



Audit and Governance Committee

Date: Monday, 13 November 2023
Time: 11.00 am
Venue: Council Chamber, County Hall, Dorchester, DT1 1XJ

Members (Quorum: 3)

Richard Biggs (Chairman), Susan Cocking (Vice-Chairman), Rod Adkins, Belinda Bawden, Simon Christopher, Barry Goringe, David Gray, Robin Legg, Bill Trite and Pauline Batstone.

Co-opted Members: Roger Ong and Simon Roach.

Chief Executive: Matt Prosser, County Hall, Dorchester, Dorset DT1 1XJ

For more information about this agenda please contact Democratic Services Meeting Contact john.miles@dorsetcouncil.gov.uk

Members of the public are welcome to attend this meeting, apart from any items listed in the exempt part of this agenda.

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Agenda

Item	Pages
1. APOLOGIES	
To receive any apologies for absence.	
2. MINUTES	5 - 8
To confirm the minutes of the meeting held on 25 th September 2023.	
3. 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.

4. PUBLIC PARTICIPATION

Representatives of town or parish councils and members of the public who live, work, or represent an organisation within the Dorset Council area are welcome to submit either 1 question or 1 statement for each meeting. You are welcome to attend the meeting in person or via MS Teams to read out your question and to receive the response. If you submit a statement for the committee this will be circulated to all members of the committee in advance of the meeting as a supplement to the agenda and appended to the minutes for the formal record but will not be read out at the meeting. The first 8 questions and the first 8 statements received from members of the public or organisations for each meeting will be accepted on a first come first served basis in accordance with the deadline set out below.

All submissions must be emailed in full to john.miles@dorsetcouncil.gov.uk by 8.30 am on 8th November 2023.

When submitting your question or statement please note that:

- You can submit 1 question or 1 statement.
- A question may include a short pre-amble to set the context.
- It must be a single question and any sub-divided questions will not be permitted.
- Each question will consist of no more than 450 words, and you will be given up to 3 minutes to present your question.
- When submitting a question please indicate who the question is for (e.g., the name of the committee or Portfolio Holder)
- Include your name, address, and contact details. Only your name will be published but we may need your other details to contact you about your question or statement in advance of the meeting.
- Questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda.
- All questions, statements and responses will be published in full within the minutes of the meeting.

5. MINUTES OF THE AUDIT & GOVERNANCE SUB-COMMITTEE

To note the minutes of the Audit & Governance Hearing Sub-committee (if any meetings have been held).

6. TREASURY MANAGEMENT MID-YEAR UPDATE

9 - 22

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

7. QUARTER 2 FINANCIAL MANAGEMENT REPORT 2023/24

23 - 50

To receive a report by Sean Creamer, Corporate Director Finance and

Commercial.

8. REVIEW OF TIMING OF COMMITTEE MEETINGS 51 - 58

To receive a report by Susan Dallison, Team Leader for Democratic Services.

9. FLEXIBILITY TO HOLD VIRTUAL LICENSING SUB-COMMITTEES 59 - 64

To receive a report by Elaine Tibble, Senior Democratic Services Officer.

10. HONORARY ALDERMAN OF THE DORSET COUNCIL AREA 65 - 70

To receive a report by Jacqui Andrews, Service Manager for Democratic and Electoral Services.

11. CONSTITUTIONAL UPDATE

To receive a constitutional update from Jonathan Mair, Director Legal and Democratic.

12. WORK PROGRAMME 71 - 72

To consider the work programme for the Committee.

13. 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.

14. 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 are no exempt items scheduled for this meeting.

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AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 25 SEPTEMBER 2023

Present: Cllrs Richard Biggs (Chairman), Susan Cocking (Vice-Chairman), Belinda Bawden, Simon Christopher, Barry Goringe, David Gray, Robin Legg and Bill Trite.

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

David Bonner (Service Manager for Business Intelligence and Performance), Susan Dallison (Democratic Services Team Leader), Aidan Dunn (Executive Director - Corporate Development S151), Marc Eyre (Service Manager for Assurance), Angela Hooper (Principal Auditor SWAP), Heather Lappin (Head of Strategic Finance), Jonathan Mair (Director of Legal and Democratic and Monitoring Officer), John Miles (Democratic Services Officer), Sally White (Assistant Director SWAP), Michael Moon (Head of Waste Operations) and David Wilkes (Service Manager for Treasury and Investments).

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

Sean Cremer (Corporate Director for Finance and Commercial)

Also present: Simon Roach and Roger Ong (Co-opted members).

24. **Apologies**

No apologies for absence were received at the meeting.

25. **Minutes**

The minutes of the meeting held on 17th July were confirmed and signed.

26. **Declarations of Interest**

No declarations of disclosable pecuniary interests were made at the meeting.

27. **Public Participation**

There was no public participation.

28. **Minutes of the Audit & Governance Sub-committee**

To note the minutes of the Audit & Governance Hearing Sub-committee (if any meetings have been held).

No meetings had been held.

29. **Appointment of Co-opted Members**

The Service Manager for Assurance introduced the report.

The interview panel on behalf of this committee offered co-opted member positions to Simon Roach and Roger Ong. The paper sought a recommendation from this committee to Full Council to endorse these appointments as required within the constitution.

Cllrs Richard Biggs and Bill Trite were delighted to endorse the appointments.

Decision

To recommend that Full Council endorses adopting Mr Roach and Mr Ong as co-opted members on the Audit and Governance Committee.

30. **Risk Management Update**

The Service Manager for Assurance introduced the Quarterly Risk Management Update Report. He informed that the risk function was slowly moving away from Assurance into the Business Intelligence and Performance Service. A new risk management and reporting officer will be in post early next month. The risk process was primarily a self-service arrangement and there had been a slip in reviews due to the absence of a dedicated risk officer for a period of time. It was anticipated that risk reviews would get back on track once a new risk manager was in post.

In previous meetings there had been discussions about various risks relating to Assets and Property Health and Safety that had been scored as extreme. The majority of these had been managed down and no longer deemed to be extreme as a result of the mitigation that had been established and put in place.

Noted.

31. **Report of Internal Audit Activity Progress Report 2023/24- September 2023**

The Principal Auditor introduced the report which was the second update report for 23-2024 financial year. She covered the highlights of the report, offering a reasonable interim opinion, that there had been no corporate risks identified, two limited assurance opinion reports had been issued since the last update report and the long outstanding actions had increased to 13. There will be a future update which will turn the rolling plan into a dashboard that is held in the audit case management system. For the action tracker the number of overdue actions had increased to 13, 6 related to premises health and safety and 5 related to risk management.

In response to questions asked about monitoring outstanding debt. The Corporate Director Finance and Commercial informed that a dashboard was being developed and will be rolled out shortly, which will cover how old is the debt, who owes the

money, and what the nature of it is. This data will be shared with SLT and allows officers to take a more proactive approach in reducing some of the service debt. Dorset Council's level of debt was £47 million and the majority of this was in relation to adult social care fees. Some of this was in the form of deferred payment arrangements. Financial data would also be shared with the members in the correct format through quarterly management reports and officers would look into how to give members more regular access to this data. There will be additional staff added to the central finance team and two new staff had been hired and will be joining the council on the 9th of October.

In response to questions asked about transport operations. The Head of Waste Operations informed that the driver declaration forms had been completed by the drivers in question. But for professional drivers in highways, fleet, and waste there was an automatic six-monthly check and the 150 drivers from coast to countryside area were not included in those checks but had completed their individual driver declarations. They had now been added onto the automatic six-monthly check.

The waste vehicles had various types of CCTV due to the age of the vehicles. The council was now moving onto a more remote access CCTV system, and there was no way to know if the CCTV cameras were working until the software was downloaded. The driver work policy had been updated to enforce that all drivers must comply with the requirements of the highway code.

Noted.

32. **Treasury Management Annual Report 2022/23**

The Service Manager for Treasury and Investment outlined the Treasury Management Annual Report. He summarised the Treasury Management Performance and Position for Dorset Council for the year ended 31 March 2023.

Cllr Grey commented that given the unusual nature of finances coming out of the Covid period he would have liked to have seen 3 or 4 more years on some of the tables from 2022-23 in the report to aid context. As there was a big drop in investments from £149 million to £75 million.

In response to Cllr questions the Executive Director for Corporate Development briefed the committee about the s114 notices that had been issued by other councils in recent months. Those councils which had issued S114 notices had either large equal pay claims or large portfolio of investments funded by borrowing. Dorset Council was not affected by either of these situations.

He went on to inform the committee that, like other councils, Dorset was facing financial challenges as costs were increasing due to rising inflation and demand. However, Dorset Council is well financially managed, has good governance, and currently, there was no risk of a section 114 notice being issued.

Noted.

33. **Work Programme**

To add a new debt management process to the Work Programme once it has been through SLT and Cabinet.

34. **Urgent items**

There were no urgent items.

35. **Exempt Business**

There was no exempt business.

Duration of meeting: 11.00 - 11.52 am

Chairman

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Audit and Governance Committee Monday, 13 November 2023 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

Brief Summary

This report summarises the treasury management performance and position information for Dorset Council for the six months to 30 September 2023.

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.

Total external borrowing and other capital financing liabilities of the Council at 30 September 2023 was £179m compared to £219m at 31 March 2023. The total interest paid servicing external debt for the year is forecast to be £8.5m compared to a budget of £9.5m.

At 30 September 2023 the Council held cash and cash equivalents of £22.7m and treasury investments of £70.9m – in total £93.6m compared to £115.0m at 31 March 2023. The total interest and investment income for the year is forecast to be £5.0m compared to a budget of £4.0m.

The external context for treasury management over the period has been volatile. Central banks' concerns about high and persistent inflation have led to sharper increases in interest rates than was expected when the strategy was approved. Whilst this has led to increased returns on bank deposits and other 'cash' investments it has also increased the cost of borrowing for the Council and had a negative impact on the valuations of bonds and (together with low growth expectations) other asset classes such as equities and property.

Recommendation:

That the Committee note and comment upon the report, and to offer any suggestions for improvements in treasury management arrangements for the future.

