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Audit and Governance Committee

Date:	Monday, 12 October 2020
Time:	10.00 am
Venue: Please note that, due to the current coronavirus pandemic the Council has reviewed its approach to holding committee meetings**.**	This meeting will be held remotely in a Microsoft Teams Live Event (see link below)

Membership: (Quorum 3)
Matthew Hall (Chairman), Richard Biggs (Vice-Chairman), Susan Cocking, Rod Adkins, Janet Dover, Barry Goringe, Mike Parkes, Bill Pipe, Clare Sutton and Bill Trite

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

For more information about this agenda please contact Democratic Services on Fiona King or 01305 224186 - fiona.king@dorsetcouncil.gov.uk

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Audit & Governance Committee

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

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

A G E N D A

Page No.

1 APOLOGIES

To receive any apologies for absence.

2 MINUTES 5 - 14

To confirm the minutes of the meeting held on 10 August 2020.

3 DECLARATIONS OF INTEREST

To receive any declarations of interest.

4 PUBLIC PARTICIPATION

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

Public speaking has been suspended for virtual committee meetings during the Covid-19 crisis and public participation will be dealt with through written submissions only.

Members of the public who live, work or represent an organisation within the Dorset Council area, may submit up to two questions or a statement of up to a maximum of 450 words. All submissions must be sent electronically to fiona.king@dorsetcouncil.gov.uk by the deadline set out below.

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

Questions will be read out by an officer of the council and a response given by the appropriate Portfolio Holder or officer at the meeting. All questions, statements and responses will be published in full within the minutes of the meeting.

The deadline for submission of the full text of a question or statement is 8.30am on Thursday 8 October 2020.

5	**FINANCIAL REPORT QUARTER 1 2020/21**	15 - 36

To consider a report by the Executive Director for Corporate Development.

6	**TREASURY MANAGEMENT ANNUAL REPORT**	37 - 52

To receive the Annual Report.

7	**INTERNAL AUDIT ACTIVITY AND PROGRESS 2020/21**	53 - 66

To consider a report from the South West Audit Partnership.

8	**INTERNAL AUDIT ANNUAL REPORT 2019-20**	67 - 80

To consider a report from the South West Audit Partnership.

9	**FRAUD AND WHISTLEBLOWING REPORT 2019-20**	81 - 88

To consider a report from the Service Manager for Assurance.

10	**RISK MANAGEMENT UPDATE**	89 - 140

To receive an update report from the Service Manager for Assurance.

11 DORSET COUNCIL'S PERFORMANCE FRAMEWORK

To receive a presentation from the Service Manager for Business Intelligence and Performance.

12 CONSTITUTIONAL CHANGES

To receive an update from the Monitoring Officer.

13	**FORWARD PLAN**	141 - 146

To consider the work programme for the Committee.

14 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.

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Dorset Council

DORSET COUNCIL - AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 10 AUGUST 2020

Present: Cllrs Matthew Hall (Chairman), Richard Biggs (Vice-Chairman), Simon Christopher, Susan Cocking, Brian Heatley, Nocturin Lacey-Clarke, Mike Parkes, Bill Pipe and Bill Trite

Apologies: Cllr David Gray

Officers present (for all or part of the meeting):
Bridget Downton (Head of Business Insight and Corporate Communications), Aidan Dunn (Executive Director - Corporate Development S151), Marc Eyre (Service Manager for Assurance), Jonathan Mair (Corporate Director - Legal & Democratic Service Monitoring Officer), Jim McManus (Corporate Director - Finance and Commercial), Susan Dallison (Democratic Services Manager) and Fiona King (Democratic Services Officer)

88. **Apologies**

An apology for absence was received from Cllr David Gray.

89. **Minutes**

The minutes of the meeting held on 7 July 2020 were confirmed and signed.

90. **Declarations of Interest**

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

91. **Public Participation**

There were no representations from parish or town councils or from members of the public.

92. **Dorset Council EU Exit Preparations**

The Committee received a presentation from the Executive Director of Place, which highlighted the areas of risk as detailed on the EU Exit Risk Register along with the implications for Dorset Council and the Economy of Dorset. The presentation is attached to these minutes as an annexure.

The Executive Director advised that as Britain had now left the EU, we were in a transitional period and in the D20 period. This was the period when preparations needed to be finished. The various extensions granted had enabled more time and thought to be put into the preparations and the level of

support from the Government had stepped up. He noted that various plans and communications had now been completed.

In respect of business support Dorset Council and Bournemouth, Christchurch and Poole Council had jointly funded a post at the Chamber of Commerce and regular updates had been received as a result of this.

The EU Exit Update Risk Register was highlighted to members and one of the direct risks was the issue of transferring data between the EU and the UK and the data protection law was critical to this information. The Government asked councils to review where data was being housed. Mitigations and plans now been developed to manage the risks for Dorset Council's data.

The Service Manager for Assurance highlighted the potential for a concurrent event and highlighted the potential for rebranding for D20.

