100	32,600	31,100	29,600
CFR	**336,343**	**341,754**	**351,303**	**348,230**	**350,186**

5. Minimum Revenue Provision Policy Statement

5.1. The Council is required to make a provision (charge to the revenue account) each year towards the repayment of its underlying borrowing requirements, regardless of whether any actual debt is repaid. The Department for Communities and Local Government, (CLG) requires that before the start of each financial year the Council should prepare a statement of its policy on making such provisions known as the Minimum Revenue Provision (MRP) for that year.

5.2. The Council is required to calculate for the current financial year an amount for the MRP which it considers to be prudent. The broad aim of prudent provision is to ensure that the underlying borrowing need, as expressed by the Capital Financing Requirement (CFR), is repaid over a period reasonably commensurate with the life of the capital assets that the borrowing has financed. The statement should indicate which of the options for MRP are to be followed.

5.3. The Cabinet is recommended to approve the following MRP Statement, which is unchanged from 2017/18:

- For capital expenditure incurred before 1 April 2008 or which is Supported Capital Expenditure, the MRP policy will be based on the CFR.
- From 1 April 2008 for all unsupported borrowing, the MRP policy will be based on the Asset Life Method. MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must also be applied for any expenditure capitalised under a Capitalisation Directive).

6. Treasury Management Strategy 2018/19 to 2020/21

6.1. The capital expenditure plans summarised in Section 4 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet the service activity. This involves the organisation of the cash flow and, where capital investment plans require, the organisation of appropriate borrowing facilities.

6.2. The treasury management service is therefore an important part of the overall financial management of the Council's affairs. The prudential indicators consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The Treasury Management service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets its balanced budget requirement under the Local Government Finance Act 1992.

6.3. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). The Council adopts the Code of Practice on Treasury Management and its revisions, which in itself is a key Prudential Indicator that it has complied with. As a result of adopting the Code, the Council also agreed to create and maintain a Treasury Management Policy Statement (TMPS) which states the policies and objectives of the Council's Treasury Management activities.

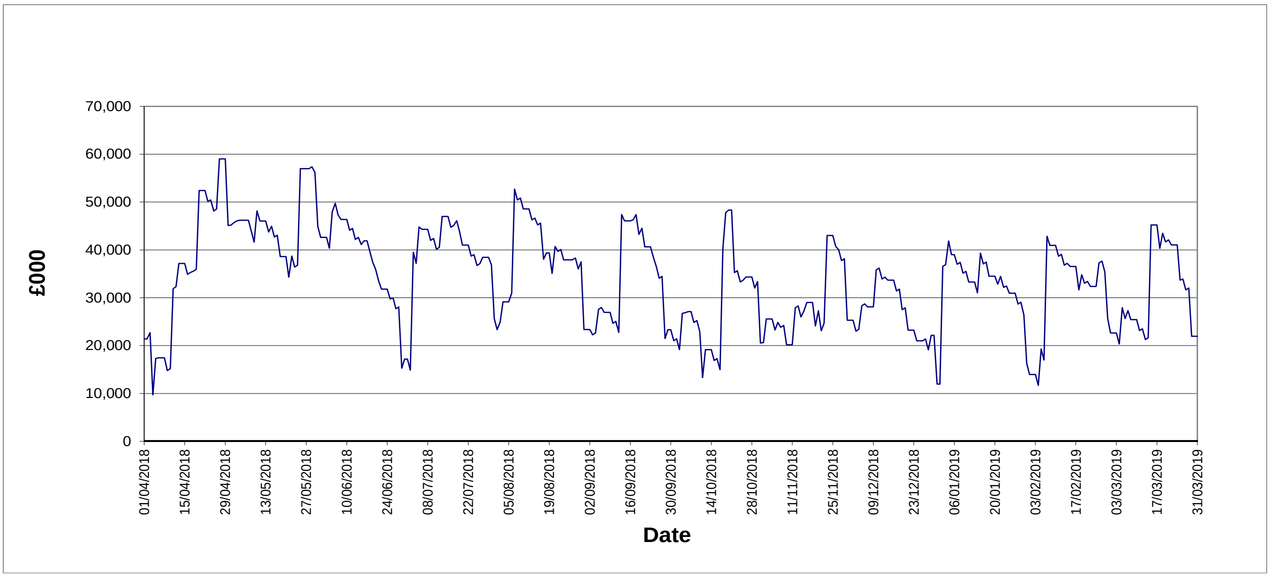
6.4. It is a requirement for an annual strategy to be reported to the Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code of Practice is that there is a mid-year monitoring report.

Day to Day Cash Management Activity

6.5. The Council's cash balances will fluctuate throughout the year as income is received and expenditure is made. Chart 1 shows the projected cashflow forecast for 2018/19 which is based on high level budget figures, historic trends and other information. It shows cash balances fluctuate between major receipt days, when government grant or the council tax precepts are received and major payment days such as the employees' pay day. The maximum level of cash balances is expected to be around £60m with the minimum level being £10m. Expected interest earnings are based on the cash flow as set out below (average balance approximately £30m) assuming an average interest rate of 0.40%.

6.6. The Council is by law expected to set a balanced budget, meaning that its cash inflows should broadly match its cash outflows over the medium term. The chart provides a useful guide to officers when formulating the borrowing and investment strategy.

Chart 1 – Dorset County Council Cashflow Forecast 2018/19



Borrowing Strategy

6.7. The Council can borrow long term funds from three main sources:

- The Public Works Loans Board (PWLB) is the government agency that provides long term funding to local authorities, with loans priced according to the gilt markets. Loans can be taken for periods of 1 to 50 years at fixed or variable rates.
- The Banking Sector also offer long term 'market' loans. The Council will consider borrowing from banks and financial institutions on a long term basis if this method of funding is advantageous compared to any other options available. Institutions have in the past offered loans up to 70 years and on a forward delivery basis.
- Internal Borrowing from Revenue Balances can be used to fund the capital programme. Cash balances are built up over time from the Council's on-going activities, and as the Council builds up reserves and makes provisions these are reflected in the cash balances it holds. The cash held can be used to

finance the capital programme, instead of borrowing externally. In reality the decision to borrow from cash balances will depend on the prevailing interest rate environment.

6.8. The borrowing strategy is affected by the economic outlook and prospects for interest rates. The low short term investment returns (currently less than 0.5%) compared to the cost of long term borrowing (currently approximately 3.0%) has meant the Council has been using its cash balances to fund capital spend rather than borrow. This has resulted in the Council's level of debt being significantly less than the CFR. This strategy means the Council is expected to be 'under borrowed' by approximately £85m at 31 March 2018. This has been deemed to be a prudent approach because of the low investment returns and relatively high counterparty risk.

6.9. However, with borrowing costs anticipated to increase at some stage over the next three years, and given the current high level of internal borrowing, attention needs to be given to the balance between internal and external borrowing. Over the next two years it may be prudent to borrow at lower rates and incur a cost of carry (the difference between the interest earned on investments against the cost of borrowing), in the knowledge that future long term borrowing is likely to be higher. The Chief Financial Officer will continue to monitor interest rates in the financial markets and adopt a pragmatic approach to changing circumstances when making borrowing and investment decisions.

6.10. Officers regularly consider opportunities to reschedule borrowing whereby debts at a higher rate of interest are repaid and rescheduled at a lower interest rate. Although continuing low interest rates have made restructuring premiums prohibitive, the terms of a number of loans have been successfully renegotiated in 2017/18 leading to combined annual savings of approximately £100k.

7. Treasury Management Prudential Indicators 2018/19 to 2020/21

7.1. The Prudential Code places a number of restrictions on the debt management activities of the Council. These are to restrain the activity of the treasury function within certain limits to manage risk and reduce the impact of any adverse or sudden movements in interest rates. However, the limits have to be with sufficient flexibility to allow costs to be minimised and performance maximised.

Prudential Indicator 3 – External Debt

7.2. The Council needs to ensure that its long term gross debt does not exceed the projected CFR for the third year of the capital programme plans (the 2020/21 projected CFR in the case of this plan). This prevents the Council from over borrowing in the long term and thereby taking on excessive levels of debt, which could be unaffordable or unsustainable. However, it does provide the Council with the flexibility to borrow in advance of need if borrowing rates are favourable, or they are expected to increase.