Reason for Recommendation:

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

1. Introduction

- 1.1 The Council's treasury management strategy for 2023/24 was approved by a meeting of Dorset Council on 14 February 2023.
- 1.2 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.
- 1.3 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 2021 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.
- 1.4 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.

- 1.5 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.

2. External Context

- 2.1 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, and the wider regulatory framework.
- 2.2 Continued high levels of inflation and sharply rising interest rates have been the major external factors impacting treasury management over the year to date. In response to concerns regarding inflation, the Bank of England increased the Bank Rate from 4.25% to 5.25% over the period.
- 2.3 Financial market conditions were volatile during the six-month period. Global bond yields rose and remained elevated as it became apparent that policymakers were looking to keep rates high for some time amid persistently higher core inflation and tight labour markets.
- 2.4 A detailed commentary on the external context provided by Arlingclose is included in Appendix 1.

3. Local Context

- 3.1 The Council's balance sheet is summarised in table 1 below.
- 3.2 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR).
- 3.3 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. The CFR increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

Table 1: Balance Sheet Summary

	31-Mar 2021 Actual £m	31-Mar 2022 Actual £m	31-Mar 2023 Actual £m	30-Sep 2023 Actual £m
Capital Financing Requirement (A)	335	345	355	360
External Debt (incl. PFI & leases):				
External borrowing	220	181	198	158
Long Term PFI Liabilities	22	21	19	19
Obligations under Finance Leases	3	2	2	2
Total External Debt (B)	245	204	219	179
Internal Borrowing (A - B)	90	141	136	181
Cash and Investments	169	196	115	94

3.4 The treasury management position at 30 September 2023 and the change during the year to date is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.23 Balance £m	Net Movement £m	30.09.23 Balance £m
Long-term borrowing	158.4	0.0	158.4
Short-term borrowing	40.0	-40.0	0.0
Total Borrowing	198.4	-40.0	158.4
Investments	73.8	-2.9	70.9
Cash and cash equivalents	41.2	-18.5	22.7
Total Cash and Investments	115.0	-21.4	93.6
Net Cash and Investments	83.4	-18.6	64.8

4. Borrowing

4.1 As part of its strategy for funding previous and current years' capital programmes at 30 September 2023 the Council held £158.4m of loans, a net decrease of £40.0m from 31 March 2023. Outstanding loans at 30 September 2023 are summarised in Table 3 below.

Table 3: Borrowing Summary

	31.03.23 Balance £m	Net Movement £m	30.09.23 Balance £m	30.09.23 Average Rate %	30.09.23 Average Maturity (years)
Public Works Loan Board	61.8	0.0	61.8	4.1	21.2
Banks (fixed-term)	25.6	0.0	25.6	4.7	54.1
Banks (LOBO)	11.0	0.0	11.0	4.6	53.6
Local authorities (long-term)	15.0	0.0	15.0	4.4	36.7
Local authorities (short-term)	40.0	-40.0	0.0	0.0	0.0
Other lenders (fixed-term)	45.0	0.0	45.0	3.9	43.5
Other lenders (LOBO)	0.0	0.0	0.0	0.0	0.0
Total Borrowing	198.4	-40.0	158.4	4.2	36.6

4.2 The chief objective 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.

4.3 Loans of £40.0m matured during the period. No new or replacement borrowing was taken out during the period.

5. Investments

5.1 CIPFA define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

5.2 The Council holds significant levels of invested funds, representing income received in advance of expenditure plus balances and reserves held. Cash, cash equivalents and treasury investments held on 30 September 2023 are summarised in Table 4 below.

Table 4: Cash and Investments Summary

	31.03.21 Balance £m	31.03.22 Balance £m	31.03.23 Balance £m	30.09.23 Balance £m
Cash and Cash Equivalents	83.6	45.9	41.2	22.7
Investments:				
UK Debt Management Office deposits	0.0	60.0	0.0	0.0
Short-dated bond funds	3.0	11.8	4.2	2.7
Strategic bond funds	11.2	10.6	9.5	9.4
Equity income funds	44.4	37.1	35.1	34.2
Property funds	20.4	23.7	19.9	19.7
Multi asset income funds	6.3	6.0	5.1	4.8
Total Investments	85.3	149.2	73.8	70.9
Total Cash and Investments	168.9	195.1	115.0	93.6

5.3 Both the CIPFA Code and government guidance require local authorities to invest funds prudently, and to have regard to the security and liquidity of 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.

5.4 The Council also holds investments in bond, equity, multi-asset and property funds. Such investments are held for the longer term with the acceptance 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.

6. Treasury Performance

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

Table 5: Treasury Performance

	Budget £m	Forecast £m	Variance £m	
Interest Payable	9.5	8.5	1.0	F
Interest and Investment Income	-4.0	-5.0	1.0	F
Net Payable / (Receivable)	5.5	3.5	2.0	F

7. Compliance

- 7.1 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.
- 7.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 6 below.

Table 6: Debt Limits

	Maximum 2023-24 £m	30.09.23 Actual £m	Operational Boundary £m	Authorised Limit £m	Complied Yes/No
Borrowing	198	158	443	463	Yes
PFI & Finance Leases	21	21	33	38	Yes
Total Capital Financing	219	179	476	501	

8. Treasury Management Prudential Indicators

- 8.1 The Council measures and manages its exposures to treasury management risks using the following indicators.
- 8.2 **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. This is calculated 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

	30.09.23 Actual	2023/24 Target	Complied Yes/No
Portfolio average credit rating or score	4.9	< 6	Yes

- 8.3 **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 without additional borrowing. 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

	30.09.23 Actual £m	2023/24 Target £m	Complied Yes/No
Total cash available within 3 months	77	30	Yes

8.4 **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

	30.09.23 Actual £000s	2023/24 Target £000s	Complied Yes/No
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	283	1,000	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	-283	1,000	Yes

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

8.6 **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 at the period end were:

Table 10: Investments longer than one year

	2023/24 £m	2024/25 £m	2025/26 £m	No fixed date £m
Limit on principal invested beyond one year	20.0	20.0	20.0	100.0
Actual principal invested beyond one year	0.0	0.0	0.0	70.9
Complied (Yes/No)	Yes	Yes	Yes	Yes

8.7 Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term cash and cash equivalents.

8.8 **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

	30.09.23 Actual £m	% of Total Borrowing	Upper Limit	Lower Limit	Complied Yes/No
Under 12 months	11.0	6.9%	25%	0%	Yes
12 Months to 2 Years	10.0	6.3%	25%	0%	Yes
2 Years to 5 Years	0.0	0.0%	25%	0%	Yes
5 Years to 10 Years	10.0	6.3%	35%	0%	Yes
10 Years to 20 Years	0.0	0.0%	35%	0%	Yes
20 Years to 30 Years	31.8	20.1%	45%	0%	Yes
30 Years to 40 Years	25.0	15.8%	45%	0%	Yes
40 Years to 50 Years	45.0	28.4%	45%	0%	Yes
50 Years and above	25.6	16.2%	75%	0%	Yes
Total	158.4	100.0%			

8.9 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

9. Financial Implications

This report summarises the performance of the Council's treasury management activity in the six months to 30 September 2023. There are no other financial implications arising from this report.

10. Natural Environment, Climate & Ecology Implications

There are no direct climate implications arising from this report.

11. Well-being and Health Implications

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

12. Other Implications

There are no other implications arising from this report.

13. 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.

14. Equalities Impact Assessment

There are no equalities implications arising from this report.

15. Appendices

Appendix 1: External Context (Arlingclose 3 October 2023)

16. Background Papers

Treasury Management Strategy 2023/24

Appendix 1: External Context (Arlingclose 3 October 2023)

Economic background: UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions. July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25%

will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets: Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%,

the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Interest rate forecast (25 September 2023)

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

The MPC held Bank Rate at 5.25% in September. Arlingclose believes this is the peak for Bank Rate.

The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second round effects. We see rate cuts from Q3 2024 to a low of around 3% by early 2026. The immediate risks around Bank Rate lie to the upside, but these diminish over the next few quarters and shift to the downside before balancing out, due to the weakening UK economy and dampening effects on inflation.

For context, the changes in interest rates during the quarter were:

	<u>31/3/23</u>	<u>30/9/23</u>
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.69%
5-year PWLB certainty rate, maturity loans	4.31%	5.22%
10-year PWLB certainty rate, maturity loans	4.33%	5.26%
20-year PWLB certainty rate, maturity loans	4.70%	5.64%
50-year PWLB certainty rate, maturity loans	4.41%	5.43%

Audit & Governance Committee

13 November 2023

Quarter 2 financial management report 2023/24

For Review and Consultation

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

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Sean Cremer
Title: Corporate Director – Finance and Commercial
Tel: 01305 228685
Email: Sean.Cremer@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

All financial management reports come to the Committee for review following the Cabinet meeting at which they are presented. The report contained in the appendices, Quarter 2 financial management report 2023/24, was presented to Cabinet on 7th November 2023.

Recommendation:

Members are asked to note the continuing pressures on the Council's budget.

Members are asked to comment on further work or review they would like to see carried out to improve any aspect of the Council's financial management, performance or position.

Reason for Recommendation:

Review of the organisation's performance against budget is a key aspect of this Committee's role.

1. Financial Implications

Financial implications are covered within the appended report.

2. Climate Implications

The climate implications are covered within the appended report.

3. Well-being and Health Implications

The well-being and health implications are covered within the appended report.

4. Other Implications

None specific.

5. Risk Assessment

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

Current Risk: High

Residual Risk: High

Given the local and national pressures the Council is facing in the current financial year and expected continued impact over the medium-term result in the S151 Officer, the Council's Chief Finance Officer establishing the current risk assessment as *high*. More detail is available in the appended report.

6. Equalities Impact Assessment

No specific equalities issues have emerged in drafting the Council's various reports on financial performance and position.

7. Appendices

Appendix 1 – Cabinet Report: Quarter 2 financial management report 2023/24

8. Background Papers

[2022/23 draft outturn report](#)

[2023/24 budget strategy report](#)

Cabinet

7 November 2023

Quarter 2 financial management report 2023/24

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: Sean Cremer
Title: Corporate Director – Finance and Commercial
Tel: 01305 228685
Email: Sean.Cremer@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report comes to Cabinet with information about the Council's projected financial performance for the full 2023/24 financial year, being made at the end of Quarter 2.

