



Audit and Governance Committee

Date: Monday, 15 November 2021

Time: 10.00 am

Venue: Please note that, due to the current coronavirus pandemic the Council has reviewed its approach to holding committee meetings. This meeting will be held remotely in a Microsoft Teams Live Event (see link below)

Membership: (Quorum 3)

Matthew Hall (Chairman), Richard Biggs (Vice-Chairman), Susan Cocking, Rod Adkins, Janet Dover, Barry Goringe, Mike Parkes, Bill Pipe, Bill Trite and Jon Orrell

Chief Executive: Matt Prosser, South Walks House, South Walks Road, Dorchester, Dorset DT1 1UZ (Sat Nav DT1 1EE)

For more information about this agenda please contact Democratic Services susan.dallison@dorsetcouncil.gov.uk



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Due to the current coronavirus pandemic the Council has reviewed its approach to holding committee meetings. Members of the public are welcome to attend this meeting and listen to the debate online by using the following link:-

[Link to view the meeting](#)

Members of the public wishing to view the meeting from an iphone, ipad or android phone will need to download the free Microsoft Team App to sign in as a Guest, it is advised to do this at least 30 minutes prior to the start of the meeting.

Please note that public speaking has been suspended. However Public Participation will continue by written submission only. Please see detail set out below.

Dorset Council is committed to being open and transparent in the way it carries out its business whenever possible. A recording of the meeting will be available on the council's website after the event.

Using social media at virtual meetings

Anyone can use social media such as tweeting and blogging to report the meeting when it is open to the public.

A G E N D A

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1 APOLOGIES

To receive any apologies for absence.

2 DECLARATIONS OF INTEREST

To disclose any pecuniary, other registrable or non-registrable interest as set out in the adopted Code of Conduct. In making their decision councillors are asked to state the agenda item, the nature of the interest and any action they propose to take as part of their declaration.

If required, further advice should be sought from the Monitoring Officer in advance of the meeting.

3 PUBLIC PARTICIPATION

To receive questions or statements on the business of the committee from town and parish councils and members of the public.

To receive questions or statements on the business of the committee from town and parish councils and members of the public. Members of the public who live, work or represent an organisation within the Dorset Council area, may submit up to two questions or a statement of up to a maximum of 450 words. All submissions must be sent electronically to susan.dallison@dorsetcouncil.gov.uk by the deadline set out below. When submitting a question please indicate who the question is for and include your name, address and contact details. Questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda. Questions will be read out by an officer of the council and a response given by the Chairman at the meeting. All questions, statements and responses will be published in full within the minutes of the meeting.

When submitting a question please include your name, address and contact details. Questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda.

The deadline for submission of the full text of a question or statement is 8.30am on 10 November 2021.

4 TREASURY MANAGEMENT MID-YEAR REVIEW 7 - 24

To consider a report by David Wilkes, Service Manager Treasury and Investments.

5 QUARTER 2 (Q2) FINANCIAL MANAGEMENT REPORT 25 - 60

To consider a report of the Portfolio Holder of Finance, Commercial and Capital Strategy.

6 CHANGING THE ARRANGEMENTS FOR BRINGING MOTIONS ON NOTICE TO FULL COUNCIL 61 - 64

To consider a report by Jonathan Mair, Corporate Director, Legal & Democratic.

7 MINUTES OF THE AUDIT & GOVERNANCE SUB-COMMITTEE 65 - 74

To receive and note the minutes of the Audit & Governance Hearing Sub-committee.

8 FORWARD PLAN 75 - 78

To consider the work programme for the Committee.

9 URGENT ITEMS

To consider any items of business which the Chairman has had prior notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.

10 EXEMPT BUSINESS

To move the exclusion of the press and the public for the following item in view of the likely disclosure of exempt information within the meaning of paragraph 3 of schedule 12 A to the Local Government Act 1972 (as amended).

The public and the press will be asked to leave the meeting whilst the item of business is considered.

There is no exempt business.

Audit and Governance Committee Monday, 15 November 2021 Treasury Management Mid-Year Update

For Decision

Portfolio Holder: Cllr G Suttle, Finance, Commercial & Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: David Wilkes
Title: Service Manager (Treasury and Investments)
Tel: 01305 224119
Email: david.wilkes@dorsetcouncil.gov.uk

Report Status: Public

Recommendation:

That the Committee note and comment upon the report.

Reason for Recommendation:

To better inform members of banking and treasury management activity, in accordance with the corporate requirement to ensure money and resources are used wisely.

1. Executive Summary

This report summarises the treasury management performance and position information for Dorset Council for the year to 30 September 2021.

Treasury management at the Council is conducted within the framework of CIPFA's Treasury Management Code of Practice. In adopting the code, recommended best practice is for members to approve an annual treasury management strategy report, and to then receive a mid-year update on progress against the strategy (this report) and a year-end review of actual performance against the strategy.

Covid-19 continued to be the biggest factor influencing treasury management activity in the first half of 2021-22. With government initiatives to support the economy largely coming to an end on 30 September 2021, the Council's cashflows for the remainder of the year are anticipated to return to something closer to 'normal' pre-pandemic levels.

The Council's Capital Financing Requirement (CFR) (or borrowing need) at 31 March 2021 was £335m, which is forecast to increase to £345m by 31 March 2022.

The Council's actual external borrowing at 30 September 2021 was £179.5m plus other capital financing such as Private Finance Initiative (PFI) and leasing of £25m. During the year to date £40.5m of borrowing has matured but has not yet been replaced with new debt as cash balances remain high.

At 30 September 2021 the Council's held cash and cash equivalents of £93.5m plus holdings in a number of equity, bonds, property and 'multi-asset' pooled investment funds held for the longer term valued at £87.8m. Cash balances are expected to reduce over the second half of the financial year.

The forecast interest payable servicing external debt for the full financial year is £9.5m, offset by forecast interest receivable and investment income forecast of £3.6m leaving a net cost of £5.9m.

2. Financial Implications

This report summarises the performance of the Council's treasury management activity in the financial year to date. There are no other financial implications arising from this report.

3. Well being and health implications

There are no well being and health implications arising from this report.

4. Climate implications

Dorset Council owns holdings in a number of pooled investment vehicles. These pooled investment vehicles will have holdings in companies in all sectors of the economy, including the extraction, refinement and supply of fossil fuels.

5. Other Implications

There are no other implications arising from this report.

6. Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: HIGH

Residual Risk: Medium

Treasury management is an inherently risky area of activity and a number of controls are embedded in its operation. The key treasury management risks are highlighted as part of the treasury management strategy approved by Council as part of the budget setting process. This report highlights any variances from this strategy and draws out any specific risks which have arisen

7. Equalities Impact Assessment

There are no equalities implications arising from this report.

8. Appendices

Appendix 1: External Context (Arlingclose)

Appendix 2: Outstanding Borrowing 30 September 2021

9. Background Papers

Dorset Council Treasury Management Strategy 2021/22

10. Introduction

- 10.1 The Council's treasury management strategy for 2021/22 was approved by a meeting of Dorset Council on 16 February 2021.
- 10.2 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
- 10.3 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report

fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

- 10.4 The Council employs professionally qualified and experienced staff with responsibility for making borrowing and investment decisions. Officers are supported by external advisers who are specialists in their fields. The Council currently employs Arlingclose Limited as treasury management advisers.
- 10.5 This approach ensures that the Council has access to a wide pool of relevant market intelligence, knowledge and skills, that would be very difficult and costly to replicate internally. However, whilst advisers provide support to the internal treasury function, final decisions on treasury matters always remain with the Council.

11. External Context

- 11.1 Treasury management decisions made by the Council must take into consideration external factors, particularly the wider economic backdrop and the outlook for financial markets and interest rates.
- 11.2 The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period. In the UK, government initiatives continued to support the economy but largely came to an end on 30 September 2021.
- 11.3 The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent.
- 11.4 Arlingclose's detailed economic commentary and latest interest rate forecast is included as Appendix 1. (Since this forecast was produced financial markets have 'priced in' a 0.15% increase in Bank Rate before the end of the calendar year.)

12. Local Context

- 12.1 The Council's balance sheet is summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31-Mar 2021 Actual £m	31-Mar 2022 Forecast £m	31-Mar 2023 Forecast £m
Capital Financing Requirement	335	345	355
External Debt (incl. PFI & leases):			
External borrowing	220	220	230
Long Term PFI Liabilities	22	25	25
Obligations under Finance Leases	3	5	5
Total External Debt	245	250	260
Internal Borrowing	90	95	95
Cash and Investments	169	110	100

12.2 The Council continued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep net interest costs lower than they would otherwise be.

12.3 The treasury management position at 30 September 2021 and the change during the year to date is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.21 Balance £m	Net Movement £m	30.09.21 Balance £m
Long-term borrowing	179.0	0.0	179.0
Short-term borrowing	41.0	-40.5	0.5
Total Borrowing	220.0	-40.5	179.5
Investments	85.3	2.5	87.8
Cash and cash equivalents	83.6	9.9	93.5
Total Cash and Investments	168.9	12.3	181.2
Net Borrowing	51.1	-52.8	-1.7

13. Borrowing

13.1 At 30 September 2021 the Council held £179.5m of loans (a net decrease of £40.5m from 31 March 2021) as part of its strategy for funding previous and current years' capital programmes. Outstanding loans as at 30 September 2021 are detailed in Appendix 2 and summarised in Table 3 below.

Table 3: Borrowing Position

	31.03.21 Balance £m	31.03.21 Average Rate %	Net Movement £m	30.09.21 Balance £m	30.09.21 Average Rate %
Public Works Loan Board	83.9	3.9	-20.5	63.4	4.1
Banks (fixed-term)	25.6	4.7	0.0	25.6	4.7
Banks (LOBO)	11.0	4.6	0.0	11.0	4.6
Local authorities (long-term)	15.0	4.4	0.0	15.0	4.4
Local authorities (short-term)	10.0	0.5	-10.0	0.0	0.0
Other lenders (fixed-term)	55.0	3.2	-10.0	45.0	3.9
Other lenders (LOBO)	19.5	2.6	0.0	19.5	2.6
Total Borrowing	220.0	3.6	-40.5	179.5	4.0

13.2 The chief objective of the Council (and its predecessor authorities) when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should long-term plans change being a secondary objective. In keeping with these objectives, during the period no new borrowing was undertaken while £40.5m of existing loans matured without replacement.

13.3 With short-term interest rates remaining much lower than long-term rates, the Council considers it to be more cost effective in the near term to use internal resources or borrow rolling short-term loans instead. This strategy has enabled the Council to reduce net borrowing costs (despite foregone investment income) and to reduce overall treasury risk. The Council's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing has been maintained.

13.4 The Council holds £30.5m of Lender's Option Borrower's Option (LOBO) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No lenders exercised their options during the year to date.

13.5 Capital finance may be raised by the following methods that are not borrowing but are classed as other debt liabilities: leasing, hire purchase, Private Finance Initiative (PFI) and sale and leaseback. No new financing from these sources has been raised during the year to date.

14. Investments

14.1 The Council holds significant levels of invested funds, representing income received in advance of expenditure plus balances and reserves held and money borrowed in advance of need. Cash, cash equivalents and treasury investments held on 30 September 2021 are summarised in Table 4 below.

Table 4: Cash and Treasury Investments Position

	31.03.21 Balance £m	Net Movement £m	30.09.21 Balance £m
Cash and Cash Equivalents:			
Banks & Building Societies (unsecured)	14.0	9.4	23.4
Money Market Funds	86.9	3.1	90.0
Less Dorset LEP Balances*	-17.3	-2.7	-20.0
Total Cash and Cash Equivalents	83.6	9.9	93.5
Investments:			
Short-dated bond funds	3.0	0.0	3.0
Strategic bond funds	11.2	0.0	11.2
Equity income funds	44.4	1.3	45.7
Property funds	20.4	1.3	21.7
Multi asset income funds	6.3	-0.1	6.2
Total Investments	85.3	2.5	87.8
Total Cash and Investments	168.9	12.3	181.2

**The Dorset Local Enterprise Partnership's bank balances with are held in the same NatWest Bank interest group as Dorset Council's bank balances. Interest is only charged if the interest group as a whole is overdrawn.*

14.2 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

14.3 The net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March 2020, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns. Deposit rates with the Debt

Management Account Deposit Facility (DMADF) are also now largely around zero.

14.4 Approximately £85m of the Council's investments are held in externally managed strategic pooled investment vehicles (bond, equity, multi-asset and property funds) where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

14.5 Such investments are held for the longer term with the understanding that capital values will fluctuate over the short term but with the expectation that over a three to five-year period total returns will exceed cash interest rates. There has been no additional investment in or redemption from these funds over the period.