7.3. External debt and other long term liabilities (including PFI contract and finance lease commitments) is expected to stand at £257m at 31 March 2018, significantly less than the CFR, which is estimated to stand at £342m at the same date, representing underborrowing of approximately £85m. The breakdown of this plus estimates of borrowing for 2018/19 to 2020/21 are summarised in the table below.

Table 3 External Debt 2016/17 to 2020/21

External Debt	**2016/17 Actual £000**	**2017/18 Estimate £000**	**2018/19 Estimate £000**	**2019/20 Estimate £000**	**2020/21 Estimate £000**
Debt at 1 April	184,341	213,282	222,423	232,423	232,423
Expected change in Debt	28,941	9,141	10,000	0	0
PFI / Finance Lease Liabilities	37,688	36,369	34,100	32,600	31,100
Expected change in PFI Liabilities	-1,319	-2,269	-1,500	-1,500	-1,500
Actual gross debt at 31 March	**249,651**	**256,523**	**265,023**	**263,523**	**262,023**
CFR	**336,343**	**341,754**	**351,303**	**348,230**	**350,186**
Under / (Over) Borrowing	**86,692**	**85,231**	**86,280**	**84,707**	**88,163**

Prudential Indicators 4 and 5 – Operational Boundary and Authorised Limits for External Debt

7.4. These indicators are at the core of the Prudential Code and reflect the limits that the Council imposes upon itself in relation to external borrowing.

7.5. The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. In the majority of cases this should be a level similar to the CFR, plus an allowance for any short term borrowings that might be required for cash management purposes or unexpected calls on capital resources. It is the key management tool for in year monitoring of the Council's expected capital and cashflow borrowing position.

Table 4 Operational Boundary for External Debt 2017/18 to 2020/21

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Borrowing	350,000	360,000	360,000	360,000
Other long term liabilities	38,000	36,000	35,000	35,000
Total Operational Boundary	**388,000**	**396,000**	**395,000**	**395,000**

7.6. The proposed operational boundaries for external debt set out in Table 4 are based on the most likely, prudent, but not worst case scenario to allow for unusual cash movements, for example. For reference purposes they include the estimated level of CFR, and estimated levels of borrowing for each year. The policy of limiting the size of the CFR is reflected in the proposed operational boundary, which will be capped at the maximum level of the CFR plus £10m to allow for any short term cashflow borrowing. These limits separately identify borrowing from other long term liabilities such as finance leases.

7.7. The Authorised Limit for external debt uses the operational boundary as the starting point but includes a margin to allow for unusual and unpredicted cash movements. By its very nature, this margin is difficult to predict and it will be necessary to keep it under review for future years.

7.8. The Authorised Limit may not be affordable or sustainable in the long term, but represents the absolute maximum level of debt the Council can hold at any given time. It is a statutory limit determined under section 3 (1) of the Local Government Act 2003, and any breach will be reported to the County Council, with the Government having the option to control the plans of the Council. An allowance has been added to the operational boundary to provide for the possibility of extra borrowing becoming available during the year as the result of the Government supporting further schemes, as well as providing some headroom if the projection of cashflow borrowing were to change.

7.9. In respect of its external debt, it is recommended that the County Council approves the authorised limits for its total external debt for the next three financial years as set out in the table below.

Table 5 Authorised Limit for External Debt 2017/18 to 2020/21

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**
Borrowing	355,000	360,000	370,000	380,000
Other long term liabilities	40,000	38,000	37,000	37,000
Total Authorised Limit	**395,000**	**398,000**	**407,000**	**417,000**

7.10. The Council is asked to delegate authority to the Chief Financial Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities on both the operational boundary and authorised limits. Any such changes made will be reported to the Council at its next meeting following the change.

<u>Prudential Indicators 6, 7 and 8 – Limits on interest rate exposure and maturity of debt</u>

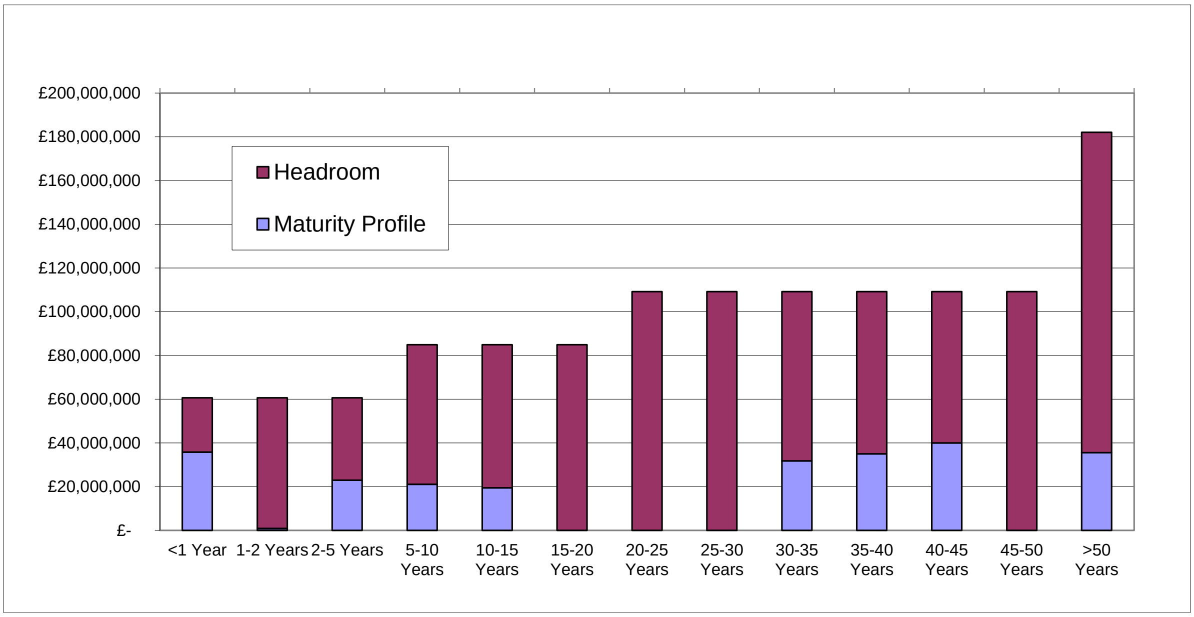
7.11. These three PIs are designed to minimise exposure to fluctuations in interest rates and refinancing risks, and also cap the interest costs of borrowing to provide stability to this area of the Council's finances. The indicators are detailed below and illustrated in the table and chart below:

- Upper limit on fixed interest rate exposure – this identifies a maximum revenue cost of interest paid on fixed rate debts and is intended to prevent the Council from being locked into rates of interest that it cannot easily exit.
- Upper limit on variable interest rate exposure – this identifies a maximum revenue cost of interest paid on variable debts, which is designed to minimise the budget exposure of the Council to movements in interest rates, a sudden increase in variable interest rates can cost the Council a significant sum of money, which this limit is intended to cap.
- Maturity Structure of Borrowing – this identifies the maximum level of exposure to loans maturing (being repaid) in any given year. The rationale is to prevent the Council from having adverse cashflow difficulties if a large proportion of its loans have to be repaid in the same year. Chart 2 shows the current maturity profile, in relation to the limits that have been set.

Table 6 – Limits on Interest Exposure and Maturity of Debt

	2018/19 Upper £000	2019/20 Upper £000	2020/21 Upper £000
PI 6 Limits on net fixed interest rates payments	12,000	13,000	13,000
PI 7 Limits on net variable interest rate payments	2,000	2,000	2,000
PI 8 Maturity Structure of fixed interest rate borrowing 2018/19		**Lower**	**Upper**
Under 12 Months		0%	25%
12 Months to 2 Years		0%	25%
2 Years to 5 Years		0%	25%
5 Years to 10 Years		0%	35%
10 Years to 15 Years		0%	35%
15 Years to 20 Years		0%	35%
20 Years to 25 Years		0%	45%
25 Years to 30 Years		0%	45%
30 Years to 35 Years		0%	45%
35 Years to 40 Years		0%	45%
40 Years to 45 Years		0%	45%
45 Years to 50 Years		0%	45%
50 Years and above		0%	75%

Chart 2: Debt maturity limits compared to actual debt maturity profile at 31 March 2018



8. Annual Investment Strategy

8.1. Cash balances are invested on a daily basis using call accounts, pooled money market funds and by making deposits with the Council's bank. Longer term investments can also be made; and in the current market, such investments earn more interest than the shorter term investments, however, there is a balance to be achieved between ensuring availability of cash to pay the bills and taking advantage of these higher interest rates. In practice there will be heavy bias towards shorter term deposits.