Recommendation:

Cabinet is asked to:

1. note SLT's forecast of the full year's forecast outturn for the Council, made at the end of Quarter 2 including progress of the transformational and tactical savings incorporated into the budget;
2. Identify the priority areas for changes to be made to close the in-year budget gap;
3. Agree that Portfolio Holders will work with officers to continue to identify and develop further in-year efficiencies and savings to minimise use of reserves;
4. note the capital programme for 2023/24 and updated capital plan for 2023/24 – 2027/28;

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 2023/24. This report summarises the Council's forecast financial performance for the year at the end of the second quarter.

The operating environment for Local Authorities across the UK remains challenging given the ongoing impact through the recovery phase of the pandemic as well as international conflict driving inflation. These external factors are bringing pressure to bear through increased demand, rising costs and reducing funding. As a result effective control and monitoring of activities and budgets has never been more important.

It is therefore essential to understand the developing financial performance and projected position this year. This ensures that resources are deployed to deliver the Council's services in line with the Council plan's priorities, and to that the organisation remains in good financial health and is sustainable. The Council makes a significant contribution in supporting employment, training and economic prosperity as well as being provider and commissioner of critical public services. Balancing all of these strategic and often competing priorities is a responsibility which should not be taken lightly.

9. Financial Implications

Financial implications are covered within the body of this report.

10. Climate Implications

The Council's budget continues to fund action set out in the climate and ecological emergency action plan, including a £10m capital expenditure commitment over the term of the current MTFP.

11. Well-being and Health Implications

The Council's has total service budgets of £353.7m, of which £225.5m (64%) is spent within the Adults & Housing and Children's directorates which aims to improve aspects of well-being and health across Dorset. Further resources are available through the Public Health Ring Fenced Grant allocation of £15m.

12. Other Implications

None specific.

13. Risk Assessment

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

Current Risk: High

Residual Risk: High

Pressure on prices continues to build and these affect a significant quantum of the Council's budget. Whether directly, through the goods and services we buy, or indirectly, such as those costs incurred in our supply chain that are subsequently passed on to us, prices are under pressure, meaning that the risk is escalating.

Given the local and national pressures the Council is facing in the current financial year and expected continued impact over the medium-term result in the S151 Officer, the Council's Chief Finance Officer establishing the current risk assessment as *high*.

14. Equalities Impact Assessment

No specific equalities issues have emerged in drafting the Council's various reports on financial performance and position.

15. Appendices

Appendix A - Savings Plans

16. Background Papers

[2022/23 draft outturn report](#)

[2023/24 budget strategy report](#)

17. Budget Setting 2023/24 and context

17.1 For 2023/24 Dorset Council once again set a strategic budget and MTFP against a one-year settlement from Government.

17.2 The Council's *budget requirement* is £347.6m and was funded from:

- Council tax (£292.1m)
- Business rates (£50.2m)
- Rural services delivery grant (£2.8m)
- New homes bonus (£1.8m)
- Revenue support grant (£0.7m)

More detail is set out in the budget strategy report at the link above.

17.3 2022/23 ended with an overspend. As mentioned earlier and elsewhere in this report, risk remains and needs careful monitoring and reporting during the year. The latest Office for National Statistics data published on 18th October 2023 reported that CPI inflation in the UK has reached 6.7%. Whilst the Council made some provision for inflation in its 2023/24 budgets, and has a contingency budget to support price fluctuations, it is also important to remember that pressure on costs cannot and should not be managed by the Council alone.

17.4 The Council's budget is essentially fixed in cash terms and its ability to raise income is limited. There are national controls in place around council tax and business rates and ability to generate income from trading is relatively limited in the short-term as well as potentially at odds with wider economic development ambitions.

17.5 There are also major policy changes within our planning horizon – such as the social care funding reforms and work on education funding formulae. There is also significant political turbulence and the volatility around ministerial offices will make setting and implementing policy extremely challenging.

Overall projection

- 17.6 At the end of Quarter 2, the Council is forecasting net budget pressures of £11.985m which represents 3.4% of the Council's budget requirement (£347.6m). The variances are summarised in the table below.
- 17.7 Overall the quarter 2 position has worsened by £1.6m since quarter 1 of 2023/24, despite improvements within a number of directorates and service, and receipt of new grant funding such as the Market Sustainability funding.
- 17.8 Any overspend at the end of the year will need to be met from the Council's reserves. Section 11 of this report provides more information about the current reserve position.

Directorate	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend		Change since Q1
			£'000	%	
People – Adults & Housing	147,714	150,568	(2,855)	(1.9%)	842
People - Children's	77,791	81,108	(3,316)	(4.3%)	(1,558)
Place	89,819	103,438	(13,619)	(15.2%)	(4,341)
Corporate Development	29,021	28,093	928	3.2%	928
Legal & Democratic Services	6,989	6,700	289	4.1%	313
Public Health	2,377	2,377	0	0.0%	0
Total Service Budgets	353,711	372,284	(18,573)	(5.3%)	(3,817)
Central Finance	(361,018)	(367,606)	6,588	(1.8%)	2,193
Whole Authority	(7,307)	4,679	(11,985)		(1,623)
Dedicated Schools Grant budgets	7,307	31,934	(24,627)		

More detail on the specific Directorates is set out in the following paragraphs.

Children's Services

People Services - Children	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Change since Q1
	£'000	£'000	£'000	%	
Quality Assurance	2,625	2,774	(148)	(5.7%)	(133)
Care & Protection	57,441	59,912	(2,472)	(4.3%)	(1,562)
Commissioning and Partnerships	4,034	4,827	(794)	(19.7%)	3
Director's Services	2,732	2,607	125	4.6%	125
Education and Learning	11,663	11,691	(28)	(0.2%)	8
DSG Recharges	(704)	(704)	0	0.0%	0
Total Directorate Budget	77,791	81,108	(3,316)	(4.26%)	(1,558)

Dedicated Schools Grant budgets	7,307	31,934	(24,627)
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- 17.9 The Children's Services forecast is £81.1m compared with a net budget of £77.79m an overspend of £3.3m (4.3%).
- 17.10 Within Care and Protection there is a £2.472m overspend after applying the Social Care grant, announced in the Autumn 2022 statement.
- 17.11 Dorset is part of the temporary mandate National Transfer Scheme, accepting transfers of children into our care to provide crucial placements for up to 67 children (Dorset's threshold and subject to change).
- 17.12 The National Transfer Scheme provides a degree of funding to support unaccompanied children, however this mainly covers the direct placement costs. The funding varies depending upon the number of unaccompanied children, the age of the child or young person and whether the child is part of the National Transfer Scheme. Unaccompanied Asylum Seeking Children (Pre and Post 18) are forecast to cost £0.45m more than the Government Grant that will be received. Supporting young people post 18 and interpreters are the main cost pressures. This excludes officer time.
- 17.13 Costs other than for the placement include additional social worker and Quality Reviewing Officer costs to maintain caseloads, interpreter fees, travel costs and support function costs.
- 17.14 The support required to meet the needs of children who are disabled is forecast to overspend by £0.77m. This predominantly is for other services that are not direct payments or for short breaks. The cause is a mixture of inflation, increased complexity and a possibly the difficulty finding providers through the direct payment mechanism.

- 17.15 At the end of Quarter 2, only one transformation saving is rated as red. This is £0.8m for the Birth to Settled Adulthood project. £0.6m of transformational savings are defined as amber and £2.8m are rated green. The Children's Services Transformation team monitor and review the progress of these projects monthly.
- 17.16 When comparing historic trends, excluding Unaccompanied Asylum Seeking Children, since September 2020 the number of Children in Care (CiC) has reduced from 475 to 402. The net weekly costs have reduced from £555k to £549k, which demonstrates the extent to which continued increasing placement costs is impacting the financial position of the service.
- 17.17 Pressure on external placements for our children in care population remains, however this has largely been offset by the Social Care grant. The impact of inflation, over the budget allocated in the budget, is estimated to be around £1.1m. Dorset is not forecasting budgetary pressures using agency social workers.
- 17.18 This is not an issue Dorset are experiencing alone. A joint letter from The Association of Directors of Children's Services, Local Government Association and Solace, addressed to the Permanent Secretary at the Department for Education, states:
- "DfE data (2022) revealed that £3,672 million was spent on in-house and independent fostering and children's homes placements in 2020/21, which has increased by 37.5% since 2015-16 (not real terms). The corresponding increase in the number of children in care was only 14.8%. Rising costs of private residential placements accounted for a significant proportion of this, with costs increasing by 90.56% during this period, while LA placements only increased by 18.8%."*
- 17.19 This is the forecast outturn position at the end of the second quarter in what is to be a changeable year. The main risks for Children's Services, that may further impact the outturn position, are: inflation (including cost of living upon the children and families we support as this may increase demand), delivering capital projects on time and budget (there are revenue implications for late projects), new placements and placement changes, delivery of transformation and tactical savings and legislative changes, including the delivery of the Families first for children pathfinder programme, announced in July 2023.

Adults Services & Housing

People Services – Adults & Housing	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend		Change since Q1
			£'000	%	
Adult Care Packages	117,417	118,355	(938)	(0.8%)	1,248
Adult Care	15,313	15,348	(36)	(0.2%)	36
Commissioning & Improvements	7,562	7,561	1	0.0%	(30)
Directorate Wide	2,351	2,351	0	0.0%	(1)
Housing & Community Safety	5,071	6,954	(1,882)	(37.1%)	(412)
Total Directorate Budget	147,714	150,568	(2,855)	(1.93%)	842

17.20 The Adults Services & Housing forecast is £150.568m compared with a net budget of £147.714m, an overspend of £2.855m (1.93%).