Cllr Pipe noted that there were 34 medium risks and 16 low risks and considered if there were any complications arising from this. The Service Manager for Assurance advised that realistically a number of the risks would stay at the medium level as they had a higher level of impact on the organisation. Some would be reduced and some would sit naturally at the medium level. Some things may become clearer as time passes which was why it was important to keep the Register under review. The Executive Director explained that COVID had produced a slowdown of the flow of goods, and this had therefore given the opportunity to assess the impact of such a situation under EU Exit. The more difficult issue to assess at the current time is the labour market impacts particularly in respect of the care sector which is being kept under close review by the service. Following a question about members' corporate parenting responsibilities and whether the council could apply on behalf of a young person for them to stay in the county, the Executive Director undertook to ask the Executive Director for Children to respond on this outside of the meeting.

In response to a question from the Chairman about whether the 34 medium risks were broadly mixed, the Service Manager for Assurance advised that not one of the themes had a significant number of risks and that they were broadly spread.

Cllr Parkes asked about any budgetary implications for the Council having to take over additional regulatory actions. The Executive Director advised that this work within these had been redeployed assessed and reprioritised. The teams have largely shifted this around with other regulatory work. This had been a reallocation of priorities thereby not impacting on the budget at this time. The Regulatory team had been aware there would need to be some changes to their workloads. The Executive Director will continue to monitor this going forward.

Cllr Lacey-Clarke was surprised that the supply chain was only listed as a medium risk but accepted that some mitigation must have taken place already. The Executive Director advised that a lot of work had taken place in procurement, officers had made contact with all businesses in the supply

chain to ensure business continuity plans were in place with the businesses. This mitigation was then added to the council's risk profile. He suggested it might be helpful for members to review the COVID risk register and undertook to update members further at a future meeting.

The Vice-Chairman made reference to real shortages in the building industry for certain supplies as a result of COVID and wondered if this situation could potentially be worse. The Executive Director explained that by writing out and seeking assurance from all suppliers this would help to mitigate this. The wider issue was the care market and the direct risk to the Council as there are a number of large providers in that market. Colleagues in Adults Services were monitoring this very closely.

Cllr Christopher made a point to regarding market competitivity in relation to county farms estate, which had also been made by the county landowners magazine regarding remaining EU countries engaging in sector subsidies. The Executive Director advised that officers were working closely with all council tenants, on a case by case basis. Support would be provided if necessary. He assured members this was something that was actively in hand at the current time.

Cllr Heatley made reference to possible concurrent events ie COVID, flu, bad weather etc and felt it was important to think about widening the exercise to include implications on care homes and support for older people. The Executive Director advised that the Local Resilience Forum had retained the Strategic Coordination Group (SCG) which had started the process of looking at the concurrency of other civil contingency events to ensure capacity within the public service system. More preparation and exercising would be taking place over the next period. The Service Manager for Assurance highlighted the Contingencies Working Group to members.

Cllr Trite made reference to Strengthening Towns funding and considered if the Council could perhaps apply for this. The Executive Director advised that the Council did bid for every opportunity for funding that it could but had no specific update on this particular strand of funding at the current time.

The Executive Director highlighted to members the economic impact of the EU Exit and noted the changes in key sectors in Dorset that had already happened as a result of COVID. In respect of residential and homecare post COVID, fewer people were now choosing residential homes and opting for homecare. This was an important area for the Council and the Senior Leadership Team received regular updates from the Executive Director Adults on the fast changing situation in the care market.

Following a question about updated funding figures on the website, members were advised that in the Local Enterprise Partnership (LEP) area £45m had been received from the EU structural investment fund in the period 2014-2020. During COVID the Council distributed over £100m in grants to businesses in the Dorset Council area alone.

The settlement scheme was highlighted but it was difficult to know the impact on recruiting skilled workers in the future as COVID had left the labour market quite weak.

Cllr Cocking made reference to the hospitality and tourism business sectors and the effects to those businesses as a result of COVID, it would be a fragile economy moving forward. The Executive Director advised that this was being monitored closely. The challenge would be that once Government support came to an end what the particular position that sector was in.

Following a discussion the Executive Director undertook to update members further at a future meeting. The Chairman felt it would be helpful to also received updates after December to see what was happening then.

Decision
That members receive further regular updates from the Executive Director for Place.

93. **Value for Money - Policies and Procedures**

Members considered a report from the Executive Director for Corporate Development which set out a proposal to develop a value for money framework and timeline setting out how to implement value for money (vfm) benchmarking of all services to feed into a prioritisation exercise for conducting fundamental value for money reviews of the all the council's services

The Executive Director for Corporate Development advised members that whilst at present the Council did not have a systematic approach to reviewing every service in relation to vfm, this did not mean that there was no work going on. A range of work was underway to deliver value for money in different service areas but more work needed to be done to ensure this was consistent across the council so that effective assurance could be provided.