15. Treasury Performance

15.1 The Council measures the financial performance of its treasury management activities on the revenue budget as shown in table 5 below.

Table 5: Treasury Performance

	Budget £m	Forecast £m	Variance £m	
Interest Payable	9.9	9.5	0.4	F
Interest and Investment Income	-4.0	-3.6	-0.4	A
Net Payable / (Receivable)	5.9	5.9	0.0	F

16. Compliance

16.1 All treasury management activities undertaken during the year to date complied with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

16.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	Maximum 2021-22 £m	30.09.21 Actual £m	Operational Boundary £m	Authorised Limit £m	Complied Yes/No
Borrowing	220.0	179.5	380.0	400.0	Yes
PFI & Finance Leases	25.0	25.0	35.0	40.0	Yes
Total Capital Financing	245.0	204.5	415.0	440.0	

17. Treasury Management Indicators

17.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

17.2 Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. Arlingclose calculate the credit score by applying a score to each investment (AAA = 1, AA+ = 2 etc.) and taking the average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 7: Security

	30.09.21 Actual	2021/22 Limit	Complied Yes/No
Portfolio average credit rating or score	4.9	6.0	Yes

17.3 Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period. In addition, the Council aims to hold a minimum of £10m readily available in same day access bank accounts and Money Market Funds.

Table 8: Liquidity

	30.09.21 Actual	2021/22 Min	Complied Yes/No
Total cash available within 3 months	85%	30%	Yes

17.4 In the light of the increased likelihood of unexpected calls on cash flow resulting from the pandemic, the Council has kept more cash available at very short notice than it would otherwise have done. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks.

17.5 Interest Rate Exposure: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests were:

Table 9: Interest Rate Exposure

	30.09.21 Actual £000s	2021/22 Limit £000s	Complied Yes/No
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-175	500	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	175	500	Yes

17.6 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced in full.

17.7 Sums invested for periods longer than a year: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 10: Investments beyond year end

	2021/22 £m	2022/23 £m
Actual principal invested beyond year end	0.0	0.0
Limit on principal invested beyond year end	20.0	20.0
Complied (Yes/No)	Yes	Yes

17.8 Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing were:

Table 11: Maturity Structure of Borrowing

	30.09.21 Actual £m	% of Total Borrowing	Upper Limit	Lower Limit	Complied Yes/No
Under 12 months	0.5	0.3%	25%	0%	Yes
12 Months to 2 Years	1.1	0.6%	25%	0%	Yes
2 Years to 5 Years	10.0	5.6%	25%	0%	Yes
5 Years to 10 Years	10.0	5.6%	35%	0%	Yes
10 Years to 15 Years	20.0	11.1%	35%	0%	Yes
15 Years to 20 Years	0.0	0.0%	35%	0%	Yes
20 Years to 25 Years	0.0	0.0%	45%	0%	Yes
25 Years to 30 Years	8.9	5.0%	45%	0%	Yes
30 Years to 35 Years	33.0	18.4%	45%	0%	Yes
35 Years to 40 Years	15.0	8.4%	45%	0%	Yes
40 Years to 45 Years	25.0	13.9%	45%	0%	Yes
45 Years and above	56.0	31.2%	75%	0%	Yes
Total	179.5	100.0%			

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

Appendix 1: External Context (Arlingclose October 2021)

Arlingclose's Economic Outlook for the remainder of 2021/22 (based on the October 2021 interest rate forecast)

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England's desire to move from emergency levels as by fears of inflationary pressure.

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain

whether a broad-based increase in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

Economic background: The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay

(excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% q/q (final estimate vs 4.8% q/q initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% q/q, construction 3.8% q/q and services 6.5% q/q, taking all of these close to their pre-pandemic levels.

The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and then by an even stronger 6.6% in Q2 as the recovery continued. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

Financial markets: Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, that was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure

their services, has caused problems for a range of industries and, in some instance, lead to higher prices.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%.

The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

Credit review: Credit default swap spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In late September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but are now falling back. The gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow, but Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 53bps and Lloyds Banks Plc the lowest at 32bps. The other ringfenced banks were trading between 37-39bps and Nationwide Building Society was 39bps.

Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on our counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.

Fitch also revised the outlooks for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable from negative. The rating agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all

recommended counterparties was extended to 100 days. As ever, the institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

Appendix 2: External Borrowing Outstanding at 30 September 2021

Ref	Lender	Loan Type	Drawdown Date	Next Option	Date Matures	Amount O/S £000s	Rate %
Loan 2	PWLB	Annuity	25/07/2003	n/a	25/03/2023	1,578	4.70
Loan 3	PWLB	Annuity	21/12/2004	n/a	25/03/2023	28	4.65
Loan 10	PWLB	Maturity	01/03/2006	n/a	25/03/2051	8,816	3.95
Loan 11	PWLB	Maturity	09/10/2006	n/a	25/03/2052	15,000	4.10
Loan 12	PWLB	Maturity	02/08/2007	n/a	25/09/2052	8,000	4.55
Loan 14	PWLB	Maturity	23/08/2007	n/a	25/09/2053	10,000	4.45
Loan 28	PWLB	Maturity	07/09/2010	n/a	25/02/2025	10,000	3.74
Loan 29	PWLB	Maturity	07/09/2010	n/a	25/03/2030	10,000	3.98
Loan 13	Barclays Bank	Maturity	30/07/2007	n/a	30/07/2077	15,600	4.625
Loan 61	Barclays Bank	Maturity	14/11/2006	n/a	16/11/2076	10,000	4.79
Loan 62	KBC Bank	LOBO	14/11/2006	14/11/2021	16/11/2076	11,000	4.59
Loan 24	Lancashire CC	Maturity	25/09/2011	n/a	25/11/2059	15,000	4.39
Loan 47	BAE Systems	LALN	07/11/2019	07/11/2042	07/11/2067	20,000	3.90
Loan 48	BAE Systems	LALN	11/12/2017	11/12/2035	11/12/2065	25,000	3.90
Loan 31	Siemens	LOBO	25/09/2012	25/09/2022	25/09/2032	10,000	2.60
Loan 32	Siemens	LOBO	16/11/2011	21/12/2022	21/12/2032	9,500	2.53
Total / Weighted Average						179,522	4.03

PWLB - Public Works Loan Board

LALN - Local Authority Loan Note

LOBO - Lender Option Borrower Option

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Cabinet

8 November 2021

Financial management report Qtr2 2021/22

For Decision

Portfolio Holder: Cllr G Suttle, Finance, Commercial & Capital Strategy

Local Councillor(s): N/A

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Jim McManus

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Report Status:

Public

Recommendation:

Cabinet is asked to

1. note SLT's forecast of outturn at the end of Qtr2 including progress of the transformation and tactical savings incorporated into the budget;
2. note that work continues on the capital programme, by subgroups established by the Capital Strategy and Asset Management Group (CSAM);
3. agree/amend the financial strategy statement at appendix 2 as the basis for financial management arrangements over the remainder of this year and into the Medium-Term Financial Plan (MTFP) period. The statement incorporates much of the work being taken forward in response to the LGA finance peer review.

Reason for Recommendation:

The Council has responsibilities to deliver within its corporate plan and it must do this within the resources made available through the revenue and capital budgets for 2021/22. This report summarises the Council's forecast financial performance for 2021/22 at the mid-point of the year.

A separate report on budget strategy, assumptions and process came to Cabinet at the start of October so that information is not repeated here. However, given

the forecast performance for this year alongside that predicted for 2022/23 in the budget paper, an appropriate level of context is necessary.

Key components of the Council's financial strategy are also set out here as appendix 2 for Cabinet's review. Governance of the financial strategy will be crucial as the performance for 2021/22 improves and we look to close a significant budget gap for next year.

1. Executive Summary

This report comes to Cabinet to provide information about the Council's forecast performance against its revenue budget in 2021/22 and the impact this could have upon reserves, including the general fund.

The report also briefly covers the capital programme performance.

2. Financial Implications

2.1 Financial implications are covered throughout this paper.

3. Well-being and Health Implications

3.1 None.

4. Climate implications

4.1 None.

5. Other Implications

5.1 None.

6. Risk Assessment

Current Risk: High

Residual Risk: High

6.1 Any overspend of the revenue budget falls to be funded from the general fund but Cabinet did not agree any use of reserves when setting the budget and has also agreed a strategy for reserves as part of the development of a sustainable base budget in the MTFP. The Council therefore continues to work towards balancing its outturn.

6.2 It is essential that the Cabinet understands the in-year pressures, the continuing impact of Covid-19 and the impact of any savings shortfalls in order to take the right actions in the current year as well as to enable a balanced budget to be set for 2022/23.

7. Equalities Impact Assessment

7.1 Not required for a finance update report.

8. Appendices

- 1 Summary of progress against budgeted savings
- 2 Draft financial strategy statement

9. Background papers

- Budget strategy report 2021/22
- Qtr4 outturn report 2020/21
- Qtr1 financial management report 2021/22
- MTFP and budget report to Cabinet 5 October 2021

10. Budget development

- 10.1 2021/22 is the third budget for Dorset Council. It was set against a backdrop of extreme cost and activity pressures and volatility, due to the pandemic. It was also another, single-year financial settlement from Government. The budget strategy [report](#) contains more details in the respective appendices on resource allocation and savings, so that is not repeated here.
- 10.2 For 2021/22 Dorset Council set a net budget of £312m, funded from general grants (£4m), Business Rates (£44m) and Council tax (£264m) meaning a band D equivalent Council Tax charge of £1,779.39.
- 10.3 The budget saw increased resources for People Services and reductions for Corporate Services and Place Services. 2020/21 saw the use of £15m of reserves to support the outturn for that year. Many of the pressures that were dealt with in that year, continue to impact on the 2021/22 forecast and continue into the MTFP as reported in October.

11. Forecast of financial performance at Qtr2

- 11.1 At the end of Qtr2, the Council is forecasting net budget pressures of £4.771m, as summarised in the table below.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	128,120	137,234	(9,114)	(7.11%)
People - Children's	72,036	75,009	(2,973)	(4.13%)
Place	76,933	80,024	(3,091)	(4.02%)
Corporate Development	23,842	23,892	(50)	(0.21%)
Legal & Democratic Services	5,708	6,435	(726)	(12.72%)
Public Health	1,441	1,441	0	0.00%
Total Service Budgets	308,082	324,036	(15,954)	(5.18%)
Central Finance	(315,374)	(326,558)	11,183	(3.55%)
Whole Authority	(7,292)	(2,521)	(4,771)	
Dedicated Schools Grant budgets	7,292	23,938	(16,646)	(228.27%)

- 11.2 In addition to the pressures on the Council's own budget, there is also a forecast overspend against the Dedicated Schools Grant (DSG) High Needs Block (HNB) of £16.646m for which there is a separate, strategic approach and conversation with Government.

- 11.3 Specific narrative on variances and changes is set out in the following paragraphs.

Children's Services

- 11.4 Children's Services forecast is £75.009m compared with a budget of £72.036m, an overspend of £2.973m (4.13%).
- 11.5 There are two main areas of pressure in Children's Services. An increase in external placement costs and a decrease in trading income.

External Placements

- 11.6 The number of children placed in externally purchased settings, accounts for £1.39m of the total overspend. Children are placed within Dorset Council's own settings where possible but the demand for external, specialist placements continues. There is also a £0.2m pressure within services that support children with a disability, including demand pressures for short breaks.
- 11.7 The forecast is based on the current cohort, so it does not include growth (or contraction) or placement changes that cannot be foreseen at this stage. The impact of Covid-19 on our families is still being felt and there potentially will be a 'hidden demand' during the remainder of the financial year, i.e. vulnerable children who will require Dorset Council support.
- 11.8 Our plans for additional provision at Dorchester Road and Kirtleton Avenue have unfortunately been delayed in construction. It is unlikely this provision will be available this financial year and is a driver for the external placements overspend.

Trading Income

- 11.9 During the last financial year, a new model for delivering Children's Services in Dorset was launched. The model brought together Early Help, Children's Social Care, Educational Psychology, SEND (Special Educational Needs and/or Disabilities) and Inclusion services under the leadership of Heads of Locality and Strategy into six integrated locality teams across Dorset.
- 11.10 Coupled with improving inclusion in mainstream schools, Dorset Council has invested in early intervention, inclusion, and outreach services to schools. This has included redeploying specialist teachers, Educational Psychologists, and inclusion officers to support schools in identifying needs and putting in place tools and strategies to support mainstream settings.
- 11.11 This is a fundamental change from the previous operating models that heavily involved trading services with schools. Consequently most of the lost trading income is attributable to the move to early identification and

intervention strategies (through the new operating model) to avoid expensive specialist provision. This does not mean trading has ceased but it is taking a different form. We are currently working on a project to understand what levels of income can be achieved in the current market.