Adult Social Care

- 17.21 The total Adult Social Care forecast is £144.0m compared with a net budget of £143.028m, an overspend of £0.974m (0.68%).
- 17.22 The forecast overspend within Adult Care Packages is £0.938m and is based on the current cohort of adults being supported.
- 17.23 Across the Country demand pressure across Adult Care Packages spend is being experienced and since April 2023 in Dorset, an additional 145 people are receiving care above the financial baseline set at the start of the year. Meaning the average weekly gross cost of care being provided has risen from £3.2m in April to £3.4m in September 2023. This gross cost is before client contributions, joint funding or Continuing Health Care, so the net cost to the Council is somewhat reduced when factoring this in and we can see that we have also seen an increase in income over the last 6 months.
- 17.24 Social care reform has placed new responsibilities on Adult social care for market sustainability with new money provided to make progress in building sufficiency of supply. Further, analysis of the data supplied to us by the Department of Health & Social Care provides a positive view on how Dorset Council has taken a balanced approach to using its Market Sustainability & Improvement Funding. Our average increase in fee rates for providers shows us as exactly at the average point for both CIPFA comparators and the southwest region.

	Apr'23	Sept '23	Change
Clients	3,908	4,053	+145
Average weekly cost	£825	£838	+£13
Total weekly cost	£3,224,178	£3,396,536	+£172,357

- 17.25 This means that at the start of the year the estimated gross cost of providing 1-year of care for all the clients would have been £168m. At the end of September, the estimated gross cost for providing care for a full year would be £177m. This would equate to approximately £9m increase in the gross cost of care less the forecast income of 25% £2.25m, meaning there could be a £6.75m pressure in year. It is important to note that not all individuals will stay within the care system for the full year and individuals needs change. Comprehensive planned work as set out in the Directorates transformation plan is set to manage the potential pressure for the remainder of 2023/24 and into 2024/25.
- 17.26 During Q2 the Directorate received the expected £2.595m Market Sustainability Improvement Grant which has supported the Councils plans around Market Sustainability.
- 17.27 Overall there is an improvement on the Q1 forecast of £1.248m.
- 17.28 The main risk for the ASC budget is growing demand and in particular the support as part of the ICS for rapid hospital discharge to relieve pressure across the acute system. Strike action across the health system has also put additional pressure on service with planning and mitigation arrangement adding additional strain to operational management arrangements over the last 6 months, as well as disrupting the hospital discharge process.
- 17.29 In year the savings programme in place is set to deliver £8.773m. At this stage £6.944m (79%) have been achieved and it is assumed that the remaining savings will be achieved.

Housing

- 17.30 The Housing forecast is £6.954m compared with a net budget of £5.071m, an overspend of £1.882m (37.1%). The forecast has increase in Q2 to reflect the current data with a forecast shortfall of £2.5m. This is adverse because of the increased demand and increased charges and rents for such accommodation.
- 17.31 There has been a sharp increase in people presenting to the Council as homeless, or at risk of homelessness during the past year. This is in line with trends across the country, with rising budget pressures and variances being higher in many authorities. Demand is running at between 300 and 400 households presenting as homeless every month, which is 17%

higher than last year. Around 100 households join the Housing Register every month. There is also a rise in demand for supported or specialist accommodation, including mental health referrals, care leaver needs, and hospital discharge requirements.

- 17.32 There is a shortage of private rented housing being available and rents are rising well above inflation. This is also leading to temporary accommodation costs rising above inflation and leading to the variance. Performance in reducing reliance on bed and breakfast usage is strong, with that reducing to 80, currently, but unit costs are higher across all of the 350 temporary accommodation placements, so is maintaining higher budget impact. Work to prevent homelessness is also strong, but is not able to fully mitigate the larger cost position – as experienced across the country.
- 17.33 The gap between B&B charges and what can be recovered from Housing Benefit is widening (the Local Housing Allowance cap is still frozen at 2011 rates, so any rise in charges means that the ‘subsidy gap’ widens and the Council has to pay). The rise in family homelessness and use of B&B makes this worse due to the subsidy arrangements only applying to one room, and second and third rooms being charged entirely to the Council.
- 17.34 Continuing work is under way to prevent and alleviate rising housing pressures. This includes leveraging in Government grants, securing effective commercial arrangements with providers, working with partners and making best use of resources.

Public Health

- 17.35 The current shared service budget is £26.539m with a forecast overspend of £0.056m.
- 17.36 Assumptions that underlie the position are:
- i. Clinical Treatment Services – the award of the drugs and alcohol contract from October 2023 is included, and the impact of separate drug and alcohol grants that cover some areas of spend. Sexual Health requirements around Pre-Exposure Prophylaxis (PrEP) are included within the forecast.
 - ii. Early intervention – the agreed increase in contract value is reflected.
 - iii. Health Improvement – delivery of NHS Health Checks and adult obesity has increased, but smoking cessation activity in the community decreased. In LiveWell Dorset staffing costs. Income from NHS Dorset supports the Treating Tobacco Dependency work.
 - iv. Health Protection and Healthy Places – forecast overspend is due to planned non-recurrent schemes.

- v. Public Health Intelligence – forecast overspend is due to a combination of one-off schemes and fixed term staffing costs, previously covered by COMF. These posts end March 2024.
- vi. Resilience and Inequalities – additional income from partners supports specific pieces of work. We also funded further non-recurrent schemes.
- vii. Public Health Team (and operational costs) – likely impact of the latest 23/24 pay award offer included in the forecast.

Place Directorate

Place Services	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Change since Q1
	£'000	£'000	£'000	%	
Assets and Regeneration	2,429	4,098	(1,668)	(68.7%)	(352)
Highways	3,300	5,955	(2,655)	(80.4%)	(1,870)
Planning	4,693	5,127	(434)	(9.2%)	354
Travel	27,754	34,687	(6,933)	(25.0%)	(3,505)
Business Support	1,849	1,807	42	2.3%	50
Environment and Wellbeing	7,373	7,577	(204)	(2.8%)	85
Community and Public Protection	3,445	3,759	(315)	(9.1%)	(24)
Waste - Commercial & Strategy	14,597	15,420	(822)	(5.6%)	961
Waste - Operations	15,791	16,054	(262)	(1.7%)	72
Customer Services, Library Services and Archives Services	8,441	8,214	226	2.7%	(11)
Directors Office	146	741	(595)	(407.7%)	(100)
Total Directorate Budget	89,819	103,438	(13,619)	(15.16%)	(4,341)

17.37 The forecast for Place Directorate for quarter 2 is a projected adverse position of £13.619m (15.2%), with the projection of £103m net spend against a net budget of £90m. This is a deterioration of £4.3m since quarter 1.

17.38 The issues are discussed in more detail below but generally fall into these categories:

1. Demand led spend (e.g., Dorset Travel)
2. Market costs in excess of the 6% inflationary uplift (e.g., Dorset Travel, Waste contracts)
3. Inability to achieve budgeted income from current levels of fees and charges
4. Slippage of savings targets

Assets and Regeneration

17.39 The Assets and Regeneration forecast of overspend is now an adverse forecast of £1.668m.

17.40 A number of savings are in progress but proving challenging, with a total shortfall of £731k against total savings target of £1.306m. Savings were to be delivered through a reduction of spend on interim staff, rent reviews, reduction in property running costs through disposals as well as other minor savings.

17.41 Income shortfalls are forecast in respect of rental income (£405k), income at County Hall car park (£143k) and income recovery from the capital programme (£100k).

Highways

17.42 The Highways forecast has worsened by £1.87m and is now forecasting an overspend of £2.655m, which mostly relates to car parking income. Following the conclusion of the main visitor season, it is clear that current activity means there will be a significant gap between the budget set and the actual levels of income being received.

Planning

17.43 Overall in Planning, there is a £434k forecast adverse variance. The variance primarily relates to the current experience of poor income levels. The forecast assumes no overspend on agency staff. Central government have now confirmed a national uplift to planning fees from 1st April 2024.

Dorset Travel

- 17.44 The Dorset Travel position is a forecast of an overspend of £6.933m. After applying a £1.2m of new funding during quarter 2, the position has still worsened since quarter 1 by £3.5m.
- 17.45 The forecast adverse variance is a reflection of ongoing cost pressures in the market and volumes, in relation to all aspects of Dorset Travel services. This area is the subject of considerable focus by SLT and Transformation resources.

Environment and wellbeing

- 17.46 The Environment and Wellbeing service have a forecast overspend of £204k. The main pressures remain similar to those reported during the last financial year: income at leisure centres, costs pressures on utility costs (especially leisure centres), and costs due to dealing with ash tree die-back.

Community and Public Protection

- 17.47 Community and Public Protection have a forecast adverse variance of £315k. Predicted high expenditure in relation to high profile cases being undertaken by the Coroner service accounts for the biggest element of this at £150k, in addition to an ongoing saving target of £70k not yet achieved in relation to Regulatory Services (but due for achievement in 2024/25).

17.48 Waste – Commercial and Strategy

- 17.49 Waste – Commercial and Strategy is forecasting an overspend of £822k. The main issues driving the forecasted overspends are a significant increase in the DMR (Dry Mixed Recyclate) gate fee, although this has partially been offset by a current favourable market for recycled glass. In addition, there is an inflation pressure across all of the Waste Disposal contracts, where there has been a contractual indexed linked uplift applied in excess of the centrally funded inflation built into the base budget. There are also a number of newer cost pressures in this service, notably the imminent scrapping of household DIY waste charges at Household Recycling Centres (HRCs) as well as significant excess costs relating to the disposal, haulage and management of POPs (Persistent Organic Pollutants). These adverse forecasts are partially offset by good forecasts for Garden Waste and Trade Waste income.

Waste Operations

17.50 Waste Operations is forecasting an overspend of £262k. £150k of which is an income shortfall for external MOTs that is at risk. This forecast overspend also includes the unbudgeted costs of leased sweepers at £142k which cannot be released as yet due to operational requirements. There is a favourable forecast on vehicle fuel prices following the lower diesel unit price compared to the same period a year ago. The balance is unfunded expenditure relating to resources.

Customer Services, Libraries and Archives

17.51 Customer Services, Libraries and Archives is forecasting to underspend by £226k. This underspend mainly relates to activity supporting schemes such as the Homes for Ukraine scheme - being funded by the central government grant. Additional underspends are forecasted due to salary savings on vacant posts.

Director's Office

17.52 The Director's Office forecast is an adverse variance of £595k, mainly as an estimate of non-delivery of the Our Future Council Project saving target but also including £100k of unbudgeted costs in relation to the (cancelled) Tour of Britain 2022.