8.2. The primary objectives of the Council's investment strategy are detailed in the Investment Policy detailed in Appendix 1. The objectives, in order of priority, are:

1. The security of funds invested – ensuring that the funds will be repaid by the counterparty to the Council at the agreed time and with the agreed amount of interest;
2. The liquidity of those funds – ensuring the Council can readily access funds from the counterparty;
3. The rate of return – ensuring that given (1) and (2) are satisfied that return is maximised.

8.3. The Investment Policy takes into account the economic outlook and the position of the banking sector in assessing counterparty security risk. Since the banking crisis of 2008 the operational investment strategy adopted by the Council has tightened the controls already in place. In doing so the Council will ensure:

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security and monitoring their security. This is set out in the Specified and Non-Specified investment sections explained in Annex A of the Investment Policy. Risk of default by an individual borrower is minimised by placing limits on the amount to be lent.

8.4. The Policy introduces further measures that are taken to minimise counterparty risk, as a result officers work to:

- a prescribed list of countries that it can invest in;
- a list of institutions that it can invest with,
- maximum cash limits that can be invested with these institutions, and
- restrictions on the length of time investments can be held with these approved institutions.

8.5. The counterparty list is maintained by Link who monitor it on a real time basis. The Council receives a weekly update, but a new list can be distributed at any time if there is any adverse news about any of the institutions on it.

8.6. In addition to the restrictions that the Council places upon itself to maximise security, ensure liquidity and maximise yield, the prudential code sets limits on the maximum period of time monies can be invested for. These are set out in the table below:

Table 7: Maximum principal sums invested >365 days

	2017/18 £000	2018/19 £000	2019/20 £000
Maximum amount invested > 364 Days	20,000	20,000	20,000
% of which can be up to 2 years	100%	100%	100%
% of which can be up to 3 years	75%	75%	75%
% of which can be up to 4 years	50%	50%	50%
% of which can be up to 5 years	25%	25%	25%

9. Sensitivity to Interest Rate Movements

9.1 The Council's accounts are required to disclose the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified.

9.2 The table below highlights the estimated impact of a 1% increase or decrease in all interest rates to the estimated treasury management costs or income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

Table 8: Impact on Revenue Budget of a 1% change in Interest Rates

	Variable Rate Debt / Investments £000	2018/19 Estimated + 1% £000	2018/19 Estimated - 1% £000
Interest on Borrowing[1]	0	0	0
Investment Income[2]	30,000	300	(300)
Net Benefit / (Cost) to Council		300	(300)

1) The Council is not expected to hold any variable rate debt in 2018/19.
2) Average projected balances for 2018/19.

10. Risk Assessment

10.1. The primary risks to which the Council is exposed in respect of its treasury management activities are adverse movements in interest rates and the credit risk of its investment counterparties. Either may jeopardise the Council's ability to maintain its financing strategy over the longer term.

10.2. The net interest costs of the Council are not significant in relation to its overall revenue budget. Significant changes in the level of interest rates are unlikely to result in an unmanageable burden on the budget position of the Council.

10.3. Treasury Management risk can be reduced in the following ways:

- diversification of lending by setting criteria and limits for investment categories and individual borrowers. Risk is controlled by the formulation of suitable criteria for assessing and monitoring the credit risk of borrowers and the construction of the lending list comprising time, type, sector and specific counterparty limits. This is covered in more detail in the following section.

- balancing cash flow needs, as determined by the forecast, with the outlook for interest rates, whilst ensuring enough cover for emergencies
- use of money market funds and longer term lending to enhance diversification.

10.4. In addition, the CIPFA Code requires the policy to show who is responsible for which decision, the limits on the delegation and reporting requirements. This has been in place for some years and is reproduced at Appendix 2.

10.5. The Council's Treasury Management Practices document sets out in detail the systems and processes (including internal checks) that have been introduced to reduce the risk of losses due to fraud, negligence and error.

11. Performance Indicators

11.1. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking.

11.2. Examples of performance indicators often used for the treasury function are:

- Debt – Borrowing – Average rate of borrowing for the year compared to average available;
- Debt – Change in the average cost of debt year on year;
- Investments – Internal returns above the 7 day LIBID rate.

11.3. In managing Treasury Management performance a number of annual benchmarking exercises are done to monitor the relative performance and to ensure best practice, this benchmarking includes these performance indicators and represents the most effective way of managing performance. A review of performance is presented as part of the Outturn Report each year.

12. Member and Officer Training

12.1. 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.

12.2. 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.

13. Local Government Reorganisation (LGR)

13.1. Following the end of the consultation period on 8 January 2018, it is anticipated that Sajid Javid, the Secretary of State for Housing, Communities and Local Government, will shortly make a final decision on the Future Dorset proposal to replace Dorset's existing nine councils with two new unitary councils from April 2019.

13.2. The preferred option in the Future Dorset proposal was for Bournemouth Borough Council, the Borough of Poole and Christchurch Borough Council to form one unitary council, with the six other councils forming the other. Should this preferred option be supported by the Secretary of State then it will be necessary to 'disaggregate' existing investments and borrowings attributable to Christchurch

Borough Council from the County Council's assets and liabilities. The process for doing so will be developed and agreed during 2018/19, in common with other services and activities of the County Council provided to Christchurch Borough Council.

14. Conclusion

14.1. This report sets out the Treasury Management Strategy for 2018/19 to 2020/21 and, in particular, shows the anticipated cash flow for the Council and how in practice this is to be managed to optimise interest earnings and minimise borrowing cost whilst meeting daily cash needs.

14.2. An extensive risk analysis has been carried out on the treasury management operation supported by the County Council's treasury management advisers, Link Asset Services, and it is considered that a high level of risk avoidance has been established by the combination of policies and working practices in place. Particular attention is given to the quality of lenders used and the processes used on a day to day basis to avoid any losses due to fraud, negligence, and error.

14.3. Various options exist regarding the precise manner in which the capital programme is financed, and these are highlighted in paragraph 6.7. The Code of Practice provides that final decisions on the actual financing of capital expenditure, rests with the Chief Financial Officer after taking advice from Link.

14.4. As required by the Code, the report sets out the required Prudential Indicators and in accordance with the guidance any revisions required will be brought to the Cabinet for approval.

Richard Bates
Chief Financial Officer
January 2018

APPENDIX 1

Dorset County Council - Investment and Credit Worthiness Policy

1. Investment Policy

1.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

1.2 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

1.3 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisers to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

1.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

1.5 Investment instruments identified for use in the financial year are listed in Annex A of this Policy under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices schedules.

2. Creditworthiness Policy

2.1 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains this policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in Annex A - Specified and Non-Specified investments; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

2.2 Risk of default by an individual borrower is minimised by placing limits on the amount to be lent. These limits use, where appropriate, credit ratings from Fitch, Standard and Poors, and Moodys Credit Rating Agencies. All banks and building societies used by Dorset County Council will have a long-term rating of at least A- and a minimum short term rating of F1. Long-term ratings vary from AAA (the highest) down to D the lowest. Short-term ratings vary from F1+ (the highest) down to D. Individual ratings vary from A (the highest) down to E, and these are now being replaced by viability ratings (aaa the highest, to c the lowest) and estimate how likely the bank is to need assistance from third parties. The limits to be used are set out in paragraph 2.6.

2.3 The Chief Financial Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which type of investment instrument are either Specified or Non-Specified investments as it provides an overall pool of counterparties considered to be high quality that the Council may use, rather than defining what types of investment instruments are to be used.