Following a comment from Cllr Christopher regarding the concept of best value he asked how many council officers were members of the Chartered Institute of Public Procurement. The Head of Business Insight undertook to respond to this outside of the meeting. She advised that the method being proposed was very similar to the approach of best value it was a sound basis of how to carry out fundamental reviews. A lot of this activity was already going on within the council, it just needed to be brought together to provide assurance and to give a consistent approach. Cllr Christopher felt it would be helpful to share the documents from the Chartered Institute for members.

Cllr Heatley would have liked to have seem some examples of measures but felt this would come in due course. He noted that the introduction of the 4th principle was not mentioned in the recommendation and questioned if this went wider than ongoing services i.e. climate change. The Head of Business Insight advised officers were looking at service planning and how it linked to vfm along with equality impact assessments. They were also looking at an

equality and diversity strategy and there would be links between this and those actions.

Following a question from the Chairman about if following a decision from the Cabinet would this item come back to Audit for assurance, the Head of Business Insight advised that once the timeline was in place work would be undertaken regarding engagement with members and the links with performance reporting.

The Vice Chairman highlighted the need to challenge ourselves to perhaps think differently. He asked about the need to challenge any part of our service that has been outsourced. The Head of Business Insight confirmed outsourced activities would also be looked at. She added that the matrix approach was helpful and enabled the process of asking questions to begin.

Following a question from Cllr Christopher about engaging with local business and contractors to encourage them to tender for council work, the Executive Director for Corporate Development highlighted all the different ranges within the council along with differing procurement regulations but assured members officers were keen to spend local. The Resources Committee were looking at this and would feed into the procurement strategy. He added that engagement events for local suppliers were held but the need to make the procurement framework accessible and low cost whilst securing vfm was vital.

Cllr Trite noted that members do sometimes receive a few adverse remarks from residents about the council contracting from outside the area. The Head of Business Insight advised that the intention was to try and remove as much bias as possible by implementing a systematic review to achieve a level of consistency.

Decision
That the Cabinet be asked to agree to develop a value for money framework and timeline setting out how it will implement value for money benchmarking of all services to feed into a prioritisation exercise for conducting fundamental value for money reviews of the all the council's services.

94. **Forward Plan**

The Committee's Forward Plan was reviewed.

The Chairman highlighted that the proposed agenda for the September meeting was looking quite full and asked if this was achievable or whether an additional meeting would be required. The Executive Director for Corporate Development felt it could be achieved within the 3 hour timescale but it might be helpful to alert members that the meeting might continue into the afternoon if necessary.

In advance of the Annual Council meeting in September, the Chairman thanked the members of the Committee and the officers for all the work that had been undertaken to ensure the smooth running of the committee.

95. **Urgent items**

There were no urgent items of business.

Duration of meeting: 10.00 - 11.24 am

Chairman

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EU Exit Update

Audit and Governance Committee, 10th August 2020

Dorset Council

EU Exit Update – Risk Register

- 50 risks on EU Exit Risk Register. None identified as "High" (34 Medium; 16 Low);
- Commenced review of risks with risk owners;
- Key "Medium" risk themes:

Supply Chain

Concurrent Event

Social Care

Housing

Recruitment / Retention

Community Safety

Dorset Economy

Market Competitivity

Regulatory

Data Transfer

Dorset Council

EU Exit Update

Background:

- Implications for Dorset Council:
- New or increased responsibilities
- Direct risks
- Indirect risks

Dorset Economy:

- Pre Covid-19 economic impact analysis
- Economic impacts and Covid-19
- The EU Settlement scheme and labour market impacts

Dorset Council

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Audit & Governance Committee
12 October 2020
Q1 Financial Management Report

Choose an item.

Portfolio Holder: Cllr G Suttle, Economic Growth and Skills

Local Councillor(s): N/A

Executive Director: Aidan Dunn, Executive Director, Corporate Development

Report Author: Jim McManus
Title: Q1 financial management report
Tel: 01305 221235
Email: jim.mcmanus@dorsetcouncil.gov.uk

Report Status: Public

Recommendation:

That the Committee notes the outturn for 2019/20 and raises any questions or challenges that it may have regarding the forecast position for 2020/21.

Reason for Recommendation:

The Committee's terms of reference refer to "the Council's risk management framework including the internal control environment, integrity of financial reporting and governance arrangements".

Effective financial management is a cornerstone of this responsibility and understanding and challenging the quarterly financial management reports to Cabinet supports this.

1. Executive Summary

Dorset Council's governance arrangements involve review of the quarterly financial management reports by the Audit & Governance Committee after they have been received by Cabinet.

This report covers the Qtr1 report that was presented to Cabinet on 28 July 2020.

The Cabinet report is attached as Appendix 1. Members may also wish to refer to minutes of the Cabinet meeting for further information regarding the discussion of the report.

2. Financial Implications

The Cabinet paper reports an overspend of just under £5m for 2019/20, which was funded from reserves. Audit & Governance Committee will receive a fuller outturn report alongside the statement of accounts for approval at its November meeting.