Corporate Development

Corporate Development	Net Budget £'000	Forecast Outturn £'000	Forecast (Overspend)/ Underspend		Change since Q1
			£'000	%	
Directors Office	215	211	3	1.6%	3
Financial & Commercial	8,938	8,731	207	2.3%	207
Human Resources & Organisational Development	3,469	3,218	251	7.2%	251
Transformation, Innovation, Digital & Ecological	3,862	3,756	106	2.7%	106
ICT Operations	8,552	8,242	309	3.6%	309
Communications and Engagement and Community Grants	2,842	2,806	36	1.3%	36
Chief Executive's Office	1,143	1,129	15	1.3%	15
Total Directorate Budget	29,021	28,093	928	3.20%	928

17.53 The **Corporate Development** forecast is £28.093m compared with a net budget of £29.021m, an underspend of £928k (3.20%). In an attempt to support the Council's budget position, Corporate Development have implemented a number of spend control measures.

17.54 **Finance & Commercial** is forecasting an underspend of £207k. This comprises savings in pay related costs of £282k, other savings and additional income of £152k, which is offset by a forecast overspend in external audit fees of £227k.

17.55 **HR & OD** is forecasting an underspend of £251k, which is in the main related to savings in pay related costs. The risk in this area is potential income shortfall as more LEA funded schools transfer to academy status and joining multi academy trusts outside of the Dorset area.

Transformation, Innovation, Digital & Ecological

17.56 **Digital & Change** is forecasting an underspend of £29k, which is related to savings in pay related costs.

17.57 **Business Intelligence** is forecasting an underspend of £76k, which is savings in pay related costs.

17.58 Elsewhere, **ICT Operations** is forecasting an underspend of £309k to budget. This is the result of pay savings through vacancies of £114k, an underspend on infrastructure costs of £113k and an increase in income of £82k. Opportunities and risks have been identified and are being monitored.

Communications and Engagement and Community Grants

- 17.59 **Communications** is forecasting an underspend of £36k, this is the result of staff vacancies. This service is also showing a favourable variance of £43k from additional income generated by work related to the Poole Harbour Oil Spill and other matters, this will be used to fund the unbudgeted edition of the Dorset Council News.
- 17.60 **Chief Executive's Office** is forecasting an underspend of £15k, which is savings in pay related costs.

Legal & Democratic Services

Legal & Democratic	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Change since Q1
	£'000	£'000	£'000	%	
Assurance	1,520	1,517	3	0.2%	1
Democratic & Elections Services	3,003	2,988	15	0.5%	7
Land Charges	(384)	(323)	(61)	15.8%	(35)
Legal Services	2,849	2,518	331	11.6%	341
Total Directorate Budget	6,989	6,700	289	4.14%	313

- 17.61 The Legal & Democratic forecast is £6.700m compared with a net budget of £6.989m, an underspend of £289k (4.14%).
- 17.62 The **Land Charges** service is forecasting an overspend of £61k. This comprises an income shortfall of £106k, which is largely due to reduced demand for searches as the housing market slows. The number of searches processed, and income trend is being closely monitored each month. This is offset by savings from vacant posts of £46k.
- 17.63 Within **Legal Services** there are a number of vacant posts, which has resulted in a forecast pay saving of £338k, there has also been additional income of £67k. These have been offset by an overspend in agency staff of £77k.

Central Finance

Central Finance	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Change since Q1
	£'000	£'000	£'000	%	
General Funding	(30,444)	(30,444)	0	0.0%	0
Capital Financing	14,221	12,124	2,097	14.7%	2,084
Contingency	8,569	7,252	1,317	15.4%	190
Schools Balance	(7,396)	(7,396)	0	0.0%	0
Precepts/Levy	18,440	18,479	(40)	(0.2%)	(40)
Central Finance	(366,133)	(369,388)	3,255	(0.9%)	3,255
Redistribution of Public Health grant	0	0	0	0.0%	(3,255)
Retirement Costs	1,726	1,767	(41)	(2.4%)	(41)
Dorset Council Wide	0	0	0	0.0%	0
Total Central Budgets	(361,018)	(367,606)	6,588	(1.82%)	2,193

17.64 The forecast for central budgets is £367.606m compared with a net income budget of £361.018m, is a net forecast surplus of £6.588m (1.82%).

17.65 **Capital Financing** is showing a £2.097m underspend, which comprises of a £1.1m reduction in interest paid and £1.0m increase in investment interest. The reduced spend on interest is because actual borrowing is less than forecast due to slippage in the capital programme. Interest receivable is forecast to be greater than budget due to interest rates on money market funds being much higher than expected.

17.66 **Central Finance** is showing a £3.26m underspend as there is a council tax surplus forecast of £1.8m and NNDR forecast of £1.4m.

17.67 There is currently £8.6m held in contingency, and this has been earmarked as follows:

- i. £4.0m earmarked for potential additional cost of national pay award
- ii. £2.6m earmarked for inflation pressures, of which £1.3m has been released toward known inflationary pressures in 2023/24.
- iii. £2.0m remains unallocated

Dedicated Schools Grant (DSG)

- 17.68 The Dedicated School Grant (DSG) is a ring-fenced grant, the majority of which is used to fund individual schools 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.
- 17.69 There are four blocks within the DSG: Schools Block (SB), Early Years Block (EYB), High Needs Block (HNB) and Central Services Schools Block (CSSB).
- 17.70 Dorset's DSG allocation is £316m before recoupment including additional grants and the use of the Growth Fund reserve. The quarter two permitted overspend position is £6.87m. This is the position stated in the original Safety Valve agreement signed in February 2022.
- 17.71 For context, the 2022-23 outturn was £19.96m against a required DSG Safety Valve agreed overspend of £10.4m. The Q2 forecast overspend is £24.6m, thus increasing the cumulative forecast deficit, after all Safety Valve partner contributions to £45.8m.
- 17.72 As a result of the financial position the Department for Education (DfE) have requested production of a revised recovery plan by the end of October 2023, after a summer revising a plan developed and scrutinised by external parties. This recovery plan is part of the Council's Enhanced Monitoring and Support programme and is supported by DfE advisors. This work seeks to identify a future year HNB break-even point and therefore cumulative deficit position.
- 17.73 This is a national issue. The chair of the Association of Directors of Children's Services' resources and sustainability policy committee said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn.". This was as at 2022 position, and the national cumulative deficit is likely to have increased.

10 Progress against budgeted savings

- 10.1 In setting the budget strategy for 2023/24, the Council closed a budget gap of £29m. The subsequent reports to Cabinet and Full Council set out how the gap was calculated and subsequently closed. Part of that process involved identification of transformational and tactical savings.
- 10.2 Appendix 1 sets the summary of the progress being made against the transformational and tactical savings and risk rates the achievement of savings. The shortfalls classified as red total (£3.4m) are included in the forecast – i.e., they are assumed not to be delivered in 2023/24.
- 10.3 At this stage, the forecast assumes all other savings will be achieved, though clearly this may change as the Council progresses through the year. There is a further £3.4m of savings currently RAG-rated as amber which will need to be delivered.

11 General fund position and other earmarked reserves at year-end

- 11.1 The 2022/23 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 £34.8m which represents 10% of the Councils budget requirement as well as a further set of aligned, earmarked reserves was summarised in that document.
- 11.2 Any overspend for the year falls to the general fund to finance, although the Council has a contingency budget of £8.6m in place, established during the budget process for the current year and this will help mitigate some volume of price increases and unforeseen events with financial impact.
- 11.3 Best practice means that non-recurrent sources of funding e.g. reserves, should not be used to fund recurrent spend e.g. general service overspends. Therefore it is imperative that when considering the 2024/25 budget and MTFP that the Council finds a recurrent solution to all pressures which are deemed to be recurrent.
- 11.4 Whilst the Council has previously taken steps to ensure the financial position is sound there is recurrent and increasing pressure within the general fund services and the accumulated overspend on the High Needs Block (HNB) of the Dedicated Schools Grant (DSG) remains a threat to the sustainability of service delivery.

12 Capital programme and financing

- 12.1 The capital strategy and capital programme for the MTFP period, which totalled almost £350m, was agreed by Cabinet in March 2023.
- 12.2 The 2022/23 capital outturn was reported to Cabinet in June 2023 and the result of that was that there was programme slippage into 2023/24. This, along with the approved budget and updates since that date, mean a programme of £357.2m for the next five years, as summarised in the table below.

Capital Programme	Total Budget					Total Budget 23/24-27/28
	2023/24	2024/25	2025/26	2026/27	2027/28	
Full external funding	8,195	3,347	485	95	0	12,122
Partial external funding	86,785	2,136	0	0	0	88,921
Partial external funding	0	39,740	23,652	29,563	0	92,955
Council funded	33,455	27,040	24,719	(7,448)	(10,400)	67,366
Funded from other Reserves	0	0	0	0	0	0
Capital Receipts Applied	1,000	9,100	1,000	1,000	1,000	13,100
Minimum Revenue Provision	10,053	12,553	13,953	15,103	17,000	68,662
Self Funded	1,680	4,865	4,065	2,565	914	14,089
Total funding	141,168	98,781	67,874	40,878	8,514	357,215

- 12.3 The spend and commitments against the programme of £141.2m at 30 September 2023 was £42.3m (30%). The programme is under continuous review to monitor the progress of all approved projects and to identify any issues that may impact on the overall programme. Where slippage is identified the project budgets will be reprofiled within the overall programme.