2.4 Credit rating information is supplied by the Council's treasury management advisers, Link Asset Services, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of a possible longer term change) are monitored and provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

Security

2.5 The criteria for providing a pool of high quality investment counterparties (both Specified and Non-specified investments) are:

i. Sovereign Ratings

2.5.1 The Council will only lend to counterparties in countries with the highest sovereign Credit Rating of AAA. The maximum that can be deposited with banks in any one sovereign is £30m at any time. The exception to both rules is the United Kingdom.

ii. Counterparties with Good Credit Quality

2.5.2 The Council will lend to counterparties with the following counterparty ratings:

Table 1 Counterparty Ratings

Category	Minimum Credit Rating	Limit
Any Local Authority	n/a	£15 Million
Banks & Building Societies	Short F1, Long A-	£15 Million
Money Market Funds	AAA	£15 Million (individual)
Money Market Funds Notice Account	AAA	£10 Million (individual)
UK Government including gilts and the Debt Management Account Deposit Facility (DMADF)	n/a	no limit

2.5.3 Where a counterparty is part of a larger group, it is appropriate to limit the Council's overall exposure to the group. Individual counterparties within the group will have their own limit, but will be subject to an overall limit for the group. The limit for any one group will be £15M, except in the case of the four major UK banking groups where the limit is £20M.

iii. Part Nationalised Banking Groups

2.5.4 The Council will continue to use banking groups whose ratings fall below the criteria specified above if that banking group remains part nationalised, up to a limit of £20M for the group.

iv. Council's own banker

2.5.5 The limit for the Authority's own bank is £20M, however, due to occasional short term unexpected cashflows this limit may be breached. For this reason additional flexibility of an additional £1M is allowed to cover such movements, and to minimise the transaction costs involved with moving small sums of money. Over the long term the £20M should be the maximum. The breaches of the £20M limit will be monitored and reported to the Chief Financial Officer on a monthly basis.

2.5.6 If the Council's own banker, NatWest, fell below the Council's criteria, it would continue to be used for transactional and clearing purposes with the maximum balances deposited with them overnight being limited to £500k.

v. Major UK Banks

2.5.7 The Council may invest up to £20M with each of the four major UK banking groups, Barclays Bank PLC, HSBC Bank PLC, Lloyds Banking Group PLC, and The Royal Bank of Scotland PLC (which owns the Council's bank, National Westminster Bank PLC), taking into account the restrictions of group limits and any other limits which apply. These four banking groups were added explicitly to the Treasury Management Strategy with the rationale that in a worst case scenario, all of the Council's cash could be placed across these four banks.

vi. Use of Additional Information other than Credit Ratings

2.5.8 Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches / Outlooks) will be applied to compare the relative security of differing investment counterparties.

Liquidity

2.6 Liquidity is defined as an organisation "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice).

2.7 In addition it is prudent to have rules for the balance of investment between short term and longer term deposits to maintain adequate liquidity. They are:

i. Fixed Term Investments

2.8 A minimum cash balance of £10M must be maintained in call accounts or instant access Money Market Funds. Any amount above this can be invested in fixed term deposits.

ii. Call Deposits

2.9 The amount of call deposits (instant access accounts) should be a minimum of £10M to allow for any unforeseen expenditures, up to a maximum of 100%. From time to time, it may be necessary for call deposits to fall below £10M, when this occurs it should be for no more than one working day. The breaches of the £10M limit will be monitored and reported to the Chief Financial Officer on a monthly basis.

iii. Time and Monetary limits applying to Investments

2.10 The time and monetary limits for institutions on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments):

Table 4 – Time and Monetary Limits

	Minimum Long Term and Short Term Counterparty Rating (LCD Approach)	**Money Limit**	**Time Limit**
Any Local Authority	n/a	£15 Million	5 Years
Banks & Building Societies	AA- / F1+	£15 Million	5 Years
Banks & Building Societies	A- / F1	£15 Million	364 Days
Major UK Banks*	n/a	£20 Million	5 Years
Money Market Funds	AAA	£15 Million (individual)	Overnight
Money Market Funds	AAA	£10 Million (individual)	7 Day Notice
UK Government including gilts and the DMADF	n/a	Unlimited	6 Months
Part Nationalised Banking Groups	n/a	£20 Million	5 Years
Council's Own Banker	n/a	£20 Million	Overnight
*(Barclays Bank PLC, HSBC Bank PLC, Lloyds Banking Group PLC and The Royal Bank of Scotland PLC)			

iv. Longer Term Instruments

2.11 The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-Specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will be limited to counterparties rated AA- long term, and F1+ short term. The level of overall investments should influence how long cash can be invested for. For this reason it has been necessary to introduce a sliding scale of limits that depend on the overall size of cash balances. The smaller the size of the overall cash balances the more important it is that the money is kept liquid to meet the day to day cashflows of the organisation. Likewise if cash balances are large, a greater proportion of the funds can be invested for longer time periods. Table 5 sets out the investment limits.

Table 5 Time Limits for Investments over 365 days

Time Limit	**Money Limit invested with Counterparties rated AA- - F1 + and above – or UK 4 Major Banking Groups**	
Projected Annual Balances	**%**	
More than 1 year, no more than 2 years	100%	£20M
More than 2 years, no more than 3 years	75%	£15M
More than 3 years, no more than 4 years	50%	£10M
More than 4 years, no more than 5 years	25%	£5M
In Total £M		**£20M**

2.12 In the normal course of the council’s cash flow operations it is expected that both Specified and Non-Specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

2.13 A summary of the proposed criteria for investments is shown in Annex B, and a list of counterparties as at 2 January 2018 in accordance with these criteria is shown as Annex C to this policy for information.

Investment Policy - Treasury Management Practice 1- ANNEX A

Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management

The CLG issued Investment Guidance on April 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which are under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sector Guidance Notes. This Council adopted the Code during 2002 and will apply its principles to all investment activity. In accordance with the Code, the Chief Financial Officer has produced the Council's treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

Annual Investment Strategy

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is set out below.

Strategy Guidelines

The main strategy guidelines are contained in the body of the treasury strategy statement (the Investment Strategy).

Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society). This covers bodies with a minimum short term rating of F1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set

additional criteria to set the time and amount of monies which will be invested in these bodies.

Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as specified above). This would include investments greater than 1 year in duration. It is proposed that counterparties will be restricted to those in the specified category above when investing for more than a year. In total these longer term loans will be limited to £50M of the total investment portfolio and this has been determined with regard to the forecasts of future cash flow.

The Monitoring of Investment Counterparties

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Chief Financial Officer, and if required new counterparties which meet the criteria will be added to the list.

Summary of Investment Criteria **INVESTMENT POLICY ANNEX B**

Paragraph	Criteria	Minimum Rating		Maximum Investment and Exceptions
		Long	Short	
Sovereign Limit for All Loans				
2.5.1	**AAA Sovereign Rating**	n/a	n/a	£20 Million with any one sovereign, UK no limits
Notice Money				
A minimum of 10% of total investments, up to a maximum of 100%				
2.5.5	**Council's own Banker**	n/a	n/a	£20 Million
2.5.2	**Money Market Funds**	AAA		£15 Million individual
2.5.2	**Money Market Fund Notice Account**	AAA	n/a	£10 Million individual
Fixed Term Investments				
Limited to the amount of excess balances for that term less a margin of £10 Million				
Up to 6 months				
2.5.2	**UK Government including gilts and DMADF**			Unlimited
Up to 364 Days				
2.5.2	**Any Local Authority**			£15 Million
2.5.2	**Banks & Building Societies**	A-	F1	£15 Million Note that no more than £15 Million can be invested with banks in the same group where the highest rated counterparty has a minimum of these ratings See 2.5.4, 2.5.5, 2.5.6, 2.5.7 for exceptions
2.5.7	**Four Major UK Banking Groups**: Barclays Bank PLC, HSBC Bank PLC, Lloyds Banking Group PLC, The Royal Bank of Scotland PLC (including National Westminster Bank PLC)	N/a	N/a	£20 Million
Up to 5 years				
2.5.7	**Major Banks & Building Societies**	AA-	F1+	£15 Million per bank Note that no more than £15 Million can be invested with banks in the same group where the highest rated counterparty has a minimum of these ratings See 2.5.4, 2.5.5, 2.5.6, 2.5.7 for exceptions
2.5.4	**Part Nationalised Banking Groups:** Lloyds Banking Group PLC, The Royal Bank of Scotland PLC (including National Westminster Bank PLC)	n/a	n/a	£20 Million