Dedicated Schools Grant

- 11.12 The DSG is a ring-fenced grant. The majority of it is used to fund individual school budgets in local authority maintained schools and academies in Dorset, early years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Dorset and out of county. Part of the DSG, the Central Services Schools Block (CSSB) provides funding for Dorset Council to carry out central functions on behalf of pupils in state-funded maintained schools and academies in England.
- 11.13 The forecast overspend has improved by £0.391m, to £16.646m. This is all within the High Needs Block (HNB). The projected, cumulative DSG deficit at the 31 March 2022 is now £55.7m.
- 11.14 The HNB budget was based upon a model covering financial years 2020/21 to 2025/26, with expected EHCP growth. At the end of 2021/22, the expected number of children and young people with an EHCP is estimated to be 3,305, an increase of 276 from 31 March 2021.
- 11.15 The model is underpinned by strategies that promote inclusion in mainstream settings (for example, the change in operating model at Dorset Council), and Dorset Council's £35-40m SEND Capital Strategy that seeks to create specialist placements through new special schools, expanding current specialist provision and develop new facilities at mainstream schools. The new HNB Management Strategy is also crucial for future stability.
- 11.16 The September forecast indicates that the current cohort of children and young people requiring support from the HNB is likely to cost around £15.8m. An estimated figure of an additional £0.8m has been added to this to cover forecast EHCP growth for the rest of the year.
- 11.17 The main area of uncertainty is high-cost placements, including bespoke alternative provision, and potential un-forecast growth in the number of children and young people with an EHCP. In addition, the wider impact of the pandemic on children and young people's learning and learning needs is not yet fully known or quantifiable. Dorset Council has produced a HNB Management Strategy as it works toward early identification and support for learning needs through the graduated approach.
- 11.18 In the original budget set, an assumption was made that St Mary's, Dorset Council's proposed new Special School, would take an initial cohort of 60

from September 2021. Since the budget was created, the additional work required to set up a new Special School (for example capital improvements) has resulted in the opening being delayed. However, the option to buy a school for this purpose will still deliver places far more quickly than building a new facility at a higher capital cost.

11.19 Moving high-cost placements into local specialist provision is more than moving numbers. The process takes time, planning and sensitivity to ensure the child and young person's needs are met with minimal disruption and high support around transition. It will take time to significantly improve the financial performance of the HNB but we are seeing delivery against the agreed plan.

Adults Services & Housing

11.20 Adults' Services & Housing is forecasting an overspend of £9.114m against a budget of £128.12m (7.11%). The improvement within the forecast of £668k since Qtr1 is due to the application of one-off, infection control grant funding.

11.21 There are three main reasons for the forecast, as follows:

- i. There are more people entering Council funded care than predicted - More older people than predicted entered funded care more quickly as a result of the accelerated discharge from hospital programme. The Council is required by Government policy to operate a Hospital Discharge Programme in order to support acute hospitals during the Covid pandemic. This has resulted in more people entering Council funded care and remaining longer in care at a higher cost.
- ii. Unrecoverable costs of operating the Hospital Discharge Programme in Dorset - The Council receives some additional money from Government to cover the impact of the pandemic. However, this is insufficient to cover the additional costs of operating the 24/7 referral, brokerage, assessment and care management Hospital Discharge Programme in the County.
- iii. Consequential impact on savings (£3.9m) - The Adult Social Care & Housing budget included an assumption that £7.918m of targeted savings would be achieved in 2021 - 2022. £4.9m of these savings were to be achieved by reducing the number and cost of people entering Council funded care. Continuation of the Hospital Discharge Programme with patient flow rates similar to those during the height of the pandemic and a reduction in the amount of funding available to support the programme mean that it is unlikely these savings will now be achieved.

11.22 The Adult Social Care operational service is currently forecasting a £665k overspend a small increase compared to Q1, £305k of which is within the Approved Mental Health Professional hub. This is a statutory function that

must be available 24/7 and is impacted by the national shortage of AMHP's as well as the service review conducted in 2020, with the resultant loss of AMHP's. A short-term contract to bolster the service with an external agency (at a cost of £195k) has bought safety and stability whilst national advertising for permanent staff concludes. Two posts have already been recruited to, reducing the overall financial exposure and a review of the current establishment and rotas has taken place. The remaining £110k are forecast costs for current staff within the service. The remaining £360k overspend is mainly within Adult Care Management for additional agency support to cover vacancies.

- 11.23 The Commissioning forecast has reduced by £271k since Q1 taking it into an £8k underspend. This is a result of the transfer of the Valuing Young People contract noted below and improvements on staffing forecasts.
- 11.24 The Directorate-wide forecast has increased by £90k since Q1 taking it to an overspend of £298k due to the continued costs of Covid-19 including staff supporting 7 day working.

Place

- 11.25 Place Services forecast is an overspend of £3.091m against a budget of £76.933m (4.02%).
- 11.26 Leisure Centres are showing one of the largest adverse variances, at just over £0.7m. This has improved from Qtr1, following the easing of National Covid restrictions, and the assumption of some of the lost income being reclaimable from the Sales, Fees and Charges grant from Government. Further work is being undertaken, in conjunction with national bodies and partners, to better understand likely customer demand going forward, and therefore these numbers are subject to further review and changes as actual figures replace forecasts as the year progresses.
- 11.27 There is a forecast overspend of just under £1m in Assets & Property, £0.8m of which is due to the anticipated shortfall in the recovery of staffing costs from capital projects. Work is ongoing around capital recharging so this figure will be subject to continued refinement through the remainder of the year, and it is hopeful that this figure will improve. There are also income shortfalls due to vacant buildings and the staff car park.
- 11.28 Approximately £2.3m of the variance is in relation to savings (either tactical or transformational) that are in danger of not being achieved. Larger examples being in Planning (£490k), Parking (£330k) and Travel (overall target £1.044m). Further detail is included in the summaries at Appendix 1.
- 11.29 Parking income shortfalls are significant. A decision not to pursue evening charges, after the budget was agreed, has led to this. In addition, car parking income was poor during the early part of the year, and so the Qtr2 position is a forecast shortfall of £553k overall. This is more than £100k worse than the Qtr1 forecast. Clearly car parking income is subject to

variable conditions such as weather and volume of tourism as well as any effects of pricing and will need to be kept under review, although now the summer season has passed, it is not expected to recover significantly.

- 11.30 Planning income has been volatile in the year to date; there was buoyant income during Qtr1 (believed to be linked to a 'post-Covid-19 spike' – especially in Building Control), but this has since quietened down somewhat, and as such there has been a deterioration, currently estimated at £1.2m. This has been caused by a combination of income shortfall and spend on agency staff.
- 11.31 Waste Operations is forecasting an adverse variance of £65k overall, which is mainly associated with external income shortfalls in the fleet maintenance budget. There was a Qtr1 pressure reported in relation to a pay and agency overspend on the Waste Operatives budget, but this has eased following an analysis of the actual costs over the summer and is expected now to realise a minor underspend. There does, however, remain key operational issues in relation to the recruitment and retention of key personnel, particularly drivers.

Public Health

- 11.32 The public health grant allocations for 2021/22 for BCP council is £20.053m and for Dorset council is £14.214m. Agreed local authority contributions for 2021/22 gives a shared service budget of £25.037m.
- 11.33 Each local authority retains a portion of the grant to deliver other services with public health impact. The public health ring-fenced conditions apply equally to these elements of the grant and the use of the funding in each council outside of the shared service will continue to be monitored through the Joint Public Health Board (JPHB). At present the financial forecast estimates spend in line with budget.
- 11.34 A small underspend is still forecast against the Pooled Budget. This is based on current activity data and a better understanding of the potential enduring impacts from Covid-19, which shows that changes in activity are different across each service area. Any underspend goes into the Public Health reserve at year end due to the ring-fence around the fund.
- 11.35 COMF and Test & Trace funds have been allocated, including contingency for further outbreaks. A large proportion is committed but not yet spent. Any forecast underspends will be reassigned where possible in year.
- 11.36 There are four priority themes for COMF spend including:
- i. Health Protection including expenditure for testing, contact tracing, summer opening
 - ii. Comms Engagement Insights and Research - Trusted Voices and campaigns
 - iii. Health Improvement - Adult Social Care and Drugs and Alcohol support

iv. Supporting Communities and tackling inequalities - Voluntary sector support and education

Corporate Development

- 11.37 Corporate Development forecast is an overspend of £50k against a budget of £23.842m (0.2%).
- 11.38 Financial and Commercial services are forecasting an overspend of £0.323m which is related to loss of court fee income from the non-payment of business rates and council taxes linked to Covid-19.
- 11.39 An underspend of £235k is forecasted in ICT and other, net, minor movements in the other services contribute to an underspend of £0.042m covering additional income (HR), reduced contributions to Dorset Care Record and partially offset by additional Covid-19 grants issued.

Legal & Democratic Services

- 11.40 Legal & Democratic Services is forecasting an overspend of £726k against a budget of £5.708m (12.72%).
- 11.41 Assurance is forecasting an overspend of £0.773m; the majority of which is £0.693k estimated costs for temporary Mortality Support Units (MSU). Pandemic events with the potential for very significant loss of life across the UK remain a significant risk in the Government's National Risk Register and SLT is to receive a report concerning the future of the MSUs and their funding.
- 11.42 The members budget is forecasting an underspend of £0.056m due to meetings costs (travel, property etc) being reduced through the holding of meetings virtually rather than face to face.
- 11.43 This is partially offset by a minor forecasted overspend in legal services due to reduced income.

Central budgets

- 11.44 Central budgets include the main sources of the council's funding; council tax, business grants and general grants (such as new homes bonus).
- 11.45 A Grant of £8.56m has been received from Government to support the impact of Covid-19 on the council's financial position. This is contributing to the overall position and offsets spend captured in the directorates.
- 11.46 The performance of the Dorset Council Revenues and Benefits team is overseen by the Cabinet member for Finance, Commercial and Capital Strategy. The team continue to operate effectively and in addition to their normal duties, during the course of the last quarter they have been cleansing and preparing data in preparation of migration during November to a new database that will for the first time bring together all of Dorset Council's Council tax information into a single system. This will be a major milestone in Dorset Councils digital strategy.

11.47 Throughout quarter two, the team has continued to coordinate payment of COVID business grants to claimants. Since the schemes started, the team has administered grants totalling over £197m in value and represent over 34.5k applications. Whilst the emphasis is now much more on post payment verification of the business grants the team has been able to provide data and assurance to government in a timely manner. The team continues to administer the test and trace support payments. The team was recently contacted by the Department of Health and Social Care as an example of good practice advice due to being one of the top five performing local authorities nationally.

Collection Funds

11.48 Cabinet is aware that collection rates for council tax and business rates continue to be suppressed by the pandemic. For the first half of 2021/22, the picture is still challenging but is showing signs of improving slightly as the year progresses.

11.49 For council tax, it is pleasing to be able to report that in-year collection rates this year are showing signs of recovery. However, significant risk remains until we see rates similar to those for 2019/20 and recover the arrears that accumulated during this slower collection period (arrears recovery is not included in the cumulative % rates in the tables below).

DC Summary	2019/20	2020/21	2021/22
April	10.58	10.52	10.67
May	19.93	19.60	19.73
June	29.40	28.85	28.84
July	38.82	37.99	38.05
August	48.14	46.99	47.10
September	57.56	56.02	56.28

11.50 Whilst there has been some support from Government for local tax losses - and this is included in the Qtr2 forecast – risk of a potentially significant burden still lies with local authorities.

11.51 Council tax arrears increased by £10.2m in the year to 31 March 2021 and contributed towards an increase in the provision for bad debt of £6.5m. In the first half of this year, the Council recovered £4.8m of arrears and progress continues.

11.52 The Council has also returned its CTB1 figures to Government as is required at the mid-point in the year, which indicate some welcome growth in the tax base since the budget was set, indicating that a council tax collection fund surplus is likely for 2021/22. The accounting arrangements mean that this will be treated as a one-off source of funding for 2022/23 rather than impacting in the current year. The growth itself is positive and

could flow into a higher tax base growth assumption than we currently have in the MTFP (0.75%) when the figures are calculated in December.