- 12.4 The project budgets for the current year are outlined below;

Project spend	No. of projects	Project Budget £,000	Actual spend £,000	Variance £,000	% Spent
Adults & Housing	15	13,784	1,305	12,479	9%
Childrens	18	22,185	7,161	15,024	32%
Place	145	98,536	32,827	65,708	33%
Corporate	9	6,663	1,079	5,584	16%
Total	187	141,168	42,372	98,796	30%

12.5 The movements in the project budgets since the quarter 1 report are shown in the table below:

Directorate	Q1 Budget £,000	Adjustments £,000	Re- profiling £,000	New funding £,000	Q2 Budget £,000
Adults & Housing	13,580	0	(4,555)	4,759	13,784
Childrens	16,580	911	(1,786)	6,480	22,185
Place	118,398	(8,447)	(13,687)	2,271	98,536
Corporate	4,730	1,806	(373)	500	6,663
Total	153,288	(5,730)	(20,401)	14,010	141,168

- 12.6 Changes to the Capital scheme since the quarter 1 report include the following items.
- 12.7 There has been re-profiling of £20.4m into future years to more accurately reflect the timing of spend. This includes Housing Development Funding £3.0m; Weymouth Relief Road £2.7m; Parley West Link £2.3m and a number of smaller projects.
- 12.8 As reported previously the project funding of £7.0m from the East Dorset Household Recycling centre will be repurposed to fund the delivery of the site at Blandford. This adjustment is now reflected in the capital programme.
- 12.9 There has also been new external funding of £14.0m confirmed, most significantly £6.5m relating to the SEND capital strategy, together with £3.9m for LAHF - Ukraine & Afghan Refugee Housing and £1.5m for Rural Prosperity Fund.
- 12.10 The position on the capital programme is reviewed by the Capital Strategy and Asset Management Group (CSAM) during the year.

13 Sundry debt management

13.1 The net sundry debt position at 30 September 2023 was £45.8m, this is a reduction of £1.4m when compared to the quarter one position. A significant proportion of the debt owed £27.7m (60%) is more than 30 days old.

13.2 The breakdown of the total sundry debt is as follows:

Directorate	2023/24	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	21,915,515	2,580,953	2,120,123	7,907,273	9,307,167
Children's Services	915,842	202,128	327,983	249,364	136,367
Place	12,049,492	5,618,735	704,146	4,267,577	1,459,034
Corporate	10,914,196	9,715,596	614,108	355,174	229,318
Grand Total	45,795,045	18,117,413	3,766,360	12,779,386	11,131,886

13.3 £21.9m of the £45.8m of outstanding debt is within Adults & Housing. Of which, some relates to deferred payment arrangements, or care provided through gross without prejudice.

13.4 After adjusting for these the debt which is currently collectable is as follows:

Collectable Debt					
Directorate	2023/24	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	13,493,845	2,228,765	1,405,883	5,059,778	4,799,419
Children's Services	915,842	202,128	327,983	249,364	136,367
Place	12,049,492	5,618,735	704,146	4,267,577	1,459,034
Corporate	10,914,196	9,715,596	614,108	355,174	229,318
Total	37,373,375	17,765,225	3,052,120	9,931,892	6,624,138

13.5 The Council has recently increased the number of staff working within the teams responsible for collecting overdue invoices and early signs indicate this work is proving effective. This will be closely monitored over the coming months.

Deferred Payments

- 13.6 Deferred payments are debts that relate to adult care provided by Dorset Council, which have been secured against the property of the customer. The Council will eventually receive full payment of the debt when the property is sold.

Deferred Payments					
Directorate	2023/24	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	2,763,459	133,270	302,844	567,125	1,760,219

- 13.7 Gross without prejudice debts also relate to adult care, the debt is raised but not actively pursued whilst a care act assessment and subsequent financial assessment is undertaken to determine whether the recipient of the care is financially assessed as able to contribute towards the cost of their care.

Gross without Prejudice					
Directorate	2023/24	Less than 30 days	30-90 days	90-365 days	Over 365 days
	£	£	£	£	£
Adults & Housing	5,658,211	218,918	411,396	2,280,369	2,747,529

- 13.8 The increase in the level of debt is not entirely unexpected given the cost-of-living crisis that is impacting across the country. The SWAP internal audit service has identified opportunities for improvement within the debt collection process and management is currently reviewing its approach.

14 Council tax and business rates debt management

Council tax

- 14.1 The value of council tax debt raised in 2023/24 is £369.3m and £208.5m has been collected to date. The collection rate at 30 September 2023 is 56.47%, which is a slight improvement on the quarter two position in the previous year of 55.96%.
- 14.2 The collection and recovery processes have resumed after significant periods of closure/delay during the pandemic and the Council remains confident that arrears will reduce, and collection rates will continue to improve.
- 14.3 At the end of 2022/23 the arrears were £36.7m and by the second quarter of this year £4.8m (13%) has been collected.

Business rates (non-domestic rates – NDR)

- 14.4 The value of business rates debt raised in 2023/24 is £95.3m and £56.4m has been collected to date. The collection rate at 30 September 2023 is 59.22%, which is slightly less than the quarter two position in the previous year of 62.08%.
- 14.5 At the end of 2022/23 the arrears were £14.2m and by the second quarter of this year £5.8m (37%) has been collected.

15 Financial planning, strategy and the MTFP

- 15.1 The Council has already started the process of refreshing the MTFP and developing the budget strategy for 2024/25 which as well as meeting new pressures, will also need to deal with any ongoing pressures from 2023/24. Recent budget rounds have seen significant turbulence and volatility, and the backdrop to setting the budget for next year is likely to be very similar, with uncertainty around prices, markets and labour conditions.
- 15.2 There are significant and sustained inflationary pressures building in the UK economy and globally, driven principally by fuel and energy prices but the knock-on effect of these is increasingly apparent across other commodities and supply chains. Labour supply is also a significant concern, especially in the care sector although this is spreading to other areas where the Council needs to engage significant human resources in coming months, such as in gearing-up to meet the challenges of adult social care reform.
- 15.3 The first update of the refreshed update of the MTFP financial model is a separate paper to be considered by Cabinet at the November meeting.

16 Summary, conclusions and next steps

- 16.1 2023/24 continues to be an extremely challenging time for local government, with inflationary and demand pressures impacting on income and expenditure. There remains a large degree of financial uncertainty and, having reviewed expenditure for the second quarter of the year, Dorset Council's prudent financial forecast is a £11.985m budget pressure.
- 16.2 The Council has set aside contingency funding to manage some of this risk, but continued and sustained service demand may mean the current contingencies are insufficient without significant improvements in the latter part of the financial year. Without this, unearmarked reserves will be required to fund the 2023/24 general fund.
- 16.3 It is vital that the Council remains focused on living within its means, and in particular ensuring that the further savings and efficiencies are identified during the remainder of 2023/24.

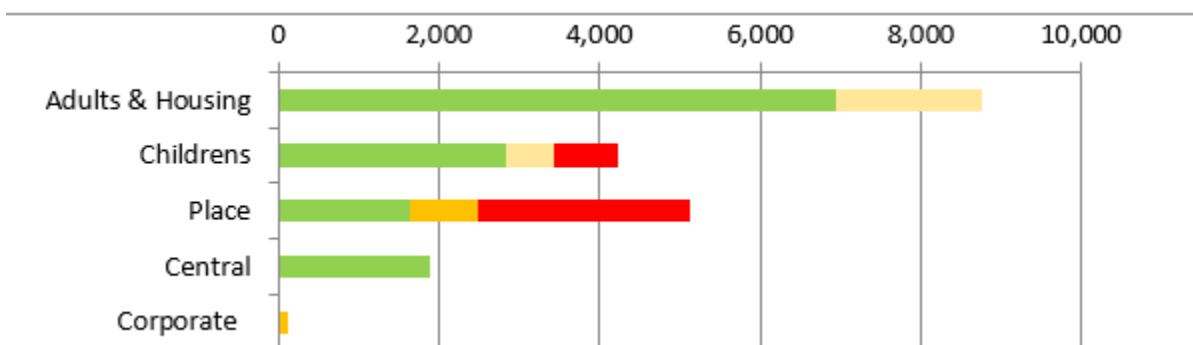
16.4 The information contained within this report will form basis of the starting position for the 2024/25 budget setting process, which will once again prove to be extremely tough as the Council seeks to achieve its priorities whilst meeting the growing cost of demand, all from within limited funds.

Aidan Dunn

Executive Director - Corporate Development (S151 Officer)

Appendix A

2023/24 Savings Plans	Total	Green	Amber	Amber 2	Red
	£000's	£000's	£000's	£000's	£000's
Adults & Housing	8,773	6,944	1,829	0	0
Childrens	4,235	2,842	593	0	800
Place	5,119	1,631	0	855	2,633
Central	1,888	1,888	0	0	0
Corporate	118	33	0	85	0
Total Savings Plans	20,133	13,338	2,422	940	3,433



Audit & Governance Committee

13 November 2023

Review of Timing of committee meetings

For Recommendation to Council

Portfolio Holder: Cllr S Flower, Leader of the Council

Local Councillor(s): All

Executive Director: J Mair, Director of Legal & Democratic

Report Author: Susan Dallison
Job Title: Democratic Services Team Leader

Email: susan.dallison@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

At its meeting on 14 February 2023, Full Council adopted the 2023/24 Calendar of Meetings. As part of the resolution, the Leader of the Council agreed to discuss with the Chairman of the Audit and Governance Committee, the setting up of a Task and Finish Group to review the timing of committee meetings in preparation for the 2024/2025 Calendar of Meetings.

A Task and Finish Group was duly established to review the time of committee meetings at Dorset Council and to consider whether holding some of the council's committee meetings in the evenings would enable more councillors to attend meetings, attract more people to stand for election and whether it would enable more members of the public to participate at committees.

Recommendations:

That committee considers the recommendations of the Task & Finish Group, taking into account the results of the members survey, and makes recommendations to Full Council in respect of the following timings in preparation for the Calendar of Meetings 2024/25:

- (a) During the period of British Summer Time, Full Council meetings will be held at 6.30pm. (April, May, July & October)

- (b) During the period of Greenwich Mean Time, Full Council meetings will be held at 2pm. (December & February)
- (c) During the period of British Summer Time, Cabinet will be held at 6.30pm. (April, May, June, July, September, October)
- (d) During the period of Greenwich Mean Time Cabinet will be held at 2pm. (November, December, January, March)
- (e) That all meetings of Audit & Governance Committee will be held at 6.30pm.

Reason for Recommendation:

To respond to a request to review the timing of meetings prior to the Dorset Council elections in May 2024 and to put into place proper arrangements for council committee meetings.