Investment Policy ANNEX C
Counterparty list as at 2 January 2018

	Lowest Long Term Rating*	Lowest Short Term Rating*	Money Limit (£m)	Time Limit
UK Banks and Building Societies				
HSBC Bank PLC	AA-	F1+	20	5 YEARS
Lloyds Banking Group:				
Bank of Scotland PLC	A+	F1	20 (group) (M)	5 YEARS
Lloyds Bank PLC	A+	F1	20 (group) (M)	5 YEARS
Royal Bank of Scotland Group:				
National Westminster Bank	BBB+	F2	20 (group) (M)	5 YEARS
Royal Bank of Scotland	BBB+	F2	20 (group) (M)	5 YEARS
Barclays Bank	A	F1	20 (M)	5 YEARS
Close Brothers Ltd	A	F1	15	364 DAYS
Santander UK Plc	A	F1	15	364 DAYS
Standard Chartered Bank	A+	F1	15	364 DAYS
Coventry Building Society	A	F1	15	364 DAYS
Nationwide Building Society	A+	F1	15	364 DAYS
Goldman Sachs International Bank	A	F1	15	364 DAYS
Sumitomo Mitsui Banking Corporation Europe Limited	A	F1	15	364 DAYS
UBS Ltd	AA-	F1+	15	364 DAYS
Abbey National Treasury Services	A	F1	15	364 DAYS
Australian Banks				
National Australia Bank Limited	AA-	F1+	15	5 YEARS
Australia and New Zealand Banking Group	AA-	F1+	15	5 YEARS
Commonwealth Bank of Australia	AA-	F1+	15	5 YEARS
Macquarie Bank Limited	A	F1	15	364 DAYS
Westpac Banking Corporation	AA-	F1+	15	5 YEARS
Canadian Banks				
Canadian Imperial Bank of Commerce	AA-	F1+	15	364 DAYS
Bank of Montreal	AA-	F1+	15	364 DAYS

Bank of Nova Scotia	AA-	F1+	15	364 DAYS
National Bank of Canada	A+	F1	15	364 DAYS
Royal Bank of Canada	AA	F1+	15	364 DAYS
Toronto-Dominion Bank	AA-	F1+	15	5 YEARS
German Banks				
Landwirtschaftliche Rentenbank	AAA	F1+	15	5 YEARS
DZ Bank AG (Deutsche Zentral-Genossenschaftsbank)	AA-	F1+	15	5 YEARS
Landesbank Hessen-Thuringen Girozentrale	A+	F1+	15	364 DAYS
Landesbank Baden-Wurttemberg	A-	F1	15	364 DAYS
BayernLB	A-	F1	15	364 DAYS
Luxembourg Banks				
European Investment Bank	AAA	F1+	15	5 YEARS
Netherlands Banks				
ABN AMRO Bank N.V.	A+	F1	15	364 DAYS
Bank Nederlandse Gemeenten N.V.	AA+	F1+	15	5 YEARS
Cooperatieve Rabobank U.A.	AA-	F1+	15	364 DAYS
ING Bank N.V.	A+	F1	15	364 DAYS
Singaporean Banks				
DBS Bank Ltd.	AA-	F1+	15	5 YEARS
Oversea-Chinese Banking Corp	AA-	F1+	15	5 YEARS
United Overseas Bank Limited	AA-	F1+	15	5 YEARS
Swedish Banks				
Nordea Bank AB	AA-	F1+	15	5 YEARS
Svenska Handelsbanken AB	AA	F1+	15	5 YEARS
Swedbank AB	AA-	F1+	15	5 YEARS
Skandinaviska Enskilda Banken	AA-	F1+	15	364 DAYS
Swiss Banks				
UBS AG	AA-	F1+	15	364 DAYS
Credit Suisse AG	A	F1	15	364 DAYS

**Fitch equivalent ratings have been used for comparative purposes.*

APPENDIX 2

Policy of Delegation

The Code requires the policy of delegation to show who is responsible for which decision, the limits on the delegation and reporting requirements.

The code also requires the responsibilities of council, committee and Chief Officers to be set out. In summary they are as follows: -

The County Council – approval of recommendations from the Cabinet and annually the borrowing limits.

The Cabinet – approval of the Treasury Management Strategy Statement, and from time to time the review of the Treasury Management Strategy Statement.

Audit & Governance Committee – to ensure effective scrutiny of the treasury management strategy and policy, through receiving regular reports from the Chief Financial Officer.

The Chief Financial Officer – approval of draft policy statement, regular monitoring of activities and reporting on these activities to Committee.

Finance Manager (Treasury & Investments) – monitor implementation of policy, review policy, preparation of monitoring reports for the Chief Financial Officer, appointment of money brokers and advisers and monitor day to day implementation of policy set and approval of deals on a day to day basis.

Investment Technician – carry out day to day deals in accordance with policy.

Head of the paid service – the Chief Executive – that the system is laid down and resourced and that the Chief Financial Officer makes the required regular reports to elected members.

Monitoring Officer – the Head Legal Services – ensuring compliance by the Chief Financial Officer.

Internal Audit – the policing of the arrangements.

In addition to these delegations there is in place a comprehensive system of checks within Corporate Resources involving several members of staff, which operates on each individual money deal.

Cabinet

Dorset County Council

Date of Meeting	31 January 2018
Cabinet Members Tony Ferrari – Cabinet Member for Community and Resources Daryl Turner – Cabinet Member for Natural and Built Environment Local Members All members (local members affected have been consulted/engaged separately) Lead Officer(s) Richard Bates – Chief Financial Officer	
Subject of Report	**Asset Management Capital Priorities**
Executive Summary	Previously, a report was brought to the Cabinet on 1st February 2017 identifying the Capital Priorities for the following years. For the first time, last February the Cabinet agreed a two-year capital programme and as a result this year there are no capital bids for major schemes for the Cabinet to consider. The report does however provide an update on decisions made by the Cabinet during the budget year 2017/18. The Capital Funding Policy The capital programme estimated gross spend for 2017/18 is more than £63M and £64M for 2018/19. The cost of financing this spend depends partly on how much is funded by grants and contributions. These currently stand at just under £44M for 2017/18 and just under £43M for 2018/19. The remaining spending is predominantly funded through prudential borrowing.
Impact Assessment:	Equalities Impact Assessment: The capital bid assessment process, strategic goals and corporate priorities are set out in the Asset Management Plan which is reviewed regularly, with an updated version being published on an annual basis. The most recent equalities impact assessment was undertaken on the Asset Management Plan and the Equalities legislation which ensures that the interests and needs of the nine protected characteristics are addressed at service level as part of

	the service asset management planning process, including consultation with users, was satisfied.
	Use of Evidence: The Asset Management Plan incorporating the capital investment strategy, makes use of the following sources of evidence: • The Budget and Corporate Plan • Medium Term Financial Strategy • Outcomes from a Members Seminar on 25 September 2014 • Periodic public consultation at a corporate level via the Citizens' Panel • Ongoing consultation with partners, stakeholders, users and the community at service level • National property performance data and indicators Service asset management plans, including whole life costing and cost-in-use information.
	Budget: The report provides an update on the County Council's capital budget position for 2018/19 and the following two years.
	Risk Assessment: Major risks that influence the development of the capital financing strategy include: • the level of capital grant funding, inflation rates, demographic and other pressures and income from the council tax; • success in delivering the savings anticipated from the reduction in the size of the property estate by 50% and the rationalisation of the remaining estate to reduce the property maintenance backlog and to better manage the 'core' longer-term portfolio; • the anticipated amount of capital receipts to be generated and included in the capital programme; • judgement of the appropriate amount for revenue contributions to the capital programme; Having considered the risks in this paper, using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: MEDIUM Residual Risk: MEDIUM
	Other Implications: None.
Recommendation	The Cabinet are asked to recommend to the County Council the current capital programme 2018/19 to 2020/21

Reason for Recommendation	The available resources after taking account of committed projects are sufficient to meet the current capital programme.
Appendices	Appendix 1 Capital Expenditure Estimates Appendix 2 Current Capital Programme
Background Papers	Asset Management Report – Cabinet, December 2017; Treasury Management Strategy Statement and Prudential Indicators for 2017/18 – Cabinet, February 2017; Asset Management Plan 2015/2018 – Cabinet, March 2015.
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1. Background

1.1 As members will recall whilst setting the 2017/18 budget the Cabinet agreed the utilisation of all the available capital funds for the years up to the end of 2020/21 resulting in there being no funds available for any new bids this year.

2 Financial Summary and Capital Control Totals

2.1 The provisional settlement was announced by the Secretary of State for Communities and Local Government in December 2017. The majority of the settlement was already known as Members had signed-up to the Government's four-year funding deal and we will continue to press our case around negative RSG in 2019/20.