The report also forecasts an overspend of £43m on Council budgets in 2020/21. The report explains how the majority of the overspend is attributable directly to COVID, but there are also some non-COVID related factors. Attached at Appendix 2 is a summary of the position.

The Dedicated Schools Grant (DSG) is not a financial management responsibility for local tax payers, as Regulations clarify that this falls to the Department for Education.

However, the Council is carrying the cumulative overspend on DSG of £21.8m as a negative reserve in its balance sheet. A further overspend of £18m is predicted this year.

The narrative around key variances, risks and actions is set out in the Cabinet paper and is therefore not repeated here.

3. Climate implications

N/A

4. Other Implications

None identified.

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

There are significant assumptions and risks in the forecast. The position is still very volatile and much of that is set out in the Cabinet report.

The key risk is that the impact of Covid19 is sustained and not only does this materially impact upon our current reserves, but also makes the budget strategy and MTFP extremely challenging.

6. Equalities Impact Assessment

N/A

7. Appendices

Cabinet financial management report 28 July 2020

8. Background Papers

None

Footnote:

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

Appendix 2

As at end of Quarter 1 2020/21

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend		Covid 19	BAU & Savings
	£k	£k	£k	%	£k	£k
People - Adults	122,890	136,042	(13,151)	(10.70%)	(6,840)	(6,311)
People - Children's	74,240	81,743	(7,503)	(10.11%)	(6,479)	(1,025)
Place	68,831	85,054	(16,223)	(23.57%)	(14,583)	(1,640)
Corporate Development	25,303	27,615	(2,312)	(9.14%)	(1,215)	(1,097)
Legal & Democratic Services	7,213	11,214	(4,001)	(55.48%)	(3,750)	(252)
Public Health	0	0	0	0.00%	0	0
Total Service Budgets	298,477	341,668	(43,191)	(14.47%)	(32,867)	(10,325)
Central Finance	(300,069)	(300,188)	118	(0.04%)	7,397	(7,279)
Whole Authority	(1,592)	41,480	(43,072)		(25,470)	(17,603)

Cabinet
28 July 2020
Quarter 1 Financial Management Report

For Decision

Portfolio Holder: Cllr T Ferrari, Finance, Commerical and Assets

Local Councillor(s): N/A

Executive Director: Aidan Dunn, Executive Director of Corporate Development

Report Author: Jim McManus

Title: Corporate Director, Finance & Commercial

Tel: 01305 221235

Email: jim.mcmanus@dorsetCouncil.gov.uk

Report Status: Public

Recommendations:

1. Note the outturn position for 2019/20 and the impact this had on reserves;
2. note the Senior Leadership Team's forecast for Dorset Council's position at the end of Quarter 1;
3. comment on the actions/proposals to improve the position during the year and consider further action to address the budget gap;
4. note the position on the capital programme and approve the projects recommend by officers (Appendix 1);
5. agree the key milestones lifted from the draft timetable for budget/Medium Term Financial Plan (MTFP) for 2021/22 (Appendix 2);
6. comment on the inherited and revised draft budget assumptions to allow development of the first iteration of the five-year MTFP (Appendix 3);

Reason for Recommendation:

The Council has responsibilities to deliver against its 2019-20 Revenue Budget and 2019-20 Capital Programme and maintain adequate reserves. These recommendations and accompanying report demonstrate the Council's performance in delivering against these responsibilities.

Cabinet need to understand the significant financial impact and consequences of the Council's response to the Covid-19 pandemic.

Understanding the financial position at the start of the planning process is key to adopting the most appropriate assumptions in the development of the MTFP. Agreeing an initial set of assumptions will allow officers to develop the first iteration of the MTFP and budget for 2021/22 for consideration and conduct sensitivity testing.

Governance of the financial strategy will be critical as we build the next MTFP and agreeing key milestones for the work and member review/challenge are important at this stage to ensure maximum engagement.

1. Executive summary

1.1 This paper comes to Cabinet to provide an outturn position for 2019/20, an update on the financial impact to date (of Covid-19 and other matters on the current year's financial performance), and to seek approval for assumptions, methods and timing for the development of the 2021/22 budget and medium-term financial plan (MTFP).

2. Financial implications

2.1 Financial implications are covered throughout this paper.

3. Climate implications

3.1 Any specific climate assumptions required in the MTFP will need early confirmation from Cabinet.

4. Other implications

4.1 None identified at this stage but the level of funding available and the Council's base revenue budget will have potential implications for our operations and future strategy. The Council's operating costs must be reduced before 1 April 2021 if we are to deliver a balanced budget and an achievable MTFP.

5. Risk assessment

5.1 The 2020/21 Quarter 1 forecast sets out significant risks for the Council in dealing with the current pandemic and its longer-lasting financial implications. The Council does have reserves, some of which can be used as a short-term measure to balance the budget, but longer-term use of reserves is not sustainable.