1. Report

- 1.1 The calendar of meetings is approved by Full Council each year to establish the date and time of each committee for the following municipal year.
- 1.2 Since the establishment of Dorset Council in 2019, most committee meetings are held at 10am at County Hall, Dorchester, except for Full Council which starts at 6.30pm.
- 1.3 At Full Council on 14 February 2023, councillors agreed to welcome a review and discussed the impact to the public and councillors when there were limited options to attend or take part at a committee meeting if they were working during the day. Equally, there were also concerns expressed at the meeting, that many councillors already had other commitments in the evenings, such as attendance at town and parish council meetings.
- 1.4 An informal Task and Finish Group was created with the following councillors:

Cllr Richard Biggs (Chairman of Audit and Governance Committee)
Cllr Belinda Bawden (member of Audit and Governance Committee)
Cllr Simon Christopher (member of Audit and Governance Committee)
Cllr Barry Goringe (member of Audit and Governance Committee)
Cllr Ryan Hope (member of Place and Resources Overview Committee)
Cllr Robin Legg (member of Audit and Governance Committee)
Cllr Valerie Pothecary (Chairman of the Council)
Cllr Spencer Flower (Leader of the Council)
Cllr William Trite (Vice-Chairman of the Council)

- 1.5 The Task and Finish Group met on 16 June 2023 and asked for a wide range of data to be collated to conduct and inform their review. This included information on the average attendance at meetings and the average duration of committee meetings, data from other “shire councils” and the results of the 2022/23 councillor survey on this topic.
- 1.6 At the second meeting on 4 August 2023, the Group reviewed and discussed the data put before them; concluding that there was no clear preference indicated by councillors for morning, afternoon, or evening meetings. The current timings for most committees met the majority of councillor needs and views. It was acknowledged that as part of their role, councillors had a range of commitments and responsibilities, which made it difficult to devise a calendar of meetings that would suit everyone’s requirements and views.
- 1.7 However, the Group felt that it was important to address some of the concerns raised within the Councillors’ Survey and try to reach a balance in tackling some of those issues for the 2024/25 calendar.

This included:

- To consider holding more meetings in the evening which may encourage more people to stand for election, to allow people who work in the daytime to be able to sit on a committee and to enable the public to have in-person access to committees to participate in public speaking or observe the decision-making process.
- To address concerns around Full Council being held in the evening during the winter months. This had a negative impact on certain councillors due to the distance they needed to travel at the conclusion of a meeting of Full Council.

- 1.8 The rationale for each of the recommendations is set out below:
- (a) During the period of British Summer Time (BST) Full Council meetings will be held at 6.30pm and (b) during the period of Greenwich Mean Time (GMT) Full Council meetings will be held at 2pm.** Holding Full Council in the evening during the summer and in the afternoon during the winter months was viewed by the Group as a suitable compromise. This would allow some accessibility to all and addresses current councillor concerns around travelling after late night finishing times in the winter months. So as not to overcomplicate the calendar it was proposed to use BST and GMT to calculate when Full Council would meet in the day or evening.

(c) During the period of British Summer Time (BST) Cabinet will be held at 6.30pm and (d) during Greenwich Mean Time (GMT) Cabinet will be held at 2pm. Similarly, it was proposed to hold Cabinet in the evening and daytime using the same BST and GMT method. The Group considered concerns raised about the public and non-executive members having in-person access to meetings of Cabinet and they believed that by holding Cabinet in the evening in the summer months will offer a compromise in terms of accessibility.

(e) That all meetings of the Audit and Governance Committee will be held at 6.30pm. The Group acknowledged that as most meetings were held in the morning this could be seen as a barrier to those wishing to stand as a councillor or current working councillors to sit on a main committee. The Task and Finish Group wished to see a 'mixed economy' of meeting times and by moving Audit and Governance Committee to the evenings would provide an option for working councillors. The results of the 2023 Councillors' Survey had also indicated that the meeting of Audit and Governance Committee may be most receptive to meet in the evenings.

1.9 The Task and Finish Group was mindful not to make too many changes to the calendar of meetings as the data presented to them, including the councillors' survey, had not indicated a clear path of direction. However, the Group acknowledged that there were valid areas of concern which they have tried to address as set out in the recommendations above. The Group also felt that it was important for the new Council post May 2024 to keep this issue under review and make any changes necessary to meet the needs of the new Council post elections. It was therefore decided, at this time, not to propose any changes to the meetings times of the other committees.

1.10 Prior to putting forward the recommendations of the Task & Finish Group to this committee the Chairman of the Audit & Governance Committee, Cllr R Biggs and the Leader of Council, Cllr S Flower agreed to seek member views on the recommendations via a survey. The survey was sent to all members of council at the end of September and was open for a 2-week period. In total 44 councillors responded to the survey and the results of which are appended to this report and summarised as follows:-

95% of respondents voted in favour of Full Council meetings starting at 6.30pm during the summer months;

57% of respondents voted in favour of Full Council meetings starting at 2.00pm during the winter months;

70% of respondents voted in favour of Cabinet meetings starting at

6.30pm during the summer months;

52% of respondents voted in favour of Cabinet meetings starting at 2.00pm in the winter months;

70% of respondents voted in favour of Audit & Governance Meetings starting at 6.30pm all year round.

- 1.11 Members of the Task & Finish Group met on Monday 23 October to consider the results of the member survey. The number of councillors responding to the survey, 44 out of 82, was disappointing and therefore inconclusive in respect of how all members felt about the timing of meetings, however it was agreed that the recommendations of the Task & Finish Group should go forward to this committee for consideration so that the views of the 44 members who responded to the survey could be taken into account.

2. **Financial Implications**

No additional financial implications.

3. **Natural Environment, Climate & Ecology Implications**

Not required.

4. **Well-being and Health Implications**

See comment in paragraph below re: travelling at night.

5. **Other Implications**

Holding committees in addition to Full Council in the evenings may encourage working people to stand to become a Dorset Councillor, as they may view daytime meetings as a barrier to being a councillor. Conversely, it was noted that daytime meetings were considered preferable to some councillors, especially in the winter months, who preferred not to travel for up to one hour at night after attending a long meeting.

Risk Assessment

- 6.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Low

Residual Risk: Low

7. Equalities Impact Assessment

An equalities impact assessment was not required as there were no significant changes proposed to the Calendar of Meetings. However, in their deliberations, the Group did take reflect on the key equality strands.

8. Appendices

Appendix – Results of the Member Survey

9. Background Papers

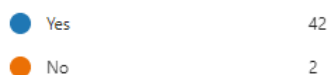
9.1 [Calendar of Meetings Report to 14 February 2023 including the "Councillors' Survey"](#)

9.2 [Minutes of Full Council - 14 February 2023](#)

Appendix

1. Do you agree that Full Council meetings should continue be held at 6.30pm during the summer months in line with British Summer Time?

[More Details](#)



2. Do you agree that Full Council meetings should be held at 2.00pm during the winter months in line with Greenwich Mean Time?

[More Details](#)

[Insights](#)



3. Do you agree that Cabinet meetings should be held at 6.30pm during the summer months in line with British Summer Time?

[More Details](#)


 Insights

 Yes	31
 No	13



4. Do you agree that Cabinet meetings should be held at 2.00pm during the winter months in line with Greenwich Meant Time?

[More Details](#)

 Insights


 Yes	23
 No	21



5. Do you agree that Audit & Governance Committee meetings should be all held at 6.30pm?

[More Details](#)

 Insights

 Yes	31
 No	13



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Audit & Governance

13 November 2023

Flexibility to hold Virtual Licensing Sub-Committees

For Recommendation to Council

Portfolio Holder: Cllr S Flower, Leader of the Council

Local Councillor(s): All

Executive Director: J Mair, Director of Legal & Democratic

Report Author: Elaine Tibble

Job Title: Senior Democratic Services Officer

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Email: elaine.tibble@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

Dorset Council is currently holding more than 30 Licensing Sub-committee meetings a year. As a result of a recent court case some councils, including Bournemouth, Christchurch and Poole Council, are now holding virtual meetings for applications that come under the 2003 Licensing Regulations which is a large proportion of the Sub-committee meetings. This report is seeking member support to give the Licensing Sub-committees the flexibility of holding a virtual meeting when appropriate, with the agreement of the Chairman of the Licensing Committee and the Licensing Officer. Meetings being held to consider reviews or applications attracting a large number of public representations that would benefit from being held in person would still continue to meet in the Council Chamber.

Recommendations:

- 1) That Council is asked to approve a 12-month trial period to give the Licensing Sub-committee the flexibility to meet virtually when appropriate to do so; and delegates to the Licensing Committee the authority to take a decision on whether this flexibility should continue and be made a permanent arrangement.

- 2) That delegation is given to the Director of Legal & Democratic (Monitoring Officer), to approve the virtual meeting protocol after consultation with the Chairman of the Licensing Committee and the Executive Director for Place.

Reason for Recommendation: There are numerous benefits of holding meetings virtually, including savings on officer, member and attendees travelling time, staff resources for running committee meetings and travel costs.

1. Report

- 1.1 Given the large number of Licensing Sub-committees held each year, currently in excess of 30, there would be many advantages of having the flexibility to hold some meetings virtually. Members who would not normally be able to sit on a sub-committee, due to travel or work commitments, may be able to attend a virtual meeting so spreading the committee load across more members. It would also be more convenient and less costly for the applicant to attend virtually and other third parties involved, particularly any legal representatives. It would also fit in with the 'mixed economy' that members of the timing of committee meetings task and finish group have been discussing recently as attending virtually maybe more attractive to working councillors or those with other responsibilities.
- 1.2 Neither the Licensing Act 2003, nor the Licensing Act (Hearings) Regulations 2005 require hearings to be held in a physical "place". In principle, a "place" for the purposes of the Hearings Regulations can include a "virtual platform" and "attendance" at such a hearing can include "electronic attendance". However, "Attendance" by members at virtual licensing hearings will not count towards member attendance for the purposes of Section 85 Local Government Act 1972 dealing with vacation of office through non-attendance at meetings (the 6-month rule). For this reason, the report is not proposing that all Licensing Sub-committees are held virtually.
- 1.3 Since the Covid pandemic more parties are being represented by a solicitor or barrister; when remote hearings took place during the pandemic there was a significant increase in the number of legal representatives attending as they did not have the additional expense of an overnight stay in Dorset. Having the ability to hold virtual meetings for

the more straightforward applications or Temporary Event Notices would therefore be a significant benefit to all parties as legal representation in particular helps to keep the hearings on track.