2.2 In terms of capital funding the DfT and DfE have not yet notified the County Council of its capital allocations and at present no further capital allocations from the other Government Departments have been made. These will be added to the existing funding once notified.

2.3 The approval of the revised capital control totals implies gross capital expenditure of £63.1M in 2017/18, £64.3M in 2018/19, £45.1M in 2019/20 and £39.4M in 2020/21. These control totals include utilisation of the budget flexibility. Provision for the revenue implications arising from projects, including capital financing and running costs, is included as a commitment in the Medium Term Financial Strategy (MTFS).

2.4 The revised control totals and anticipated commitments against them indicate that if the assumptions up to 2020/21 regarding capital financing are included this would provide £0.3M of funds unallocated up to end of 2020/21. It should be remembered that this is year two of a two-year programme to ensure consistency with the revenue budget.

3 Capital Programme – Effects of the borrowing policy

3.1 The capital programme estimated gross spend for 2017/18 is in excess of £63M and £64M for 2018/19.

3.2 The cost of financing this spend depends partly upon how much is funded by grants and other contributions. These stand at around £43.887M for 2017/18 and £42.753M for 2018/19. The remaining spending is predominantly funded through prudential borrowing.

3.3 The borrowing costs are twofold – firstly the interest payable on the loans, currently around 4%, which is payable once the loan is drawn down, often towards the end of the year. The other element is the Minimum Revenue Provision (MRP) which the Council is required to make a provision (charge to the revenue account) for the repayment of any borrowings it has each financial year, regardless of whether any actual debt is repaid.

3.4 The Ministry for Housing, Communities and Local Government, (MHCLG) requires that before the start of each financial year the County Council should prepare a statement of its policy on making such provisions known as the Minimum Revenue Provision (MRP) for that year. This will be presented to the Cabinet at today's meeting within the Treasury Management Strategy Statement and Prudential Indicators for 2018-19 report.

3.5 The County Council is required to calculate for the current financial year an amount for the MRP which it considers to be prudent. The broad aim of prudent provision is to ensure that the underlying borrowing need, as expressed by the Capital Financing Requirement (CFR), is repaid over a period reasonably commensurate with the life of the capital assets that the borrowing has financed. The statement should indicate which of the options for MRP are to be followed.

3.6 The Cabinet is recommended to note the current MRP Statement approved February 2017:

For capital expenditure incurred before 1 April 2008 or which is Supported Capital Expenditure, the MRP policy will be based, as now, on the CFR.

From 1 April 2008 for all unsupported borrowing, the MRP policy will be based on the Asset Life Method. MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must also be applied for any expenditure capitalised under a Capitalisation Directive).

3.7 As the Cabinet were informed previously, the capital programme would still be around £40M per annum, dependant on levels of grant funding by the government, but would require no additional borrowing. Effectively, this would be made up of approximately £10M LTP structural maintenance, £2.5M LTP integrated transport, £5M DfE Schools Capital, £7M Buildings structural maintenance, £3M APTs plus around £12.5M towards other capital schemes, assuming grants remain at around the current level.

3.8 This could be supplemented if the assumed grants were higher, additional grants were obtained, capital receipts generated above the level assumed and developer contributions obtained.

4 Projects

Digital Dorset – our digital strategy

4.1 *A digital strategy is currently being drafted which aims: to put people and their needs first by becoming design-led and using digital technology to make a positive difference, enabling us to become a digital council in a digital place.*

4.2 Whilst it involves technology, it is not about technology but rather how we meet people’s needs. The strategy very much supports the council’s new vision and is being developed further over the next few months.

4.3 A delivery programme underpins the strategy comprising ‘hard’ projects like improving our online services and culture/skills support to help embed design and digital into how we work. Business cases or project briefs will be developed, which could lead to significant investment requirements beyond the sums available for ICT projects within the capital programme.

4.4 Funding will be required but may come through the transformation fund or as part of the investment in the new authority if LGR is approved.

Adult Social Care Accommodation Strategy including Bridport Connect Project

4.5 A high-level care accommodation analysis has been completed setting out for each locality what is needed over the next ten years, this is currently at high level but also takes into account the impact of the Clinical Services Review and the expectation that more care will be provided at home, and the need for sufficient housing for care workers. On-going discussions are taking place about whether any capital or asset contributions from the council will be required to support this programme and ensure that Dorset assets across the public sector are used effectively for both capital and revenue value for money benefits.

4.6 Work is currently ongoing to formulate an updated offer for the provision of Adult Social Care facilities in the Bridport and Purbeck areas. In Bridport, this envisages the provision of a care village which would include a care home; extra care housing for older people; supported living accommodation for people with learning disabilities; key worker housing; and a small Day Services hub building, offering accessible bathing and toileting facilities and meet-and-greet facilities. In Purbeck we are currently going through a care accommodation assessment and also developing detailed projects which will need to be considered during the year. It is intended that the majority of these facilities will be provided by partner organisations at no initial cost to the County Council. However, there may be a requirement for an element of capital to be allocated to enable this scheme to proceed. This would be subject to a revised capital bid being taken through the approval process.

Monkton Park

4.7 Cabinet agreed on 17th January 2018 to move Dorchester Learning Centre into the old school buildings on Monkton Park. Costs are currently being calculated and a budgetary allowance has been provisionally set at £500,000 but will be firmed up over the next month. Whilst this will reduce the capital receipt available for the site, it will avoid the need for a new site to be purchased for the learning centre and a new building provided which was estimated at £2.7M.

Hurn Roundabout

4.8 Planning permission has been secured for a new, enlarged, offline roundabout to the east of the current roundabout position. However, negotiations with the owner of the land required to build this scheme have not progressed well and it is now clear that significant additional delay and cost would be incurred in order to deliver this scheme.

4.9 An enhancement to the current Hurn roundabout has now been designed and can be delivered mainly with highway land. If this smaller scheme is pursued this will not provide the same level of benefits as the offline roundabout, however costs will be significantly reduced. We are now reviewing the remainder of the programme and will bring any recommendations back to the Cabinet in March.

5 Conclusion

5.1 As referred to in paragraph 2.7 and Appendix 1, if the assumptions for 2020/21 regarding new capital financing are included, the provisional control totals and anticipated commitments indicate that there would be £0.3M unallocated. This provides a small level of flexibility to deal with any variations in the agreed capital programme.

5.2 The Cabinet is invited to set the final control totals as detailed in Appendix 1 and confirm the Appendix 2 projects for inclusion in the capital programme.

Richard Bates, Chief Financial Officer, January 2018

CAPITAL PROGRAMME - CABINET DECEMBER 2017

APPENDIX 1

DIRECTORATE	EXPENDITURE ESTIMATES (GROSS) 2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
CHILDRENS	20,102	23,990	1,593	3,988
ENVIRONMENT	31,741	22,405	18,483	12,965
ADULT & COMMUNITY	690	850	4,622	2,838
CABINET / WHOLE AUTHORITY	8,088	14,962	1,893	1,893
DORSET WASTE PARTNERSHIP	2,829	5,114	6,991	5,798
CAPITAL FLEET REPLACEMENTS	1,539	1,053	510	1,000
CAPITAL R & M	5,517	5,967	5,967	5,967
TOTAL	70,506	74,341	40,059	34,449
Anticipated Slippage	(10,000)	(10,000)	5,000	5,000
Contingency re Risk Items	2,279	0	0	0
(Overcommitted) / Remaining flexibility (to meet target)	276	0	0	0
Gross Predicted Capital Spend	63,061	64,341	45,059	39,449
Grants / Contributions / Growth Deal	(30,182)	(24,897)	(22,326)	(12,630)
Capital Receipts	(5,550)	(7,373)	(1,000)	(1,000)
Vehicle Sales	(200)	(200)	(200)	(200)
RCCO	(5,126)	(5,229)	(5,326)	(5,326)
DWP Contributions	(2,829)	(5,114)	(6,991)	(5,798)
Additional Capital Financing Requirement	19,174	21,528	9,216	14,495
Borrowing Brought Forward	213,282	217,654	228,643	227,070
MRP	(10,289)	(10,539)	(10,789)	(11,039)
UNDER BORROWING B/FWD	85,487	90,000	90,000	90,000
UNDER BORROWING C/FWD	(90,000)	(90,000)	(90,000)	(90,000)
BORROWING REQUIREMENT	217,654	228,643	227,070	230,526
ADDITIONAL BORROWING REQUIRED	4,372	10,989	(1,573)	3,456
Underlying Borrowing Requirement B/FWD	298,769	307,654	318,643	317,070
Underlying Borrowing Requirement C/FWD	307,654	318,643	317,070	320,526
MRP	10,289	10,539	10,789	11,039
INTEREST	7,475	7,967	8,365	8,628
	17,764	18,506	19,154	19,667
Control Sheet	18,561	18,561	18,561	18,561
Additional budget requirement (RAM)	(797)	(55)	593	1,106
Target				
Ave Interest Rate	3.5%	3.6%	3.7%	3.8%