- 11.53 For business rates collection, the figures are more concerning and until September's very positive performance, the current years cumulative rates were lower than 2020/21. There could be a number of reasons for this but anecdotally we know that a number of businesses have ceased trading and will no longer be paying business rates and there will be a shortfall of income until empty premises are occupied. This situation will be kept under close review and the Portfolio Holder will continue to be briefed on a monthly basis. The table below shows the cumulative % collection of total business rates.

DC Summary	2019/20	2020/21	2021/22
April	12.56	8.26	9.25
May	23.62	21.51	20.07
June	31.74	28.24	22.53
July	39.91	38.62	30.56
August	49.99	45.09	39.55
September	58.29	51.41	52.34

- 11.54 Business rates arrears increased by £5.4m in the year to 31 March 2021. It is difficult to quantify accurately how much of the arrears has been recovered in the first half of the year due to the extended business rates reliefs that were granted. However, progress in September was good and we hope that this will be sustained in Qtr3.

12. Progress against budgeted savings

- 12.1 In setting the budget strategy for 2021/22, the Council closed a budget gap which at one stage, was almost £42m. The various budget updates to Cabinet during 2020/21, including the 2021/22 budget strategy report, set out how that gap was calculated and subsequently closed. Part of that process involved identification of transformational and tactical savings.
- 12.2 Appendix 1 sets out a summary of the progress being made against the transformational and tactical savings and risk-rates the achievement of the savings. The shortfalls classified as *red* (£6.358m) are included in the forecast - i.e. they are assumed not to be delivered in 2021/22 and will therefore cause a budget pressure this year and in the MTFP unless the financial position is recovered. At Qtr1 the red-rates savings shortfall was £5.996m.
- 12.3 At this stage, the forecast assumes all other savings will be achieved, though clearly this may change as we move through the second half of the financial year. There is a further £2.278m of savings currently RAG-rated as amber, which is an improvement of £2.117m since £4.395m was reported at Qtr1.

- 12.4 Performance Board continues to monitor the transformation programme and associated savings. Work continues to identify strategies to deliver services within the funding available.

13 Reserves and the general fund

- 13.1 The 2020/21 draft outturn [report](#) set out Cabinet's agreed, strategic approach to reserves management. Dorset Council therefore started the current financial year with a general fund balance of £31.5m and a further set of aligned, earmarked reserves.

- 13.2 However, whilst the Council's position is sound and gives a good starting position for the development of the MTFP, the issue of the accumulated overspend on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) remains a concern.

14 Realignment of budgets

- 14.1 Changes of policy or other activity that cause a significant movement in the budget during the year should be shared with and agreed by Cabinet. During Qtr2, the following virements therefore need to be brought to Cabinet's attention.

Valuing people now (contract)

- 14.2 A virement of £834k is being processed to transfer this funding from Adults' Services to Children's Services in line with the new contract management approach agreed between the two Directorates.
- 14.3 The Vulnerable Young People (VYP) supported accommodation service was supporting 16-21 year olds and was jointly funded by Adults & Children's, with provision from a number of providers across the county. A case for change was instigated as there is a need to ensure those with the most complex needs are supported and that this is compliant with statutory duties for those up to the age of 21. Therefore, the accommodation is being retained to support Children's Services' most complex looked after children (LAC) and care leavers. This resulted in transferring the remaining Adult Social Care budget to Children's Services from 01/07/2021 to support longer term accommodation sufficiency plans.

Contract price uplifts

- 14.4 A transfer of £449k from contingency budget to Adults' Services on account of unavoidable price increases in homecare contracts across the service. Members will recall that inflation was not automatically added to service budgets in 2021/22 but had to be approved by the S151 Officer, from an earmarked element of the contingency budget.

15 Capital programme 2021/22

- 15.1 Council approved a capital budget of £62.8m when it approved the budget strategy in February 2021. On top of this, there was slippage in the

existing capital programme from 2020/21 of £76.1m, bringing the total to £138.9m. Further funding coming to the Council during the year means the capital programme for 2021/22 has increased to total expenditure of £197.3m.

- 15.2 A significant volume of the programme is financed externally through grants and contributions from others. CSAMG subgroups are currently reviewing this year's programme as part of the preparation for recommending a capital programme to Cabinet for 2022/23. This work is likely to involve the "surrender" of a small portion of the £197.3m as it is no longer needed, as well as an assessment of how much of the programme will inevitably slip into 2022/23. The outcomes of this review are essential to enable us to understand our starting point for 2022/23 for capital financing impacts on the revenue budget.

16 Financial planning and future budget strategy

- 16.1 The pandemic provided significant challenges to the budget setting process for 2021/22. Whilst the same level of volatility is not anticipated in future, the Covid-19 tail still presents significant financial risks and challenges.
- 16.2 The long-term impact of Covid-19 on the Council's services was extremely difficult to model and even now, it is challenging to understand exactly how much of the continuing budget pressure is driven purely or principally by the pandemic. Despite one-off funding in 2021/22, the Qtr2 forecast summarised above, indicates that there are continuing pressures this year that will impact on the budget strategy for 2022/23 as set out in the October Cabinet [paper](#) on that subject.
- 16.3 The budget process culminates in the budget strategy report being considered by Cabinet on 18 January 2022 and then by Council on 15 February 2022. Between then and now the organisation is working towards closing a budget gap of £36m whilst also dealing with all the uncertainty that comes alongside a three-year spending review, and a major initiative like the *build back better* programme incorporating all the changes associated with the introduction of the additional tax changes being implemented to support Health and Care.
- 16.4 The budget and spending review (SR21) announcements are expected on 27 October and we hope to know more about how the Council's financial future at that stage, though it is unlikely that we will receive the local government finance settlement until after that date.

17 Summary

- 17.1 2021/22 continues to be an extremely challenging time for local government, with the direct and indirect consequences of Covid-19 impacting on income, expenditure, and in particular the collection funds.
- 17.2 There remains a large degree of financial uncertainty and having reviewed expenditure for the first half of the year, Dorset Council's prudent financial

forecast is a £4.771m budget pressure caused by a combination of increased demand and reduced income streams.

- 17.3 This represents a significant improvement from the quarter one position, and it is really important that we maintain the momentum of our improving financial position. The Council can never relax with its budgets and we need to be continually thinking about how to achieve best value for money and how to further improve our efficiency.
- 17.4 The information contained within this report continues to inform the 2022/23 budget setting process, which will once again prove to be extremely tough as the Council seeks to achieve its priorities whilst meeting the growing cost of demand, all from within limited funds.

Aidan Dunn

Executive Director of Corporate Development

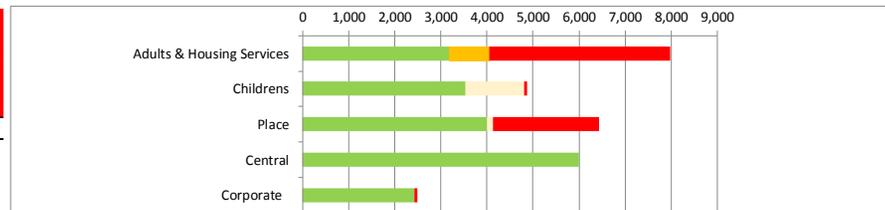
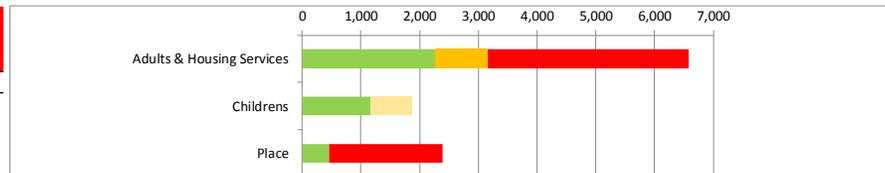
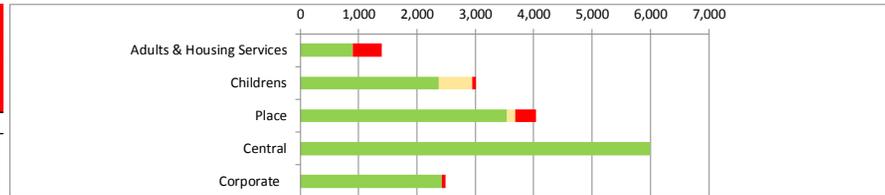
Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

Appendix 1

Summary of progress against budgeted savings

Summary Savings Plans		Officer assessment on savings target			
2021/22 Savings Plans		Green	Amber	Amber 2	Red
	£000's	£000's	£000's	£000's	£000's
Tactical					
Adults & Housing Services	1,400	898	0	0	502
Childrens	3,009	2,374	567	0	68
Place	4,043	3,544	137	0	363
Central	6,000	6,000	0	0	0
Corporate	2,489	2,426	0	0	63
Total Tactical	16,941	15,241	704	0	996
Transformation					
Adults & Housing Services	6,582	2,280	0	874	3,428
Childrens	1,870	1,170	700	0	0
Place	2,393	459	0	0	1,934
Total Transformation	10,845	3,909	700	874	5,362
Total - Tactical and Transformation					
Adults & Housing Services	7,982	3,178	0	874	3,930
Childrens	4,879	3,544	1,267	0	68
Place	6,436	4,003	137	0	2,297
Central	6,000	6,000	0	0	0
Corporate	2,489	2,426	0	0	63
Summary Savings Plans	27,786	19,150	1,404	874	6,358



Appendix 2

Dorset Council financial strategy statement 2022/23

Preamble

This document is being refreshed for the budget and MTFP for 2022/23. And incorporates recommendation from the finance peer review which was led by the LGA to help shape the form and substance of our financial strategy in coming years.

Dorset Council's [first financial strategy](#) was agreed by members in August 2018 and was intended to inform the basis of the budget and MTFP for 2019/20. Since then, we have experienced Covid-19 and development of a more refined financial strategy was impacted by response to and recovery from the pandemic and the unquantifiable impact this would have on our balance sheet.

Finance strategy has therefore developed in a less programmed way than the Council would have liked but we are back on track with this work and much has already been done and is referenced in this financial strategy statement for Cabinet approval.

Purpose and scope

The Chief Financial Officer (CFO) has responsibility for leading development and implementation of the financial strategy to deliver the Council's strategic objectives sustainably. This involves working closely with decision makers to establish a medium to long-term corporate strategy and plans that ensure financial sustainability.

In managing financial resources to optimise service outputs and community benefits, within funding constraints and any tax raising limits, the CFO must take into account future commitments, resources available and the desirable levels of reserves to ensure that the Council's finances remain sustainable. The CFO must ensure that the financial and risk implications of policy initiatives are analysed and addressed, and measures applied should encompass partnership working, alternative delivery models, capital investment programmes and annual operations, as well as financial targets and benchmarks. The Prudential Code requires that capital investment plans are affordable, prudent and sustainable.

The role of the Chief Finance Officer and the Finance & Commercial Team

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and to appoint a Chief Finance Officer (CFO) to have responsibility for those arrangements.

The work of the Finance & Commercial Team mirrors and supports the role of the CFO

- key members of the Council's leadership teams, helping them to develop and implement strategy and to resource and deliver the organisation's objectives sustainably and in the public interest
- actively involved in and able to bring influence to bear on, all material business decisions

- leading the promotion and delivery by the whole organisation of good financial management
- delivering and developing a finance function that is resourced to be fit for purpose and continuously improving
- appropriately qualified, suitably experienced, competent, confident and authoritative.

The Team aims to deliver consistently high-quality financial support and advice to the Council.

Member engagement and ownership

Member engagement in financial management, and especially the budget and MTFP is positive.

The S151 Officer has weekly briefings with the Finance Portfolio Holder and there are formal, quarterly finance reports to Cabinet. These reports then go to the Audit & Governance Committee and are regularly supported by presentations from Executive Directors and other officers to support activity and financial performance/projections in their areas of responsibility.

The development of the budget strategy and MTFP is also heavily influenced by members through informal briefings and seminars as well as formal, pre-Cabinet scrutiny, group briefings and for 22/23, plans to examine base budgets as well as incremental proposals for change. The Council also has several hands-on members who regularly take copies of our financial model and carry out their own scenario modelling and other testing.

The Council is still relatively new and the next stage of development is for members to have a clearer understanding of the organisation's emerging financial strategy as a cornerstone of their understanding of risk for the future and transparency around how resources support delivery of key plan outcomes. This is critical on the back of announcements around *build back better* and other Government programmes.

A financial model

Dorset Council maintains a rolling, ten-year, financial model which incorporates the key variables needed as part of the process of developing the MTFP and budget strategy. The model is kept up to date as part of a continuous financial management approach.