Current Risk: High

Residual Risk: High

6. Equalities Impact Assessment

6.1 None.

7. Appendices

1. Capital programme recommendations from the Capital Strategy and Asset Management (CSAM) officer group
2. Milestones from budget timetable 2021/22
3. Budget assumptions, inherited and draft for iteration 1

8. Background Papers

2019/20 quarterly financial management reports to Cabinet.
Cabinet budget strategy paper, February 2020.

9. 2019/20 outturn

9.1 Cabinet received three financial management reports during 2019/20, each anticipating an overspend. The final performance was an overspend of just under £5m, which is summarised in the table below.

Directorate	Net Budget	Outturn	(Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	114,188	125,267	(11,080)	(9.70%)
People - Children's	65,025	73,757	(8,733)	(13.43%)
Place	58,726	60,054	(1,327)	(2.26%)
Corporate Development	35,200	34,737	462	1.31%
Legal & Democratic	8,830	8,615	215	2.44%
Public Health	818	818	0	0.00%
Total Service Budgets	282,786	303,248	(20,462)	(7.24%)
Central Finance	(358,177)	(373,651)	15,473	(4.32%)
Whole Authority	(75,391)	(70,403)	(4,988)	(6.62%)

9.2 The reorganisation of local government in Dorset created significant base budget savings, and without these the impact would have been much more material. A more detailed outturn report is being prepared for the Audit & Governance Committee. That Committee will consider the report as part of a review of the Council's published financial statements, under delegated authority from Council. Dorset Council's statutory audit of the financial statements is currently in progress with Deloitte.

9.3 As well as the position noted above, there was an £8m overspend on the Dedicated Schools Grant (DSG) budget, which had traditionally formed part of the predecessor County Council's financial reporting. This in-year performance took the cumulative overspend on DSG to £21.8m. However, during 2019/20 the Department for Education (DfE) confirmed that overspends on the DSG were not the responsibility of local Council Tax payers and they should be carried forward as negative, earmarked reserves to be recovered from DSG in future as part of the recovery process. This is where the item will be seen in Dorset Council's accounts when they are published.

10. 2020/21 budget development

10.1 2020/21 was the second budget for Dorset Council. An improved settlement from Government and resources released from support services through reorganisation meant that considerable extra funding could be added to budgets for front line services. The 2019/20 and 2020/21 budget papers have more details in the respective appendices, on resource allocation and savings, so that is not repeated here.

10.2 The latter paper also outlines the process the Council adopted to develop the budget strategy for 2020/21 and many members will recall their involvement in the budget café event, scrutiny committees and other briefings that were held during the year.

10.3 For 2020/21 Dorset Council set a net budget of £304m, funded from general grants (£5m), Business Rates (£47m) and Council tax (£252m) meaning a band D equivalent Council Tax charge of £1,694.79.

11. Covid-19 context and impact

11.1 Covid-19 has had a significant impact on Dorset Council. The Government urged Local Government to do whatever it takes in response to the pandemic and Dorset Council responded well.

11.2 The Cabinet received a paper at the June meeting, setting out details of the Council's response to the pandemic, which outlined the financial impact to Dorset Council of £60m. The focus of this paper is to provide more detail on the financial impact that this response has had and the additional funding that has been provided.

11.3 Government has responded to the pandemic with a range of measures and with financial support. Many of the measures, such as Business Rates holidays, business grants and the hardship fund, are aimed at individuals and/or businesses and are simply channelled through the Council rather than being of direct benefit to the Council.

11.4 However, three tranches of funding have been made available to support the Council's budget pressures. The first two of which, at £3.2bn nationally in total, have provided £21m to Dorset Council. At the time of writing, the details of the third tranche have only just been released and are still being clarified. Broadly, the themes appear to comprise an element of grant (Dorset Council will receive £2.7m), an income support scheme (which we cannot yet quantify but which is described as 75p in the £ protected by Government after the first 5% of total planned income for the Council is absorbed), and support for collection funds. It is highly unlikely that this will fully address the current year's budget gap.

11.5 Despite the additional funding provided in the first two tranches, the Council is currently forecasting a net overspend of £43.1m as set out in the table, below. Unless additional Government funding becomes available, the Council will have to manage this forecast overspend using its reserves. The General Fund reserve of £28m combined with other

previously earmarked reserves are sufficient to enable the Council to continue to operate throughout 2020/21. However, the financial position is of real concern and it is unsustainable to take this continued level of expenditure into 2021/22.