CAPITAL PROGRAMME - CABINET DECEMBER 2017 — APPENDIX 2

☺	Project being delivered within or on previously agreed budget and time
😐	Project being delivered within 5% or £250k of previously agreed budget or time
☹	Project **not** being delivered within 5% or £250k of previously agreed budget or time

CHILDREN'S SERVICES

	Project Code		Total Payments £'000	Before 2017-18 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	After 2020-21 £'000	
School Access Initiative Schemes < £250k	various	x	9,130	8,080	450	200	200	200	0	☺
Blandford School STP	mch 400175	x	1,000	907	93	0	0	0	0	☺
Funding from the FA		c	(350)	(350)						
Capital Receipts		c	(650)	(650)						
Leeson House - DDA Works	mch 400176 & PCH 425240	x	664	579	34	51	0	0	0	☺
Contribution		c	(2)	(2)						
Yewstock and Mountjoy Schools Invest to Save Bid		x	550		550					☺
APT Projects	various	x	1,200		300	300	300	300	0	☺
Carry forward from previous year		x	(296)		(296)					
Mobiles and Urgent Provision	various	x	3,172		1,150	436	793	793	0	☺
Carry forward from previous year		x	(350)		(350)					
Gross Expenditure			**15,070**	**9,566**	**1,931**	**987**	**1,293**	**1,293**	**0**	

ENVIRONMENT

	Project Code		Total Payments £'000	Before 2017-18 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	After 2020-21 £'000	
Weymouth Relief Road - Scheme Costs	men 600007	x	86,816	83,092	1,075	1,075	1,574	0	0	☺
DFT Grant - WRR		c	(80,694)	(80,694)						
Developer Contributions		c	(474)	(474)						
Railway Overbridge Parapet Protection - Fees & Feasibility	men 600014	x	195	167	28	0	0	0	0	☺
Contribution from Network Rail		c	(60)	(60)						
Dorchester Transport and Environment Plan	men 600012	x	3,477	1,161	1,732	584	0	0	0	☺
LTP Contribution	plus MEN 600(	c	(403)	(403)	0	0	0	0	0	
WDDC Contribution		c	(745)	0	(745)	0	0	0	0	
S106 monies		c	(61)	0	(61)	0	0	0	0	
DTC Contribution		c	(190)	0	(190)	0	0	0	0	
Network Traffic Control Centre	men 600069	x	325	217	108	0	0	0	0	☺
Contribution		c	(25)		(25)					
Implementation of Waste Management Strategy - Bridport HRC Phase 2 (Order of Cost)	men 600081 & men 600003	x	8,900	9,491	(591)	0	0	0	0	😐
Shaftesbury Traveller Site	men 600079	x	1,004	946	58	0	0	0	0	☺
Contributions NDDC		c	(922)	(922)						
Contributions APT		o	(82)	(24)	(58)					
Hardy's Birthplace Project at Thorncombe Wood	pen 625197 &	x	1,119	1,048	15	56	0	0	0	☺
Contributions	len 650418	c	(1,063)	(1,063)						
Springfield Distributor Road, Verwood	men 600029	x	1,828	526	1,302	0	0	0	0	☺
Contribution from LTP		o	(293)	0	(293)					
Other Contributions (Capital Receipts)		c	(295)	(295)						
Lyme Regis Coastal Stabilisation	men 600077	x	4,270	3,417	853	0	0	0	0	☺
Hayward Main Bridge	men600088	x	1,548	1,129	419	0	0	0	0	☺
Dinahs Hollow and Church Slope, Melbury Abbas	men 600097 & 98	x	1,744	1,206	538	0	0	0	0	☺
A338 Major Maintenance	men 600091	x	20,000	20,337	(337)	0	0	0	0	☺
Contribution from Growth Deal		c	(10,336)	(10,336)	0	0				
Contribution from LTB		c	(9,200)	(9,200)	0	0				

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	Project Code		Total Payments £'000	Before 2017-18 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	After 2020-21 £'000	
Chapel Gate Roundabout	men 600092	x	3,300	299	1,461	1,540	0	0	0	☺
Contribution from LTB		c	(3,000)	(2,369)	(631)					
Hurn Roundabout	men 600093	x	2,400	162	600	1,638	0	0	0	☺
Contribution from S106 Agreement		c	(400)	(400)						
Blackwater Interchange	men 600094	x	8,000	386	2,200	3,000	2,414	0	0	☺
Contribution from Growth Deal		c	(6,000)	0	(1,564)	(2,600)	(1,836)			
Contribution from S106 Agreement		c	0	0	0	0				
Contribution from S106 Agreement CBC		c	(250)	0	(250)	0				
Contribution from CIL		c	0	0	0	0				
Longham Mini Roundabouts	men 600095	x	2,000	1	100	900	999	0	0	☺
Contribution from Growth Deal		c	(1,800)	0	(900)	(900)				
Contribution from S106 Agreement EDDC		c	(200)	0	(200)	0				
A338 Widening Scheme	men 600096	x	850	0	850	0	0	0	0	☺
Contribution from S106 Agreement		c	(75)	0	(75)	0				
Contribution from S106 Agreement		c	0	0	0	0				
Contribution from CIL		c	0	0	0	0				
Local Transport Plan (Integrated Transport)	various	x	19,067	6,037	6,474	2,456	2,050	2,050	0	☺
DFT Grant		c	(15,273)	(3,654)	(5,381)	(2,138)	(2,050)	(2,050)	0	
Partner Contributions		c	(2,457)	(1,403)	(893)	(161)	0			
Local Transport Plan Maintenance	various	x	54,388	15,381	12,255	8,901	9,191	8,660	0	☺
DFT Grant		c	(50,687)	(12,381)	(12,135)	(8,851)	(8,660)	(8,660)	0	
Local Transport Plan Bridge Maintenance		x	10,020	2,120	2,140	1,920	1,920	1,920	0	☺
DFT Grant		c	(9,820)	(1,920)	(2,140)	(1,920)	(1,920)	(1,920)	0	
APT Projects	various	x	1,340		335	335	335	335	0	☺
Carry forward from previous year		x	126		126					
County Farms Ringfenced & Property Review	various	x	643	643						☺
Capital Receipts		c	(643)	(643)						
Gross Expenditure			**233,360**	**147,766**	**31,741**	**22,405**	**18,483**	**12,965**	**0**	

ADULT AND COMMUNITY

Dorset History Centre Extension	pac 125117	x	3,355	33	7	0	762	2,553	0	☺
External Contributions		c	(2,473)	0	0	0	(2,473)			
Bridport Connect	mac 100005	x	4,700	105	50	700	3,710	135	0	☺
Integrated Digital Care Fund		x	400	0	400	0	0	0	0	☺
Adults APT Projects	various	x	500		125	125	125	125	0	☺
Carry forward from previous year		x	83		83	0				
Libraries APT Projects	various	x	100		25	25	25	25	0	☺
Carry forward from previous year		x	0		0	0				
Gross Expenditure			**9,138**	**138**	**690**	**850**	**4,622**	**2,838**	**0**	