1.4 Listed below are some of the benefits of having the option to hold virtual Licensing Sub-Committees:

- Time and cost savings on members travelling to County Hall, this would also contribute to the council's net zero plan.
- Virtual meetings may increase the number of Licensing Committee members who could sit on a Sub-committee as those with work commitments or other commitments would not have to factor in travel time to Dorchester therefore spreading the workload.
- Only one member of the Democratic Services Team would need to attend the virtual Sub-committee meetings (currently two staff are required, one to cover hybrid function).
- Increased flexibility to organise Sub-committee meetings by the required deadlines as the meetings would not be dependent on the availability of the Council Chamber.
- Increased availability of the Council Chamber for other users.
- Only Sub-committees required for Taxi Licensing would need to be programmed into the Annual Calendar of Meetings (one a month), these are held in one of the smaller committee rooms as they are held in exempt business and no webcasting is needed. (Taxi Licensing is not covered by the Licensing 2003 Act and therefore must continue to be held in person).
- Members of the public will not have to travel to Dorchester in order to attend the Sub-committee. Car parking in Dorchester can be an issue and officers cannot predict how long each meeting will last. This could potentially lead to increased attendance from the general public.
- Meetings would still be live-streamed and available on Youtube after the event.

1.5 There is however a disadvantage in holding virtual meetings as it does not allow the opportunity for the parties to have an informal discussion after the meeting which in some circumstances is very helpful and can resolve some of the issues and objections raised. This can be very productive and it is therefore proposed that as part of the trial Licensing Officers in consultation with the Chairman of the Licensing Committee can decide to hold a Sub-committee meeting in person if it is felt that an in-person meeting would be more productive and conducive to the running of the meeting.

1.6 If members are supportive of holding this trial period for Licensing Sub-committees, then a virtual meeting protocol will need to be drawn up by officers so that all parties involved fully understand how the virtual meetings will run.

2. **Financial Implications**

Savings on travel claims would be achieved from the recommendations in this report.

3. **Natural Environment, Climate & Ecology Implications**

The recommendations in this report would contribute to the Council's net zero plan.

4. **Well-being and Health Implications**

There are no negative implications arising from the recommendations contained within this report in terms of meeting the Council's wellbeing and health obligations.

5. **Other Implications**

None.

6. **Risk Assessment**

6.1 **HAVING CONSIDERED:** the risks associated with this decision; the level of risk has been identified as:

Current Risk: low

Residual Risk: low

7. **Equalities Impact Assessment**

No negative impact implications

8. **Appendices**

None

9. **Background Papers**

There was a court case earlier this year, whereby a District Judge concluded that it was lawful to hold a virtual meeting of a licensing sub-committee, for the purposes of applications under the 2003 Licensing Act.

[Remote licensing hearings are lawful, judge confirms | Cornerstone Barristers](#)

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Audit and Governance Committee 13 November 2023 Honorary Alderman of the Dorset Council area

For Recommendation to Council

Portfolio Holder: Cllr S Flower, Leader of the Council

Local Councillor(s): All Councillors

Executive Director: J Mair, Director of Legal & Democratic

Report Author: Jacqui Andrews on behalf of the Chairman of Dorset Council

Job Title: Service Manager, Democratic and Electoral Services

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Report Status: Public

Brief Summary:

Section 249(1) of the Local Government Act 1972 enables the Council to confer the title of Honorary Alderman in recognition of previous service by elected members. Whilst some of Dorset Council's predecessor councils conferred such titles this practice was not adopted by Dorset Council on its creation in 2019.

At its meeting in July 2022 the Full Council did not support a recommendation from the Committee to enable the title of Honorary Alderman to be conferred on former members of the Council.

Conscious that more than a year has elapsed since the proposal was last considered and that a significant number of members were absent from the July 2022 meeting the Chairman has asked that the proposal should be reconsidered and recommended again to the Council.

Recommendation

That Full Council agrees to amend the Constitution to include the criteria and process for awarding the title of Honorary Alderman of the Dorset Council area to former members of Dorset Council.

Reason for Recommendation

Being able to confer an honorary title on a former member of the Council is an important step. It will enable the Council to recognise and celebrate the contribution made by those former councillors whose successors believe them to have made an outstanding contribution.

1. Background

- 1.1 Section 249(1) of the Local Government Act 1972 permits the Council to confer the title "Honorary Alderman" on a person who has, in the opinion of the council, rendered eminent service to the council as a former member of the council.
- 1.2 The status of an Alderman is a purely honorary one in recognition of previous service and does not give any special status to attend or to address meetings of the council or any committee or sub-committee. It does nevertheless provide the Council with a means, at very little cost, to both recognise and celebrate the service and achievements of past councillors.
- 1.3 As there were a large number of apologies for the meeting in July 2022 when this proposal was originally considered, the Chairman is seeking a further opportunity for members to reconsider the designation of past councillors as Honorary Aldermen.
- 1.4 It is hoped that by communicating the designation of Honorary Aldermen, this will raise the profile of councillors and highlight the important work that they carry out in the communities, as well as at formal decision-making meetings.

2 Process

- 2.1 It is proposed that the council establishes a panel of members who will consider nominations for the title of Honorary Alderman and make recommendations to a specially convened meeting of Full Council. The proposal is that the panel is made up of 1 member from each of the political groups appointed by the Group Leaders, plus the Chairman and Vice Chairman of Council.
- 2.2 The Act states that conferring such a title should be undertaken at a meeting of Full Council specially convened for the purposes of considering conferring a title where not less than two-thirds of the members must vote in favour. The specially convened meeting will ordinarily be held immediately prior to a scheduled Full Council meeting, avoiding the cost

usually associated with convening an additional meeting of the Full Council.

2.3 It proposed by the Chairman that any nominations for Honorary Alderman should meet the following criteria:

- The nominee has retired or is no longer a Dorset Council member, and shall have ordinarily served a minimum of 16 years which can include service on any of the following authorities:
 - Dorset Council
 - Dorset County Council (disbanded in March 2019)
 - East Dorset District Council (disbanded in March 2019)
 - North Dorset District Council (disbanded in March 2019)
 - Purbeck District Council (disbanded in March 2019)
 - West Dorset District Council (disbanded in March 2019)
 - Weymouth & Portland Borough Council (disbanded in March 2019), and
- The nominee is considered to have made an outstanding contribution in their role as an elected member.

2.4 It is intended that any person who is bestowed the title of Honorary Alderman will receive a badge and certificate in recognition of the honour.

3 Financial Implications

3.1 It is likely that each badge will cost approximately £150 to produce based on a minimum order of 10 badges. This cost will be met from the existing Chairman's budget – no additional funding is being sought.

4 Natural Environment, Climate & Ecology Implications

4.1 There are no climate implications associated with this report.

5 Well-being and Health Implications

5.1 There are no well-being and health implications associated with this report.

6 Other Implications

6.1 There are no other implications associated with this report.

7 Risk Assessment

7.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Low
Residual Risk: Low

8 Equalities Impact Assessment

8.1 This report does not impact on any equality and diversity issues.

9 Appendices

9.1 Appendix A – Nomination Process

10 Background Papers

10.1 None

Appendix A

Nomination Process for conferring the title of Honorary Alderman of the Dorset Council area

Nominations for the title of Honorary Alderman of the Dorset Council area should be submitted to the Chairman of Dorset Council.

The Chairman will arrange for a panel of members to meet who will consider nominations for the title of Honorary Alderman and make recommendations to a specially convened meeting of Full Council. The panel shall be made up of 1 member from each of the political groups appointed by the Group Leaders, plus the Chairman and Vice Chairman of Dorset Council.

Any nominations for Honorary Alderman should meet the following criteria:

- The nominee has retired from Dorset Council, or is no longer a Dorset Council member, and
- The nominee shall have ordinarily served a minimum of 16 years which can include service on any of the following authorities:
 - Dorset Council
 - Dorset County Council (disbanded in March 2019)
 - East Dorset District Council (disbanded in March 2019)
 - North Dorset District Council (disbanded in March 2019)
 - Purbeck District Council (disbanded in March 2019)
 - West Dorset District Council (disbanded in March 2019)
 - Weymouth & Portland Borough Council (disbanded in March 2019), and
- The nominee is considered to have made an outstanding contribution in their role as an elected member.

Nominations supported by the panel will be considered at a meeting of Full Council specially convened for the purposes of considering conferring a title where not less than two-thirds of the members must vote in favour. The specially convened meeting will ordinarily be held immediately prior to a scheduled Full Council meeting.

It is intended that any person who is bestowed the title of Honorary Alderman of the Dorset Council area will receive a badge and a certificate in recognition of the honour.

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Audit and Governance Committee Work Programme 2023

13 Nov 2023		
Treasury Management Mid-Year Review 2023/24	Report	Officer Contact- David Wilkes
Q2 Finance Management Report	Report	Officer Contact- Sean Creamer
Committee Timings	Report	Officer Contact- Jacqui Andrews and Susan Dallison
Virtual Licensing Sub-committees	Report	Officer Contact- Elaine Tibble and Susan Dallison
Honorary Alderman of the Dorset Council Area.	Report	Officer Contact- Jacqui Andrews
Constitutional Update	Verbal Update	Officer Contact- Jonathan Mair

15 Jan 2024		
Quarterly Risk Management Report	Report	Officer Contact- Marc Eyre
Internal Audit Update	Update	Officer Contact- Sally White
Use of Authorised Covert Surveillance and Regulation of Investigatory Powers Act 2000 (RIPA)	Report	Officer Contact- Marc Eyre and James Fisher

19 Feb 2024		
Q3 Financial Report	Report	Officer Contact- Heather Lappin

15 April 2024		
Annual Governance Statement	Report	Officer Contact- Marc Eyre and David Bonner.
Internal Audit Update	Update Report	Officer Contact- Angie Hooper and Sally White.

Internal Audit Annual Opinion Report 2023/24	Report	Officer Contact- Angie Hooper and Sally White.
Approach to Internal Audit Planning 2024/25	Report	Officer Contact- Angie Hooper and Sally White.

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

Training

Training for the committee will be held on risk management (13th of November at 9.30 AM).