12. Forecast of outturn, Quarter 1 2020/21

12.1 The paragraphs below provide an overview of the position for each directorate as set out in the table.

Directorate	Net Budget	Forecast Outturn	Forecast (Overspend)/ Underspend	
	£k	£k	£k	%
People - Adults	122,890	136,042	(13,151)	(10.70%)
People - Children's	74,240	81,743	(7,503)	(10.11%)
Place	68,831	85,054	(16,223)	(23.57%)
Corporate Development	25,303	27,615	(2,312)	(9.14%)
Legal & Democratic Services	7,213	11,214	(4,001)	(55.48%)
Public Health	0	0	0	0.00%
Total Service Budgets	298,477	341,668	(43,191)	(14.47%)
Central Finance	(300,069)	(300,188)	118	(0.04%)
Whole Authority	(1,592)	41,480	(43,072)	

People Services - Adults

12.2 The People Services - Adults budget is projected to overspend by £13.2m (9.6%).

People Services – Adults

	Net Budget	Forecast Outturn	Forecast (Overspend)/ underspend	
	£k	£k	£k	%
Adult Care Packages	98,393	109,558	(11,165)	(10.03%)
Adult Care	13,409	13,516	(107)	(0.60%)
Commissioning	4,894	5,306	(412)	(8.49%)
Directorate Wide	2,995	3,703	(708)	(25.91%)
Housing & Community Safety	3,200	3,959	(759)	(20.19%)
Total Directorate Budget	**122,890**	**136,041**	(13,151)	**(9.60%)**

12.3 The Adult Care Packages budget is forecast to overspend by £11.2m (10.03%). £5.6m is due to business as usual spend and £5.6m of this relates to Covid-19 expenditure.

BAU

12.4 The business as usual overspend is as follows:

	£000
Current BAU Overspend	(5,592)
Unachievable Savings	2,000
Transitions budget pressure	1,500
BAU Pressure	**(2,092)**

12.5 There was an assumption within the budget set for 2020/21 that £2m savings would be achieved. Despite the uplift to the Adult Social Care budget the review by Impower identified that savings needed to be made between £2m and £4m to achieve a balanced budget. Although this was challenging, plans had been put in place to deliver a transformation programme that would begin to address the gaps in resources. The impact of Covid-19 has meant that although some of the work has taken place the delivery of the savings has not been realised.

12.6 There has been an increase in the level of complexity of cases that have transferred from Children's Services into Adult Social Care since the budget was set. So far this year, five cases have transferred costing a total of £1.4m, including two cases in Purbeck (£378k), one case in East (£95.3k) and two CMHT Mental Health cases (£1m). The complexity of transitions cases is increasing. The average cost of a transitions case in 2019/20 was £91.7k vs £298k so far this year.

12.7 The remaining BAU pressure of £2m is made up of increased pressures within Locality based services as well as Mental Health. Locality based services have seen an increase so far this year within Direct Payments. This is a combination of increased numbers and increased costs of care packages. Mental Health have seen a number of specific complex cases contributing to the overspend.

Covid-19

12.8 The forecast spend for Covid-19 is currently £5.6m. Throughout the pandemic, support has been provided across Adult Social Care including additional support to clients who ordinarily would have attended a Day Centre which had to close. This resulted in an increased cost but also loss of income. Providers received a one-off upfront payment to help with cashflow and were given the opportunity to claim an additional 10% on invoices to cover the costs of Covid-19, including PPE and staffing.

12.9 The Adult Care budget (essentially staffing and joint working) is currently forecast to overspend by £107k, principally on staffing. This is mainly within the Approved Mental Health Professionals (AMHP) hub which is currently under review.

12.10 The Commissioning area is forecast to overspend by £412k. The majority of the overspend is driven by a pressure within the Extra Care contract of £136k and a forecast overspend on the Disabled Facilities Grant of £335k.

This is offset by underspends on staffing vacancies where recruitment is in progress.

12.11 Housing Services are forecast to overspend by £708k. There is a £750k overspend on Covid-19 related bed and breakfast accommodation, additional help for homeless people and an anticipated additional spend post Covid-19 where tenants could be evicted from their homes. There is also a partially offsetting underspend due to vacancies with the service.

People Services - Children

12.12 Children's Services is forecast to overspend by around £7.5m by the end of 2020/21.

12.13 The 2020/21 budget allows for 177 externally placed children in care. There were 199 at the end of June. These numbers are still subject to change, but if they remained stable at the current cohort of 199 and their associated costs, the overspend would be c £5.04m.

12.14 Education and learning includes a budget pressure for lost trading income from schools and academies during the Covid-19 period, estimated here at £1.05m but subject to ongoing review as the schools and Covid-19 situation moves forward.

12.15 This service also includes an estimated £1m overspend on SEN transport. This figure is indicative only and is subject to the findings/outcomes of a working group that is currently working in this area.

12.16 Other costs pressures amounting to £1.15m include adverse variances at the in-house nurseries (£275k), savings projects that are currently unable to deliver cashable savings (£650k), miscellaneous additional costs arising from the Covid-19 situation, and pressure on salaries budgets due to vacancy factor targets and cost of increments (which are unfunded).

12.17 Additional savings are expected to arise from the *Blueprint For Change* project and some money is also coming from the directorate's *Change Fund*, which reduces budget pressure by £734k in total.

Dedicated Schools Grant (DSG)

12.18 The Dorset Council area has been allocated just over £260m of DSG for 2020/21 from Government, of which just over £162m is recognised as Dorset Council and/or Dorset schools' expenditure (i.e. excluding Academies, these receive their funding directly).