	Project Code		Total Payments £'000	Before 2017-18 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	After 2020-21 £'000	
CABINET / WHOLE AUTHORITY										
Disabled Access to County Buildings	mca 200030	x	1,326	1,306	20	0	0	0	0	☺
Superfast Broadband Project	mcr 300001	x	38,004	25,364	204	12,436	0	0	0	☺
Developer Contributions (BDUK)		c	(11,742)	(11,742)	0	0				
District & Borough Contributions		c	(3,667)	(3,197)	(470)	0				
Other Contributions (BT)		x	(14,226)	(6,384)	0	(7,842)				
County Hall Masterplan - The Workspaces Project	mca 200029 &	x	2,000	1,979	21	0	0	0	0	☺
Contribution from R&M		o	(200)	(200)						
Implementation of Replacement Childrens Social Care System (RAISE) and (AIS)	MIT 350061	x	4,500	1,564	600	2,336	0	0	0	☺
Implementation of Replacement Library Management System	MIT 350062	x	496	456	40	0	0	0	0	☺
Dorset Management Information System for Children (DMISC)	mit 350043	x	1,223	1,150	2	71	0	0	0	☺
Contributions		c	(123)	(123)						
ICT - Whole Authority provision for business change, cost effectiveness improvements & infrastructure maintenance through ICT	various	x	5,394	4,095	600	699	0	0	0	☺
Contributions from revenue		c	(306)	(306)						
Contribution to Dorset Green Purbeck (Quadrant)	pca 225086	x	1,147	500	647	0	0	0	0	☺
Contribution to Dorset Innovation Park		x	2,276	0	0	2,276	0	0	0	☺
Contributions from DLEP		c	(1,000)			(1,000)				
ICT Project Portfolio		x	1,200	0	0	1,200	0	0	0	☺
County Wide Office Reconfiguration		x	3,143	0	2,250	893	0	0	0	☺
Contributions from R&M		o	(250)		(250)					
County Hall Masterplan Year 3		x	500	0	500	0	0	0	0	☺
Community Offer for Living & Learning		x	2,700	0	1,700	1,000	0	0	0	☺
APT Projects (County Buildings)	various	x	420		105	105	105	105	0	☺
Carry forward from previous year		x	(48)		(48)					
APT Projects (ICT)	various	x	5,752		1,438	1,438	1,438	1,438	0	☺
Carry forward from previous year		x	277		277					
APT Projects Development Schemes	various	x	540		135	135	135	135	0	☺
Carry forward from previous year		x	(568)		(568)					
APT Projects Minor Works & Feasibilities	various	x	240		60	60	60	60	0	☺
Carry forward from previous year		x	58		58					
APT Chief Executives Special Projects	various	x	620		155	155	155	155	0	☺
Carry forward from previous year		x	(108)		(108)					
Gross Expenditure			**56,866**	**30,030**	**8,088**	**14,962**	**1,893**	**1,893**	**0**	
DORSET WASTE PARTNERSHIP										
DWP Capital Programme (Infrastructure, Containers and Vehicles)	various	x			2,829	5,114	6,991	5,798	0	☺
Gross Expenditure					**2,829**	**5,114**	**6,991**	**5,798**	**0**	

MODERNISING SCHOOLS PROGRAMME

Completed Projects awaiting Final Account	various	x	773	63	188	522	0	0	0	☺
Project Development Allowance	various	x	3,520	3,187	333	0	0	0	0	☺
Chesil Cove Federation Replacement Primary	sch 450055	x	8,921	8,483	378	60	0	0	0	☺
Hot Meals - STANDARDS FUND MONEY		c	(18)	(18)	0	0				
Pimperne Primary - Replacement	sch 450080	x	6,170	5,729	102	339	0	0	0	☺
Queen Elizabeth School - replacement	sch 450012	x	57,441	57,433	8	0	0	0	0	☺

PURBECK SCHOOLS RE-ORGANISATION

Purbeck School - core works	sch 450095	x	7,813	7,759	54	0	0	0	0	☺
Internal contributions (EC & R&M & Asbestos)		o	(821)	(821)	0	0				
Contribution from Hot Meals		c	(200)	(200)	0	0				
St Mary's RC Primary Swanage	sch 450088	x	3,668	3,415	238	15	0	0	0	☺
Contribution from Kitchen & Dining		o	(30)	(30)	0	0				
Wool Primary	sch 450085	x	569	566	3	0	0	0	0	☺
Contribution from Kitchen & Dining		o	(30)	(30)	0	0				
Swanage St Mark's Primary	sch 450089	x	3,103	3,013	90	0	0	0	0	☺
Sandford St Martin	sch 450084	x	3,613	3,598	15	0	0	0	0	☺
Contribution from Kitchen & Dining		c	(30)	(30)	0	0				
Lulworth Primary	sch 450073	x	2,938	2,642	95	201	0	0	0	☺
Contribution from school		c	(37)	(37)						
Contribution from Sustainable Property		o	(16)	(16)						
Bere Regis	sch 450139	x	5,372	4,959	157	256	0	0	0	☺
Contribution from Asbestos		o	(1)	(1)						
Contribution from School		o	(21)	(21)						
Contribution from MUWP		o	(342)	(342)						

BASIC NEED PROJECTS

Completed projects & projects < £500k	various	x	3,420	2,391	885	144	0	0	0	☺
Contribution from R & M		o	(39)	(39)						
Project Development Allowance	various	x	1,133	624	259	250	0	0	0	☺
Manor Park First School	sch 450118	x	4,118	3,974	144	0	0	0	0	☺
Contributions from School		o	(5)	(5)						
Contribution from R & M (Asbestos)		o	(146)	(146)						
Twynham Primary	sch 450134	x	8,306	1,261	5,000	1,745	300	0	0	☺
Damers Replacement	sch 450120	x	10,380	9,422	480	478	0	0	0	☺
Chickerell Primary	sch 450116	x	832	829	3	0	0	0	0	☺
Burton Primary	sch 450130	x	905	847	58	0	0	0	0	☺
Contribution to Lytchett Minster (Playing Field)	sch 450094	x	150	0	150	0	0	0	0	☺
Christchurch School (Twynham) school within a s	sch 450141	x	1,365	1,333	32	0	0	0	0	☺
Contribution from School		c	(40)	(40)						
Downlands		x	2,838	2,737	80	21	0	0	0	☺
Contribution from R&M		o	(65)	(65)						
Highcliffe St Marks		x	2,808	2,128	226	454	0	0	0	☺
Contribution from R&M		o	(18)	(18)						
Wimborne First		x	11,205	119	900	6,920	2,366	900	0	☺
St Osmund's		x	3,685	755	2,645	285	0	0	0	☺
Sherborne Abbey		x	2,384	115	2,119	150	0	0	0	☺
Shaftesbury Primary Modular Extension	sch 450154	x	700	1	615	84	0	0	0	☺
Mudeford Junior Modular Extension	sch 450172	x	547	0	492	55	0	0	0	☺
Other Basic Need Projects not yet approved	balancing item	x	12,368	0	1,862	10,506	0	0	0	☺

	Project Code		Total Payments £'000	Before 2017-18 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000	After 2020-21 £'000
14 - 19 PROJECTS / SEN PROJECTS									
SEN Projects (Yewstock)	sch 450101	x	3,931	3,829	102	0	0	0	0 ☺
Contributions		c	(13)	(13)					
Other Schemes awaiting approval plus funding available or over committed		x	3,251	2,846	458	518	(2,366)	1,795	0
			0	0					
			0	0					
DFE Basic Need / Maintenance Allocation		c	(53,333)	(36,097)	(4,522)	(7,327)	(5,387)	0	0
Modernising Schools Programme Control Total			**178,227**		**18,171**	**23,003**	**300**	**2,695**	**0**
Capital Fleet Replacements		**x**			**1,539**	**1,053**	**510**	**1,000**	**0**
Capital R & M		**x**			**5,517**	**5,967**	**5,967**	**5,967**	**0**
TOTAL EXPENDITURE			**144,847**		**70,506**	**74,341**	**40,059**	**34,449**	**0**
TOTAL GRANTS / CONTRIBUTIONS			**(55,079)**		**(30,182)**	**(24,897)**	**(22,326)**	**(12,630)**	**0**
TOTAL NET COST TO DCC			**89,768**		**40,324**	**49,444**	**17,733**	**21,819**	**0**

Question from Member of the Council
Cabinet – 31 January 2018

Question from Cllr Clare Sutton to the Cabinet Member for Community and Resources regarding the Fees and Charges for Non-Residential Adult Social Care

Question

If the proposed 5% increase in fees and charges for non-residential adult social care was restricted to the latest Consumer Prices Index figure of 2.7%, what would be the extra cost to DCC?

Answer

Our estimate was that the increase of 5% will generate around £300k of additional income. If this increase were restricted to 2.7% the additional income would therefore be approximately £162k, meaning the cost to Dorset County Council of limiting the increase would be £138k.

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