The model is formally rolled forward each year after the accounts are closed. The assumptions are revisited and SLT is consulted about the budget timetable and the assumptions being used in the model. These assumptions are then subject to challenge and review as part of the MTFP development as well as engagement with Directorates being used to include further budget pressures and opportunities in the model.

The model was newly built for Dorset Council but is informed by principles that were inherited from the predecessor councils. It has been significantly simplified compared with predecessor models but retains the ability to reflect a range of variables which are regularly updated. The model is shared beyond the finance team, including with councillors, so that those that are interested in the detail are able to use the tool themselves to carry out changes to variables to evaluate scenarios that they may wish to explore.

Clearly articulated plan and objectives

For the Council's financial strategy to be effective, it must support the delivery of our corporate objectives. Dorset Council's Plan sets out the organisation's ambitions for the next four years. It incorporates the political vision of the new councillors and was developed following a conversation with residents, town and parish councils, businesses and representatives from the public, private and voluntary sectors.

Dorset Council aims to be at the heart of the community. The reorganisation of local government in 2019 simplified administrative structures, which was a big step forward, but there are still some very significant challenges locally, nationally and globally.

The Council wants Dorset to be a great place to live, work and visit and is enabling this by focusing on five priorities

- economic growth – we will deliver sustainable economic growth, increasing productivity and the number of high-quality jobs in Dorset, creating great places to live, work and visit
- unique environment - we will help to deliver sustainable development while protecting and enhancing Dorset's environment
- suitable housing - we will work with registered housing providers, community land trusts and local housing partners to deliver affordable, suitable and decent housing
- strong, healthy communities - we will work with residents and partners to build and maintain strong communities where people get the best start and lead fulfilling lives
- staying safe and well - we will work with all our residents to have a good quality of life.

More information on the Council's plan can be found [here](#).

Measuring performance & value for money

The Council is developing its approach to performance management and to value for money. Whilst progress has been made, there is more to do. Resource issues linked mainly to pandemic response have meant that we have not made all the progress that we would have wanted to at this stage in relation to our approach to value for money but we are the right track.

Performance management

Dorset Council's Senior Leadership Team (SLT) receives a monthly summary of performance of the council's key service areas on a PowerBI dashboard. This has recently been modified to include more detailed financial information so that SLT are looking at performance alongside financial monitoring. The next stage of development is to include better strategic risk performance monitoring.

An informal meeting of cabinet – Performance Leadership Board – meets monthly to review the same scorecards that SLT sees. This is where elected members hold each other to account for performance. Each month includes a review of performance and a deep dive into an area of interest, reflecting what the performance information is showing.

Work has recently been completed for the dashboards for the two scrutiny committees (Place & Resources and People & Health) to review service performance for their areas of interest. The scrutiny committees meet six times each year and the intention is to review the performance data at every other meeting with a view to informing forward plan items to scrutinise areas where there are any issues that need to be better understood (good or bad). The intention is that these dashboards will be made available for anyone to see on the council's internet site, once we have identified the best technical way to do this.

A variety of performance monitoring tools are in place and being worked on at the service and directorate levels.

Cabinet receives a quarterly report of progress against the council plan priorities. We have also just instigated a review of our corporate plan to reflect changes needed following the pandemic. The detailed measures that sit behind the plan will also be reviewed and we also intend to produce a risk register explicitly linked to corporate plan delivery.

Value for money

The proposal is to develop a value for money framework and timeline setting out how to implement value for money benchmarking of all services to feed into a prioritisation exercise for conducting fundamental value for money reviews of the all the council's services.

The fundamental service reviews will need to include activity around

- comparing ourselves to the best in terms of both performance, cost and value for money
- challenging whether Dorset Council is best placed to provide the service and also the best way to provide the service including different ways of working; different service delivery options and exploring commercial market options. This could also include reviewing any currently outsourced services
- consulting our customers (internal and/or external) to find out what they want from the service.

A key piece of work is a systematic benchmarking exercise across all of the Council's services to identify strong and weak areas of performance and cost. This will enable a prioritisation exercise to deliver a timeline for fundamental service review. This work has started but progress has been slow due to staffing resource and we are currently reviewing how we might progress this work. An update on pilot areas for consideration was taken to Audit & Governance Committee in a [report](#) on 27 September 2021.

The approach to fundamental service review will be overseen by the Portfolio Holder for Corporate Development and the Council's Corporate Leadership Team. It will be worked up by officers from finance, business intelligence & performance and digital & change.

Strategy for reserves

Local authorities have two types of reserves, usable and unusable. Unusable reserves are those which are established for specific accounting or regulatory purposes, such as the revaluation reserve or the capital adjustment account. Their purposes are clearly prescribed, and they are not available for the Council to use.

Usable reserves, however, are available for the Council to use for discretionary or specific purposes - such as supporting service delivery, mitigating risk or providing for future investment or other expenditure. These reserves fall into two broad categories, earmarked reserves and the general fund.

The Council's strategy for its usable reserves, approved by Cabinet, is in three parts:

- setting a balanced budget
- alignment with risks
- allowing opportunity for investment.

The first element of the Council's strategy is not to use any of its reserves to balance its budget strategy. The in-year budget must be sustainable and balanced without using one-off sources of finance. Reserves can only be spent once and if used, consideration will need to be given to how they are replenished.

The second part of the strategy is to align reserves with strategic risks and the general risk of unforeseen and pressing activity causing short-term budget pressures. To a certain extent, this latter part is what the general fund is for, but other earmarked reserves are established for specific risk mitigation – insurance being the most commonly quoted example.

The third part of strategy is establishing funds which the Council can use to invest. There are many opportunities for investment and the Council will need to consider carefully how and in what ways it wishes to invest. This could be as simple as a piece of treasury management activity, or a more complex project where the Council invests in spend-to-save initiatives because it will have a positive impact on the revenue base budget. Parameters for potential investment decisions are not considered here, only the establishment of the fund.

Earmarked reserves

Earmarked reserves are set aside for specific purposes and each of these is set out clearly in the Cabinet outturn report for 2020/21. Responsibility for advising Council on the adequacy of reserves rests with the S151 Officer. The level of earmarked reserves is reviewed at least twice each financial year, once during closedown/accounts production and once during budget setting.

The S151 Officer is required to give an assessment of the adequacy of reserves as part of the assurance work around the budget each year.

General fund

The general fund is unearmarked and is therefore available for any purpose that the Council deems appropriate. Councils will generally establish for themselves, a lower limit on their general fund as well as an upper limit, and by default, therefore, an operating range in between the lower and upper limits.

Dorset Council's strategy is to set its lower limit at 5% of the budget requirement and its upper limit at 10%. For 2021/22, the budget requirement was £312.4m giving rise to a lower limit of £15.6m and an upper limit of £31.2m. The Council closed the year ended 31 March 2020 with a balance of £28.2m on the general fund. The operating range and limits are revisited each year as part of budget strategy and medium-term financial planning.

Outturn 2020/21 (context)

The draft outturn for 2020/21 (still unaudited) was [reported](#) to Cabinet on 22 June 2021 and set out that the impact of the pandemic and other events meant the Council drew down almost £15m from its general fund to support the response and recovery efforts. This was immediately topped-up as part of the development of the new reserves strategy, through rationalisation of other reserves, to the £31.2m set out above.

Covid-19 had a significant – and continuing - impact on the funding flowing to and through Dorset Council and this will result in unusually high levels of activity, transactions and balances in some cases. It is therefore imperative that the Council classifies its information correctly and is transparent about the impact the pandemic has had on its finances and financial information. This was set out in the Qtr1 financial management [report](#), in the budget and MTFP update [report](#), and in the Qtr2 report to which this document is appended.

As part of the emerging financial strategy response, Cabinet also declared it necessary to set aside significant reserved funds for potential risks around council tax and business rates collection in future. Moving out of lockdown does not mean everything will return to normal for collections (for example). This will require a clear and strategic review of the general fund as well as earmarked reserves, now that we are some way into the life of the unitary Council.

Contingency budget

As well as reserves, the Council has a contingency budget as part of its arrangements to manage risk in any particular year. As well as helping to address unforeseeable costs that arise during the year, the contingency budget also supports short-term changes in corporate policy, such as the suspension of automatic inflationary uplifts on contracts, where an amount was held in contingency to manage any price pressures which were essential.

In the early years of Dorset Council, the risks are inherently higher, so the contingency fund has been maintained at a relatively high value to reflect this. As the organisation matures, it is reasonable to expect that departmental base budgets will be able to be set on a much more sustainable basis and the need for contingency will reduce. This theme will be developed further during the 2022/23 budget round.

Resilience

Each year, following submission of the RO forms, CIPFA produces a set of resilience indicators for local authorities. CIPFA's Financial Resilience Index is a comparative analytical tool designed to support and improve discussions surrounding local authority financial resilience. The index shows a council's performance against a range of measures associated with financial risk.

The most recent data is for the year 2019/20 and therefore provides a pre-COVID baseline to show the resilience of authorities as they entered the pandemic.

For Dorset, the indicators show that we are not outliers in any particular measure and that although there are areas where we will want to focus when we prepare the budget strategy and MTFP for 2022/23, there are no areas of specific concern.

Comparison with prior years is not possible as 2019/20 was Dorset Council's first year of operation, but in setting financial strategy for future years, the Council will want to give consideration to the indicators of financial stress in order to improve those where resilience is relatively lower, or perhaps take a different approach where it is higher. For example, gross external debt and interest payable are both relatively low, indicating that the Council could explore the investment potential that might come from additional borrowing.

Dorset Council's resilience indicators can be found [here](#).

Medium Term Financial Plan (MTFP)

Each year the Council formally publishes its MTFP (five years) as part of the budget strategy. The plan focuses on how the Council will deliver a balanced budget for the year ahead and also sets out remaining gaps in the financial forecast over the following four years.

The planning and budgeting process is member-led and although it can be thought of as a continuous process, it officially starts each in July with a formal update of the financial model and assumptions being shared with the Portfolio Holder for Finance, then the Cabinet, then all Councillors.

Through an iterative approach to refining information about costs and income, council tax, business rates and other sources of funding, an initial gap is established which is shared with Cabinet and which is the starting point for action planning as part of agreeing a balanced budget.

The budget strategy and MTFP report for 2021/22 can be found [here](#). It is also worth setting out that as part of agreeing the budget, all councillors are invited to briefings on the budget prior to detailed consideration by the Council's Place & Resources, and People & Health Scrutiny Committees. Both of these Committees make recommendations/observations to the Cabinet as a result of their scrutiny and Cabinet responds as part of the process of agreeing a budget to recommend to full Council in February each year. For 2020/21, these recommendations can be found in Appendix 7 of the budget strategy report.

Transformation and tactical savings

The Council's [Transformation Plan](#) has been refreshed and was approved at the November 2020 Cabinet meeting. We will ensure that spend to save opportunities continue to be integrated into the financial planning process to ensure investment comes at the right time to ease pressure on the revenue budget. This will happen through the CSAM Group as well as through the MTFP process.

We should also be mindful of the impact that the pandemic has had on our previous plans and how the diversion of resources to support residents and businesses through the response and recovery meant that the Council was unable to deliver the programme of work that would have generated savings in our cost base.

An initial transformation fund of £5m was established from repurposing of predecessor Councils' reserves during Dorset Council's first year. That fund has been fully committed and ambitious plans are in place to deliver £9 of transformation savings and £18m of tactical savings from the base budget in 2021/22.

A review of progress against savings targets for 2021/22 is in progress and will be included in the Qtr1 Cabinet financial management report.

Capital strategy

The Council approves a capital strategy statement each year as part of the budget setting process. The capital strategy for 2021 to 2026 was set out in appendix 3 to the Council's budget strategy paper [here](#).

The Council's capital strategy is concerned with how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability and resilience.

Decisions made in any particular year on capital and treasury management will have financial consequences for the Council for many years to come. They are therefore subject to both a national regulatory framework (the Prudential Code) and a local policy framework, summarised in the budget strategy report.

Capital expenditure is where the Council spends money on assets, such as property, plant or equipment that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what is treated as capital expenditure, for example, land and building assets costing less than £25k are generally not capitalised and are instead charged to revenue in the year of purchase.

The capital programme in any period comprises

- projects funded fully by external funds (or grants)
- projects that are partially funded by external grant
- projects that are funded from the Council's own resources.

Each of these areas attracts different levels of scrutiny from Councillors in different arenas. The capital grant provided for schools, for example, is delegated to the Director of Children's Services and is reported to Cabinet but does not require their approval – or the same level of scrutiny – as projects which are financed by borrowing.