12.19 The funding is allocated by government in four specific blocks as follows:

- Schools Block (£203.4m)
- Central Schools Services Block (£1.8m)
- High Needs Block (£38.6m)
- Early Years Block (£16.3m).

12.20 As noted above, Government has recently confirmed that any ongoing DSG deficit liability sits with the schools, albeit that the deficit is shown on the Council balance sheet as a negative earmarked reserve.

12.21 The High Needs Bock (HNB) element of the DSG is projected to overspend by around £18m. Dorset Council is working in partnership with the Schools Forum to address and mitigate HNB spend as far as possible. A HNB deficit reduction strategy was approved by Cabinet in December 2019.

12.22 Schools are known to be incurring significant costs during the Covid-19 period, and whilst a scheme exists with the DfE for schools to reclaim their additional costs, the scheme is not comprehensive and may leave some schools in financial difficulty. The extent of this cannot be quantified at this early stage and is unlikely to be clear until 2021.

12.23 The Early Years sector is also facing significant disruption during this time, and again significant financial difficulty is expected to be acknowledged across the setting in the next few months as the picture becomes clearer.

Place Services

12.24 At the end of Quarter 1, the Place Directorate is forecasting an overspend of £16.22m, against a current net budget of £68.83m – an overspend of 23.57%. The vast majority of this overspend is Covid-19 related income shortfalls/excess costs, accounting for £14.58m of the overspend. £1.00m is attributable to savings targets that are unlikely to be realised, while the final £0.64m is a BAU forecast overspend.

12.25 The current financial climate is particularly difficult, mainly due to the impact of Covid-19. Many services within Place are affected by considerable losses of income. These include car parking, country parks, commercial income from assets, licensing, registration services, planning, building control, harbours, commercial waste and outdoor education. The easing of lockdown restrictions has meant that services can start to recover some of these losses, however there will still be a shortfall.

12.26 Place services have had increased costs to absorb due to additional responsibilities for shielding. These teams would have normally been tasked with undertaking capital related projects. Additional support relating to Covid-19 related issues has also been required in many areas.

12.27 There are a number of financial pressures within Dorset Travel and Waste which are being closely monitored. The increase in cost for any additional social distancing requirements for school transport and potential continued increased costs of disposing of waste are being monitored closely.

12.28 There were a number of services which built savings into the 2020/21 budgets. The impact of Covid-19 has meant that these are unlikely to be met. The Place service teams are continuing to work to limit the impact of Covid-19.

Corporate Development & Legal & Democratic Services

12.29 Corporate Services is the collective name for services across Corporate Development and Legal Services. This includes Finance and Commercial (including Revenues and Benefits), Human Resources and Organisational Development, ICT Operations, Digital and Change, Business Intelligence, Communications and Engagement, Legal Services, Assurance, Democratic and Electoral Services and Land Charges.

12.30 The net budget for Corporate Services is £32.5m and the quarter 1 performance projects a £6.3m overspend, £5m attributable to the Covid-19 situation.

12.31 The main Covid-19 pressures within Corporate Services concern the purchase of whole Council personal protective equipment coded to the Emergency Planning budget and mortality support facilities (£3.5m), irrecoverable income from closed courts for non-payment of Council tax/NNDR (~£0.5m) and reduced land charges income as a consequence of reduced searches (£0.23m). Additionally, support to organisations coordinating the shielding response is forecast to be overspent by £0.2m.

12.32 There is also a pressure with homelessness housing benefit expenditure exceeding the subsidy Dorset Council receives by approximately £1m, with £0.2m attributable to Covid-19 and the greater need for temporary placements.

Public Health

12.33 The Spending Round 2019 announced a real terms increase to the overall public health grant in 2020/21. The grant for Dorset Council grew from £13.172m to £14.072m (£0.9m increase).

12.34 The Covid-19 pandemic has meant substantial changes have had to be made to public health services and additional support has been needed to mitigate both the physical consequences of the virus, and the economic and mental health consequences of “lockdown” and social distancing measures. This has created additional cost pressures on both Public Health Dorset and the wider system.

12.35 Public Health Dorset recognises that Dorset is facing significant financial challenges so agreed that any cost pressures in the service relating to

Covid-19 would be funded through the grant uplift or other system partners and no call would be made on the MHCLG funding.

Central finance

12.36 Central budgets include the main sources of the Council's funding; Council tax, business grants and general grants (such as new homes bonus).

12.37 The additional, non-ringfenced Covid-19 funding of £21m is also included here, but it does not reflect as an improved forecast position because so is the risk of loss to collection funds and the savings that are unlikely to accrue as the required programmes of work needed to deliver them cannot be carried out in the current circumstances.