In agreeing its capital strategy for the period ahead, the Council will consider

- the impact of financing the capital programme on the revenue budget
- the feasibility of delivering everything that is requested
- how to prioritise spend and align it with the stated objectives in the Council Plan
- what level of capital investment is required as “replacement”
- what level of capital investment is required for new or alternative service delivery
- how can investment have a sustained, positive impact on the revenue budget and improve services for residents
- future ways of working, surplus assets, and the potential level of capital receipts.

Treasury, investment & borrowing strategies

Treasury management is concerned with the Council's cash flows, borrowing and investments, and the associated risks and opportunities. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk is therefore central to the Council's prudent financial management processes.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services Code of Practice* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. The treasury strategy is generally incorporated into the annual budget strategy report to Cabinet/Council to ensure approval.

The chief objective of the Council when borrowing is been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should long-term plans change is a secondary objective.

The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates remaining much lower than long-term rates, it is likely to be more cost effective in the short term to use internal resources or borrow short-term loans rather than long term loans.

As the capital strategy and programme develop and become more challenging, the approach to borrowing is likely to become more sophisticated, particularly in light of the relatively low risk around borrowing and interest, highlighted by the CIPFA resilience index.

The latest strategy can be found [here](#).

Asset management strategy

Dorset Council's property strategy and asset management plan was approved by the Cabinet in November 2020.

The Council has a wide and diverse variety of property interests geographically spread throughout and across Dorset. The Council Plan identifies that the effective utilisation of the Council's property assets forms one of the six transformational programmes that the council is undertaking. The Council's primary aims are to:

- rationalise the property estate, reduce costs and identify assets that are suitable for disposal or redevelopment
- improve the condition of the estate and reduce its environmental impact
- adapt the council's office accommodation in order to alter its estate and modernise its workspace to meet the needs of future agile working and the aims of the Dorset Workplace
- seek to maximise the value of the estate by creating income generation opportunities, disposing of or repurposing poor performing assets in order to create greater social, commercial and economic returns.

In addition, the Council aims to build on the principles of 'One Public Estate' programme and work in collaboration with other public sector partners to utilise assets to

- create economic growth (new homes and jobs)
- deliver more integrated customer focused services through joint provision
- generate efficiencies through capital receipts and reduced running costs.

As one of the largest land and property owners within Dorset it is recognised that the Council is in a unique position to work with partners to lead and deliver strategic regeneration and that significant potential exists within its property base which can be used to help meet the Council's housing targets and the financial challenges the Council faces, in particular, from an ageing population.

In order both to achieve its wider goals and in the face of continual financial pressures the Council needs to review the size, efficiency and occupation of both its operational and commercial estate and have a clear mechanism, rationale and process for determining property need, the best use of property and ensuring it achieves best value from its estate through disposal or re-development of assets.

As part of its strategy the Council will either utilise its own resources, consider different delivery models or work in partnership/collaboration with others where appropriate and in such circumstances that will allow the Council to generate greater returns and benefits, mitigate risks and access resource and expertise in order for projects to come forward at a greater scale and pace over the coming three to five years.

The property strategy and asset management plan is [here](#).

Commercial strategy

The Council's commercial strategy, policy and approach is developing under the Commercialisation Transformation Programme [[Commercialisation \(sharepoint.com\)](#)] through a commercial steering group, supported by officer networks. Predecessor councils each had their own strategies, but it was felt that the establishment of Dorset Council gave an opportunity for the organisation's approach to commercialism to be renewed through an officer group with a view to new opportunities and attitudes.

The commercial strategy is being developed through four themes each of which are captured under the general heading of *being more commercially minded*. This is developing through four themes, as illustrated below



The aims and objectives of each of the *being more commercially minded* themes that will support the Council to adopt a commercial approach. These are complimentary to the principles set out in the new Commercial Strategy – Commissioning and Procurement as well as supporting Council's priorities of: economic growth; unique environment; suitable housing; strong, healthy communities; and staying safe and well.

Strategy principles being:

- people, skills and development
- effective commissioning
- strategic sourcing
- contract management
- partnership working
- maximising the Dorset pound
- climate and ecological emergency.

More detail on the commercial approach will be included here as it emerges but the approach to the four themes can be summarised as:

Theme 1 - behaving in a more business-like way

Aim: Adopting some of the positive culture and behaviours that are associated with commercial organisations

Objectives

- more effective contract management
- understand income and cost drivers
- a focus on the costs and benefits when making business decisions
- a measured appetite for risk
- knowledge of target markets

- knowledge of brand values
- assess how competitors and suppliers are behaving
- empowering and skilling the workforce
- know what factors drive and influence suppliers
- focus on the outcome and not just the process.

Theme 2 - being business friendly

Aim: *To promote local growth and prosperity*

Objectives

- grow awareness on how to sell to Dorset Council
- strengthen connections with Dorset Chamber and Federation of Small Businesses
- create opportunities for market engagement, e.g. meet the buyer
- work with partners within shared local supply chains.

Theme 3 - commissioning as one council

Aim: *Identify needs, develop service models and the market to meet those needs in the most cost-effective way as One Council*

Objectives

- develop and adopt best practice commissioning consistently across the Council
- address siloed nature of commissioning
- share commissioning intentions across services
- support a thriving market for all sectors
- focus on what is strategically important
- create smarter, more flexible contracts.

Theme 4 - making money

Aim: *Doing something that generates profit*

Objectives

- make the most of opportunities
- maximise income for current chargeable services
- establish a central record of all commercial income streams.

Procurement strategy

Dorset Council's current procurement strategy was agreed by the Cabinet in September 2020 after scrutiny by the appropriate committees at that time. A new strategy was needed as the Council wanted to set out principles in terms of the approach to procurement and encompasses a corporate approach to social value to help maximise the Dorset Pound through procurement outcomes such as economic, social and environmental.

A Corporate Procurement Strategy is the mechanism to ensure that procurement takes place in accordance with the Council's strategic aims, that it is effective and delivers best value. The Council is required under the Public Services (Social Value) Act 2012 to account for social value in its commissioning and procurement. The agreed strategy provides key principles and actions to embed practical and effective commissioning that includes a corporate approach to applying Social Value and Corporate Social Responsibility within procurement.

More recently, with the establishment of the Commercialisation Transformation Programme, the Council is to bring together more cohesive framework for evaluating resourcing decisions and outcomes in respect of all commercial related activities, this is to include bringing together a Commercial Board to provide oversight .

The current Corporate Procurement Strategy is [here](#).

The Commercialisation Transformation Programme has proposed a revision to the current procurement strategy with the intention of putting more emphasis on commercial and commissioning. Revised title being Commercial Strategy – Commissioning and Procurement. Proposed revisions include: the introduction of the concept of “Being more commercially minded” as set out under the Commercialisation Transformation Programme; more emphasis on effective commissioning to ensure that cost, quality, environmental and social value are early consideration as part of establishing best value; and outlining the requirements of the National Procurement Policy Statement (NPPS)*.

On 17th September 2021, Place and Resources Overview Committee received and considered a report which provided details on the proposed revisions. The Committee agreed a “Minded to” recommendation that Cabinet on 8th November 2021 approved the revised Commercial Strategy – Commissioning and Procurement.

Committee papers: [Place & Resource Overview Committee](#)

*National Procurement Policy Statement (NPPS)

A head of what is the Public Procurement Reforms, the Government's National Procurement Policy Statement sets out that contracting authorities procurement activity must support the delivery of national public sector priorities including generating economic growth, helping our communities recover from Covid-19 pandemic, and supporting the transition to net zero carbon. The importance of efficient, effective public procurement has been underlined by Covid-19 pandemic and that it can play a significant role in the country's economic recovery.

The proposed revised Strategy reflects that the Statement instructs that contracting authorities should have regard to the following national priorities:

- Social Value
- Commercial and procurement delivery
- Skills and capability of procurement

Details on NPPs is [here](#)

CIPFA FM Code

Dorset Council supports the CIPFA Financial Management Code. The code is intended to:

- be a catalyst for improvement and ambition
- improve financial sustainability
- support finance professionals
- encourage greater organisational responsibility.

The code's themes are underpinned by six principles; again, all are supported by Dorset Council:

- organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture
- accountability – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs

- financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making
- adherence to professional standards is promoted by the leadership team and is evidenced
- sources of assurance are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection
- the long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The Council is working towards providing an evidence base of how it performs against the 17 standards set out in the code and flowing from the six principles. This work in progress is supported by the recommendations from the peer review.

The Council is also in conversation with its external auditor, Deloitte, about the evidence that is being sought to demonstrate that we are working towards the full implementation of the code as part of the audit of the 2021/22 financial statements.

The Council acknowledges that there is still much work still to do in this area, but we feel we are on the right track and the work of the peer review team has been valuable in raising the profile of this code and the culture that it strives to engender in the organisation.

Continuing funding challenges

It has been clear for some time that local government as a sector will continue to face funding challenges. There is no silver bullet to solve the gap between needs and resources and the need for well thought out financial strategy underpins this reality.

This financial strategy is being developed as the Council manages the second consecutive year of one-year settlements and short-term spending reviews and steadies itself in preparation for the outcome of a three-year spending review (and hopefully, a three-year settlement). Formulation of longer-term plans has been extremely challenging in the prevailing environment of single-year settlements which have made major policy shifts and transformation difficult to model and implement.

A change of course is always a possibility with resources being secured only for the short term, at short notice at a time when there is so much turbulence arising from the exit from the European Union and the recovery from a pandemic to name but two factors.

However, the Council is optimistic that with the forthcoming spending review outcomes, and a positive settlement for Dorset Council, formulation and iteration of strategy can help inform how the organisation allocates resources across its many, competing priorities, notwithstanding the huge risk surrounding the *build back better* programme.

Council tax

According to the [Live tables on Council Tax - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/live-tables-on-council-tax) Dorset Council has the ninth highest, band D council tax charge in the country.

Most Dorset Council members are broadly aware of being a relatively high-charging authority and should be aware of the reasons for this – a historically low level of general grant from Government, followed up with a draconian approach to cutting revenue support grant adopted as part of the four-year settlement announced in CSR2015.

A briefing was included in the [budget update paper](#) to Cabinet in January 2016 which sets out how this happened and the impact it had on what was Dorset County Council at the time.

Council tax is a strategically important source of income for all councils, but even more so for those like Dorset, where a relatively greater proportion of income is from this source. The tension between increasing council tax – and the social care precept – is therefore not a decision that this Council takes lightly, and great consideration continues to be given to the balance between savings, cost pressures, service costs and transformation.

Dorset Council's band D council tax for 2021/22 is £1,779.39. If the Council to set a target of dropping out of the top 20 highest charging councils by freezing its council tax, it could do this in four years if the other, current top 20 increased their council tax by 1% each year, or in two years if they increased by 2%.

Clearly any ambition to reduce council tax in real and relative terms would need to be balanced against the savings that this would require across services. Each 1% of council tax is worth £2.64m in 2021/22, so over the two years that a 2% freeze might be required, this would mean £10.6m in council tax foregone in the base budget.

Major Financial Risk

The overspend on the Special Education Needs (SEN) High Needs Block (HNB) is the single largest financial risk facing Dorset Council.

- The High Needs Block has been overspending for five years.
- By the end of 2019-20, the cumulative deficit totalled £21.9m, and this was held in the accounts as a negative reserve, in accordance with regulations.
- The High Needs Block overspend for 2020-21 was £17.2m, which increased the cumulative deficit to £39.1m at the end of 2020-21.
- Our biggest pressure is in unit cost per child, emanating from an externalisation of placements due to inadequate sufficiency of places.

The Council has developed a recovery plan which, even if successful, predicts that the HNB budget will break even in 2025/26 with a cumulative deficit at that point of £70.3m.

The current statutory instrument is scheduled to end in 2022-23, and from April 2023 responsibility for accounting for and funding the deficit could transfer to Dorset Council. In this situation the accumulated deficit would need to be backed by a revenue reserve, forcing dramatic changes to the Council's services and plans, and putting it at significant financial risk. Furthermore, the in-year deficit would need to be funded by the local taxpayer rather than nationally funded education budgets.

In addition to the HNB, the build back better programme represents a huge risk to Councils. Despite being hailed by Government as the fix for health and social care, the programme strives for outcomes which will place significant additional burdens and costs which are as yet unquantifiable, upon councils. These include:

- the likelihood that the increase in employers' costs ushered in by the social care levy, will simply be passed to councils as the principal purchaser of care services;
- the requirement for additional, more complex financial assessments to be carried out as a result of the care costs cap, meaning significant demand for additional assessment resource by all councils with care responsibilities;
- the right of self-funders to require councils to broker their care at the same rates as the councils themselves pay, meaning an upward pressure on council contract rates is inevitable.

Next Steps

Considerable progress has been made in developing the financial arrangements within the Council since it was established in April 2019. Whilst responding to the pandemic has delayed progress, the organisation remains committed to continuous improvement.

The current forward plan of operational and strategic issues which need to be addressed is detailed below. This is supported by the findings of the LGA peer review:

- Surviving the pandemic and resetting the organisation's financial strategy
- Consolidating and right-sizing finance team and functions
- Expanding digital by default agenda further into operations/processing/customer interface
- Building resilience, competence and confidence in the finance team
- Embedding strong financial management throughout the Council as part of our culture
- Providing excellent decision support to the Council's leaders and managers
- Completing the audit of the first year's accounts and resetting the balance sheet

- Rationalising reserves and aligning funds with risk and investment requirements
- Refreshing and maintaining the long-term financial plan and financial strategy
- Delivering a balanced budget for 21/22 (and future years)
- Supporting delivery of tactical and transformational savings
- Developing the organisation commercial approach and behaviours
- Concluding arrangements for Revenue & Benefits Services
- Provide the financial support required to address the High Needs Block overspend
- Provide great financial support and impact within Adult Social Care
- Influence the development of the local integrated care system to ensure the health and care system improves for residents and taxpayers.

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Audit and Governance Committee 15th November 2021 Changing the arrangements for bringing motions on notice to Full Council

For Recommendation to Council

Portfolio Holder: Cllr S Flower, Leader of the Council

Local Councillor(s): All Councillors

Executive Director: J Mair, Corporate Director, Legal & Democratic

Report Author: Jonathan Mair

Title: Corporate Director, Legal & Democratic, Monitoring Officer

Tel: 01305 838074

Email: jonathan.mair@dorsetcouncil.gov.uk

Report Status: Public

Recommendation:

That the Committee recommend to Full Council the option set out in paragraph 11.3 of this report

Reason for Recommendation:

The option in paragraph 11.3 would mean that an officer would no longer decide whether to accept a motion on notice. Setting the threshold of councillor support for a motion on notice at 21 councillors would reflect the significance to be attached to debating an issue at Full Council.

1. Executive Summary

The Full Council is where all councillors meet, usually in public, to decide the main policies of the Council and to set the budget each year.

Certain decisions are required by law or by the Council's own rules to be made by the Full Council. In addition, the Full Council is the forum to which councillors may bring forward issues of particular significance for debate and decision. The purpose of this paper is to enable the Committee to consider possible changes to

the rules under which councillors can trigger, through motions on notice, a debate at the Full Council.

2. Financial Implications

None

3. Well-being and Health Implications

There are no direct well-being and health implications but, as is also the case with climate change, questions relating to the well-being and health of Dorset's residents are likely to be amongst the significant issues about which councillors may wish to bring forward motions.

4. Climate implications

Please see the comment under well-being and health implications.

5. Other Implications

For local democracy, the reputation and credibility of the Full Council as the forum for debating questions that matter to the communities councillors represent.

6. Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: Medium

Residual Risk: Low

7. Equalities Impact Assessment

None.

8. Appendices

[Council Procedure Rules.](#)

9. Background Papers

None

10. Current Procedure Rules

10.1 Under the heading “Member requests for consideration at Full Council” Procedure Rule 14 describes the arrangements under which 8 councillors, may bring forward a motion for consideration by the Full Council.

10.2 Procedure Rule 14.2 describes a valid motion on notice as one about which written notice has been given to the Proper Officer not less than 10 clear working days before the Full Council meeting and which in the opinion of the Proper Officer in consultation with the Chairman:

(i) is about a topic or issue related to the responsibilities of the Full Council or which directly affects the Council or the district,

(ii) is clearly identifiable as a notice of motion;

(iii) identifies which of the Members is to be the Proposer and which is to be the Seconder; and

(iv) is signed by the Members submitting it (unless submitted by e-mail) and the date it was submitted to the Proper Officer;

but

(v) does not relate to the personal affairs or conduct of any individual Member or Officer; nor

(vi) contain defamatory, inappropriate or inflammatory language.

10.3 Members have not raised concerns about the appropriateness of points (ii) to (vi). Concerns have though been raised about point (i) and whether, in a member led council, an officer should be in the position of deciding if a topic is suitable for debate at a Full Council meeting.

10.4 Procedure Rule 14.2 (i) puts the proper officer in a sometimes very difficult position of having to decide whether to accept a motion about which the views of councillors are already divided. The next section of this report sets out possible alternative approaches for consideration.

11. Alternatives to the current Procedure Rule

11.1 Reverse the roles of the Proper Officer and the Chairman in procedure rule 14.2: so that the decision is that of the Chairman, after consulting with the proper officer. This would reflect member leadership and accountability but would still leave in place a filter on what motions members could bring forward on notice.

11.2 Remove Rule 14.2 (i) and leave the remainder of Rule 14.2 unchanged: this would mean that provided a motion satisfied the other requirements (for instance that it did not contain defamatory language) and had the support of eight councillors it could be brought to council. There would be

no restriction upon the subject matter of a motion other than that eight councillors thought the subject sufficiently important that it should be debated.

Under this proposal a threshold of 8 would represent almost 10% of the membership of the Council. Coupled with the rule that a member may sign up to bring forward only one motion to each meeting of the Council this would mean a maximum of 10 possible motions at any meeting.

- 11.3 Remove Rule 14.2 (i) altogether and increase to 21 the number of councillors needed to support a motion on notice: we could iterate a range of alternative numbers but 21 has some legitimacy as the number needed for a meeting of the Council to be quorate. As with the option in paragraph 11.2 there would be no officer filter and provided a motion attracted the required support and satisfied procedural requirements it could be debated. However, recognising that only the most significant issues should warrant time at Full Council the threshold of support needed to bring forward a motion on notice would be 21.

Under this proposal a threshold of 21 would exceed 25% of the membership of the Council. Coupled with the rule that a member may sign up to bring forward only one motion to each meeting of the Council this would mean a maximum of three possible motions at any meeting.

- 11.4 Members might prefer another iteration of the numbers set out in the options in paragraphs 11.2 and 11.3. My recommendation is that members should support paragraph 11.3 as the appropriate threshold, recognising that only the most significant issues should warrant a debate at Full Council.



AUDIT AND GOVERNANCE (HEARING) SUB-COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 20 SEPTEMBER 2021

Present: Cllrs Matthew Hall, Susan Cocking and Bill Trite

Apologies: There were no apologies for absence

Also present: Mrs C Commons (Shaftesbury Town Clerk), Mrs K Tippins (Shaftesbury Town Councillor), Mr P Lousley (Independent Person)

Officers present (for all or part of the meeting):

Grace Evans (Head of Legal Services and Deputy Monitoring Officer) and Susan Dallison (Democratic Services Team Leader)

45. Election of Chairman

It was proposed by Cllr S Cocking seconded by Cllr B Trite

Decision

That Cllr M Hall be elected Chairman

46. Declarations of Interest

There were no declarations of interest.

47. Hearing Sub-Committee Terms of Reference and Dorset Council Member Complaint Process

The terms of reference were noted.

48. Urgent Items

There were no urgent items.

49. Exempt Business

The Chairman announced that the meeting would be held in public unless there were any valid reasons for holding the meeting under exempt business.

Cllr K Tippins requested that the meeting be held in private as the report by the Investigating Officer contained details of her personal circumstances and mentioned her family members.

The Deputy Monitoring Officer advised the members of the Sub-committee that the balance of public interest would need to be satisfied against the public

interest to hold the meeting in private. It was noted that some of the information contained within the Investigating Officer's report was already in the public domain.

On balance the sub-committee agreed that the meeting should be held in public.

50. **Code of Conduct Complaint 1**

The Sub-committee received an investigation report into a complaint made by Mrs C Commons which alleged bullying and harassment by Cllr K Tippins towards Mrs C Commons and behaviour in contravention of the Shaftesbury Town Council Code of Conduct. The complaint alleged that Cllr K Tippins had breached parts 2.1a, 2.1b, 2.2b, 2.2c and 2.2g of the Code of Conduct.

The Investigating Officer, Anna Lake introduced herself to the meeting and highlighted the main points of her report to the Sub-committee. Anna Lake confirmed that she had no previous involvement with Shaftesbury Town Council or anyone from the town council prior to the Code of Conduct Investigation. Anna Lake explained that she had approached a selection of potential witnesses, including those who were at relevant meetings, who might be more supportive of Cllr K Tippins or of Mrs Clare Commons. The witnesses who had given statements were those that were specifically involved with the complaint and all witnesses had signed to confirm that the statements were accurate. Cllr K Tippins had declined to meet with the Investigating Officer.

Anna Lake reiterated that she had approached the investigation with no prior knowledge of Shaftesbury Town Council, its councillors or officers so there was no bias in the investigation. As a result of conducting the investigation into the complaint made by Clare Commons, Shaftesbury Town Clerk into Cllr K Tippins, the Investigation Officer concluded that there had been breaches of the Code of Conduct.

The Chairman invited Cllr K Tippins to ask questions of the Investigating Officer. Cllr K Tippins stated that she hadn't refused to meet with Mrs Lake, as she had asked Mrs Lake and Jonathan Mair (Monitoring Officer) to tell her what she had done wrong. Cllr Tippins asked why did Mrs Lake not provide her with the evidence that she had requested? She had asked for confirmation of what she had said that was deemed to be bullying behaviour. Cllr K Tippins stated that she had not received an answer to her questions and she had not been provided with a transcript of the meetings. Cllr Tippins stated that she had taken legal advice and should be have been told exactly what she had done wrong. Cllr Tippins stated that she had protected rights as a councillor and was able to ask the town clerk questions in public.

The Deputy Monitoring Officer, Grace Evans confirmed that it was a legal requirement to conduct a fair hearing and Cllr K Tippins was entitled to see the allegations made against her. The Deputy Monitoring Officer confirmed that Cllr K Tippins had been sent a copy of the complaint made against her.

Cllr K Tippins confirmed that she had been sent a copy of the complaint. She had taken legal advice and was advised that she needed to have the precise allegations and transcripts of the meetings referred to in the complaint. The Deputy Monitoring Officer advised the Sub-committee that the Monitoring Officer was satisfied that the details of the complaint had been provided to Cllr K Tippins and the legal duty had therefore been complied with.

Cllr K Tippins stated the Investigating Officer had a copy of all the meetings so there should have been a transcript of exactly what she had done wrong, Cllr Tippins expressed her concern that the Investigating Officer was going to interview her based on perceptions and not fact. Cllr Tippins also stated that there were many inaccurate statements in the report that went as far back as 2014 that included members of her family. In response the Deputy Monitoring Officer advised that there was no legal requirement to provide Cllr K Tippins with a transcript of the meetings and that Cllr K Tippins had had the opportunity to respond to the allegations via the Investigation Officer and had the opportunity today to make at the Code of Conduct Hearing. The Investigating Officer confirmed that she had provided Cllr K Tippins with a number of dates and times to meet but she had not responded.

Cllr K Tippins repeated that she had the right to hear what she had done wrong and asked why the report had included so many defamatory statements that went back to 2014 and included a time when she was not a councillor. Cllr K Tippins felt that she had been treated unfairly and prejudicially and that as a result she had complained to the Chief Executive Matt Prosser and the Monitoring Officer, Jonathan Mair. The Investigating Officer confirmed that her report did not include reference to any incidents when Cllr K Tippins was not a town councillor.

In response to a question from the Chairman Cllr K Tippins confirmed that correspondence from her solicitor had been sent to the Monitoring Officer, the Investigating Officer and the Town Clerk. Cllr K Tippins added that she had lost her mother at the end of March and that the Town Council, the Investigating Officer, Jacqui Andrews and Jonathan Mair were all contacting her about her alleged unacceptable behaviour a time when she was grieving for her mother.

The Chairman asked if she had made the officers aware of her personal circumstances at the time and Cllr K Tippins confirmed that she had and that she considered the contact to be harassment. The Investigating Officer confirmed that in none of her communications with Cllr K Tippins had she said that her behaviour was unacceptable and that at no point had Cllr K Tippins mentioned the death of her mother.

Cllr K Tippins stated that her complaint sent to the Chief Executive, Matt Prosser should have been looked into and that officers had been talking about her during pre-election purdah period, she therefore felt that the Monitoring Officer already has a prejudicial view of her. Cllr K Tippins thought that the Town Clerk had been writing a dossier about her and that it was not until the 17th April when she found out that the Town Clerk had an issue with her. Cllr K Tippins stated that contents of the dossier had been leaked and that she

had been subjected to abuse on social media abuse and reports in the national press.

In response to a question from Cllr Susan Cocking the Investigating Officer confirmed that she had received 2 emails from Cllr K Tippins' solicitor in August and September 2020 and that she had replied direct to the solicitor, which included a response about the impact statement and the ACAS definition of bullying but had not heard anything further from the solicitor. Cllr K Tippins stated that her solicitor had asked the Investigating Officer for the details of the allegations and that the Investigating Officer had not responded.

In response to the allegations made Cllr K Tippins stated that her role as a town councillor was to scrutinise and that she was answerable to the electorate on how decisions were made and how money was spent by the Town Council. Cllr K Tippins stated when she was elected all of the committee seats had been filled before the election and that she had received a threat from another councillor that she had to vote in line with everyone else otherwise it would be very difficult for her and that she would not fit in and the councillors voted so that she was not able to sit on any of the standing committees of the council. Cllr K Tippins stated that she wanted to know the breakdown for all the staff salaries as the cost represented over 55% of the precept. Cllr K Tippins felt that Investigating Officer's report referred to her as a bully for asking for information on the payroll. Cllr K Tippins stated that information on salaries should be made available for transparency for the electorate and that people felt that the payroll costs were too high. Cllr K Tippins stated that she was not being a bully, but she was trying to find out the information and challenging the fact that she wasn't on any of the committees. Cllr K Tippins told the Sub-committee that she had received 986 votes in the election, more votes than many other councillors on the council and that the public liked her because she was independent and that she challenged, but that was not the same as being a bully, it was scrutinising. The Town Clerk had put forward a resolution to enable decisions to be made by standing committees and not by Full Council and a requirement for 3 councillors to request items on an agenda. This meant that all decisions were taken by standing committees and herself and Cllr Yeo were not allowed to speak at the committee meetings, thereby excluding them from meetings and taking key decisions. Cllr K Tippins stated that her only way to improve governance was by going to the external auditor, but again this was not bullying as she was looking after the public purse and it was her right to ask questions and to submit FOI requests. Cllr K Tippins stated that by not serving on a committee she could not represent the people in her ward and she referred to decisions being made regarding S106 money that she could not participate in. Cllr K Tippins also made reference to a Town Council meeting when the Police had been called to remove her for a breach of the peace and she explained that she had just been sat at a table. Cllr Tippins also stated that she had been the subject of a vote of no confidence in order to get her to resign and that she had been muted when speaking at meetings.

At that point in the meeting Cllr K Tippins concluded her representation and the Chairman invited questions to be put to Cllr K Tippins.

The Investigating Officer asked why Cllr K Tippins chose not to meet with her prior to the Code of Conduct Hearing. In response Cllr K Tippins stated that the Investigating Officer had not verified anything and that she was attending the hearing in order to defend herself. Cllr K Tippins asked why she had not received the report when it had been finished in July 2020. The Investigating Officer stated the report had been completed in April 2021 and Cllr K Tippins had been provided with a copy of the report.

Cllr B Trite addressed Cllr K Tippins and asked, with reference to the accusations made against her and her reports of corruption of contract awards, was he correct in thinking that she considered herself to be victimised by the Town Clerk and councillors and what was the cause of this long standing vendetta? In response Cllr K Tippins stated that it was because she had spoken out about a planning application when she last served on the town council. The planning application was to build houses outside of the settlement boundary and her view was that the application was deceitful.

Cllr B Trite asked Cllr K Tippins why she had not taken up her right of reply to the allegations that had been made and why she did not take the opportunity to refute the allegations. Cllr K Tippins stated that she did not want to take part in an interview based on perceptions, she did not feel comfortable or trust the process as it was not a legal process.

Cllr S Cocking asked Cllr K Tippins why she had not reported a threat from another councillor under the Code of Conduct. Cllr K Tippins stated that she had already reported that particular councillor under the Code of Conduct and it had been dismissed.

Cllr S Cocking asked Cllr K Tippins about the committees that she had been excluded from. Cllr K Tippins reported that she had a seat on the planning committee but had been excluded from all committees when she was elected, the most significant of those committees being the General Management Committee which took decisions relating to S106 agreements.

In response to a question from Cllr S Cocking Cllr K Tippins stated that all decisions were made by the standing committee and the committees did not make recommendations to Full Council.

Mr C Lousley, Independent Person asked Cllr Tippins why she had not participated in the investigation when he had suggested to her that she should take part. Cllr K Tippins replied that it was her right to understand what the allegations were, that she was unable to deal with perceptions and that the statements were defamatory and that the Investigating Officer wanted to interview her before she had received a copy of the report. Cllr K Tippins also stated that she would co-operate in accordance with the Localism Act but she had not been provided with the facts for the transcripts of the meetings.

Mr C Lousley asked Cllr K Tippins if she understood that she had a duty to the council officers and faced with a complaint in which the Town Clerk was stating that she was upset by Cllr K Tippins behaviour, wouldn't she want to try and sort out the issues directly with the Town Clerk. Cllr K Tippins stated

that she had only found out that the Town Clerk had issues with her through social media, that she had been treated unfairly and prejudicially and that the allegations were petty.

The Chairman advised those in attendance that Cllr K Tippins has requested to call her husband, Dr Tippins and Cllr Yeo as her witnesses, however she had been informed that only witnesses who had provided a statement in the investigation report could be called as witnesses at the hearing. The Deputy Monitoring Officer advised the Sub-committee that Cllr K Tippins was entitled to have the allegations put to her, to be part of the investigation process and engage with that process. If she had engaged with the process she could have asked for witnesses to be included as part of the investigation process. Dorset Council was required to comply with the legal requirements in its Code of Conduct complaint process. One requirement was for the hearing to be proportionate in all the circumstances of the case. Dorset Council considered it appropriate that witnesses could only be called at the hearing if their statements had been included in the Investigation report as any information provided by witnesses on the day could not be corroborated by other witnesses or taken into account in the report. The Deputy Monitoring Officer advised that the process was lawful and fair and that her recommendation to the Sub-committee was not to accept the 2 additional witnesses at this late stage in the process.

Members of the Sub-committee agreed with the legal advice and did not accept the request to hear the additional witnesses.

At that point the members of the Sub-committee, the Independent Person and the Democratic Services Officer retired in order for Sub-committee to make their decision.

After deliberations the Sub-committee returned to the meeting and the Chairman announced the following decision:

Having heard all of the views today and having read all the papers and taken account of the view of the independent person, the Committee has made a unanimous decision to agree with the recommendations of the Investigation officer and find that there have been multiple breaches of the Code, in particular 2.1(b), 2.2(b),(c), (g), and (h). Where the investigating officer found that there was no breach of the Code the Committee agreed with that finding. The Committee is satisfied that a legally compliant process has been followed, which accords with the rules of natural justice and the decision is made on the evidence provided.

The Sub-committee therefore requires

Cllr K Tippins to attend a training course on interactions with other councillors and officers within 3 months;
Shaftesbury Town Council to identify a single point of contact for Cllr Tippins other than the Town Clerk, to protect Cllr K Tippins and the Town Clerk from direct dealings outside of formal council meetings;

The Town Council to make arrangements, to apply until the date of the next town council election, for any meeting between Cllr K Tippins and Town Council staff (outside of formal council meetings) to be by appointment only so that staff can be accompanied at the meetings.

In accordance with our complaints process there is no right of appeal.

Duration of meeting: 3.00 - 6.30 pm

Chairman

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DORSET COUNCIL DECISION NOTICE

Complaint Reference: 19/20
Subject Member: Cllr K Tippins
Date of Hearing: 20 September 2021
Audit and Governance (Hearing) Sub-Committee

1. Summary of the Complaint

The Complainant alleged that Cllr Tippins had breached the Shaftesbury Town Council Member Code of Conduct in respect of Cllr K Tippins behaviour towards the Complainant that amounted to bullying and harassment over a period of time and on specific dates between 18 December 2019 and 20 April 2020.

2. The Conduct of the Hearing

The conduct of the hearing is as detailed in the Audit and Governance (Hearing) Sub-Committee minutes, a copy of which will be available on the Dorset Council website when published and forms part of this Decision Notice. [Link](#)

3. The Hearing Sub-Committee's Decisions

3.1 The Hearing Sub-Committee's decisions are detailed in the minutes. However, the Hearing Sub-Committee's key conclusions are also set out below.

3.2 Members of the Sub-Committee having heard all of the views at the hearing and having read all the papers and taken account of the view of the Independent Person, made a unanimous decision to agree with the recommendations of the Investigating Officer and found that there had been multiple breaches of the Shaftesbury Town Council Member Code of Conduct by Cllr K Tippins; in particular:

section 2.1 (b):

"A Councillor musttreat others with respect;"

section 2.2 A Councillor must not -

"(b), bully any person;"

"(c), intimidate or attempt to intimidate any person who is or is likely to be (iii) involved in the administration of any investigation or proceedings in relation to an allegation that a councillor has failed to comply with the code of conduct;"

"(g) behave in a way which could reasonably be regarded as bringing their office or the Council into disrepute;"

"(h) use or attempt to use their position improperly to confer on or secure for them or any person, an advantage or disadvantage".

3.3 Where the Investigating Officer found that there was no breach of the code the Sub-Committee agreed with that finding.

3.4 The Sub-Committee therefore required the following actions as an appropriate and proportionate response to the complaint:

- Cllr K Tippins to attend a training course on interactions with other councillors and officers within 3 months;
- Shaftesbury Town Council to identify a single point of contact for Cllr K Tippins, other than the Town Clerk, to protect Cllr K Tippins and the Town Clerk from direct dealings outside of formal council meetings;

- Shaftesbury Town Council to make arrangements, to apply until the date of the next Town Council election, for any meeting between Cllr K Tippins and Town Council staff (outside of formal council meetings) to be by appointment only so that staff can be accompanied at the meetings.



.....
Jonathan Mair
Monitoring Officer

Right of Appeal: There is no right of appeal against the decision of the Audit and Governance (Hearing) Sub-Committee.

Audit and Governance Committee Forward Plan 2021

Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead Councillor and Officer
15 November 2021			
	Treasury Management Mid-Year Review 2021/22	Mid-Year Review	Portfolio Holder – Cllr Gary Suttle Officer contact – David Wilkes
	Constitution Changes – Notices of Motion	Recommendation to Council	Portfolio Holder – Cllr Spencer Flower Officer contact – Jonathan Mair
	Quarter 2 Financial Management Report	To review the Cabinet report	Portfolio Holder – Cllr Gary Suttle
Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead Councillor and Officer
17 January 2022			
	Quarterly Risk Management Update	Update Report	Portfolio Holder – Cllr Spencer Flower Officer contact – Marc Eyre
	Internal Audit Progress Report	Progress report	Portfolio Holder – Cllr Spencer Flower Officer contact- Rupert Bamberger – SWAP Sally White - SWAP

	Dorset Council Statement of Accounts		Portfolio Holder – Cllr Gary Suttle External Auditor – Deloitte Officer contact – Aidan Dunn
Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead Councillor and Officer
21 February 2022			
	Future of the Revenues & Benefits Service		Officer contact – Jim McManus
	LGA Finance Peer Review – Monitor Performance Action Plan		Officer contact – Jim McManus
Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead Councillor and Officer
11 April 2022			
	Quarterly Risk Management Update	Update Report	Portfolio Holder – Cllr Spencer Flower Officer contact – Marc Eyre
	Internal Audit Annual Report & Internal Audit Planning Report	Annual Report	Portfolio Holder – Cllr Spencer Flower Officer contact- Rupert Bamberger – SWAP Sally White - SWAP
	Annual Governance Statement	Annual Report	Portfolio Holder – Cllr Spencer Flower Officer contact – Marc Eyre

Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead Councillor and Officer
September 2022			
	Review of Agency & Consultancy Spend	Annual Report	Portfolio Holder – Cllr Spencer Flower Officer contact – Marc Eyre

Other items raised by Audit and Governance Committee requiring further consideration

Issue	Notes	Date raised
Workforce stress / mental health issues	The committee have raised this as a potential area of work but note that it is linked to current transformation work	At committee on 7 November 2019
How Dorset Council holds and shares information	It is understood that some work is being undertaken in this area. A councillor workshop on the Dorset Council transformation programmes is being held on 10 January 2020. The suggestion is that councillors attend this session and following this, the committee give further consideration to whether any further work is required in this area	At committee on 7 November 2019
Schedule of debt	Jim Mcmanus agreed to produce a schedule of debt and the areas in the Capital Budget funded by borrowing.	At pre-meeting on 8 February 2021

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