12.38 The budget set targets of £3m cost reductions from transformation projects and a further £3m from better procurement and contract management. Whilst transformation work continues, at this stage a pessimistic view of likely savings from this activity is offered. The majority of change revolved around travel, transport, rationalisation of the estate and transitioning to more digital. Whilst some of this is still work in progress the response to the pandemic is actually causing increases in many of these costs as well as triggering lost income, and the potential to realise capital receipts and revenue savings from property disposals is remote.

12.39 Central budgets are also at risk from reductions in income from Council tax and business rates. At this stage, our yield from both these sources is performing relatively well although both are lagging slightly behind budgeted expectations. It is sensible (rather than prudent) at this stage still to assume up to £13m could be lost. There is also an anticipated loss of investment income of around £300k.

13. Reserves

13.1 Overspends in any particular year still need to be financed. Bringing six Councils together generated a general fund of £28.2m and also allowed other earmarked reserves to be reviewed because the risk profile of the new Council is different from its predecessors. Some reserves have therefore been rationalised and repurposed, meaning £5m could be added to the general fund to return it to £28.2m at the end of 2019/20.

13.2 Further work to review reserves is in progress and an update will come to Cabinet at the end of Qtr2. It is important that the Council provides adequate reserves for the risks that it is managing and mitigating but anything other than short-term use of reserves is unsustainable. They can only be spent once and if they are not cash-backed this will also trigger an increase in the Council's borrowing.

13.3 The overspend position set out above therefore needs to be managed quickly and effectively in preparation for the next budget and MTFP. Whilst the Council continues to press Government for additional funding, it

is difficult to see how this could be sustained in base budgets through a Spending Review.

14. Capital expenditure and financing

14.1 The 2019/20 capital programme was underspent by £49m, £22m of which falls to be funded from the Council's own resources. However, this does not actually represent a saving, it is "slippage" where projects have not been completed by the end of the financial year so they roll forward into 2020/21. A full analysis of the carry-in plus the approved programme is being prepared. This will be updated for any further changes to grants that have been made since the budget was approved by Council in February.

14.2 The budget approved by Cabinet in February 2020 included £15m of unallocated capital funding which was fully financed, but work had at that stage not been completed to identify the priority areas for spend. An officer group (the Capital Strategy and Asset Management group (CSAM)) was tasked with identifying priority areas for this capital spend which were either essential for to keep the Council operating or represented an invest to save opportunity.

14.3 CSAM has now completed its prioritisation work, and in recognition of the financial pressure the Council is currently under, is recommending the prudent investment of £2.1m from the £15m available. Cabinet is requested to approve the expenditure as detailed in Appendix 1.

15. Additional Covid-19 funding

15.1 As well as this funding flowing to the Council it is important to update Cabinet on the funding that has been passed through local government. For example, business grants, Business Rates holidays, infection control grants etc.

Business grants

15.2 The Council was given an initial allocation of £133.7m to distribute to businesses that qualified for small business grant (SBG) or retail, hospitality and leisure grant (RHLG). The grants were either for £10k or £25k, depending on the rateable value of the business property. At the time of writing, the Council had distributed £104.14m to 8,763 businesses.

15.3 By the time the scheme eventually closes, it is likely that only four Councils from a nationwide total of 314 will have given more support to businesses in their area. Throughout the relevant period of monitoring, Dorset Council was in the top 10 performers in terms of payment volumes.

Discretionary grants

15.4 In response to feedback about the first tranche of grants, and because more funding had initially been allocated to Councils than was likely to be needed, Government announced further business support through a round of discretionary grants. These were for Councils to administer and

distribute to businesses that did not benefit from the initial tranche of funding because they did not pay business rates. Dorset has so far distributed £5.7m to nearly 1,600 businesses.

Business rates relief

15.5 As well as grants, businesses in Dorset have further benefitted from the Government's decision to extend business rates reliefs this year. In 2019/20 more than 3,400 Dorset businesses will benefit by more than £54m through discounts offered to retail, hospitality and leisure businesses, and nurseries. This is in addition to small business discounts already offered.

Infection control grant

15.6 Dorset Council's infection control grant will total £5.05m, the first tranche of which was £2.5m. The Council has distributed £2.2m and by the time the grant has been distributed in full, 153 providers will have benefitted.

16. Next steps – moving from response to recovery

16.1 The Council needs to continue to refine its forecasting as time progresses. In some cases, our projections could prove to be prudent or imprudent, so an update will be carried out each month to forecasts and shared with relevant portfolio holders. However, it is also right to take appropriate, responsible and responsive action to mitigate risks and reduce the overspend during the year firstly to protect reserves but more critically to return the base budget to a sustainable position by the time the new financial year arrives.

16.2 Although there is still considerable uncertainty in our forecasts, it is clear that the cost of the pandemic cannot be contained within our current budget envelope - even with Government's current support - and that we must prepare the organisation's finances to deal with the risk of loss of Council Tax, Business Rates and other income in future. The tapering and eventual end of the furlough scheme and other support for individuals and businesses will affect their ability to pay Council Tax, Business Rates and a number of other income streams on which the Council relies, so we must address our cost base accordingly.

17. Development of medium-term financial plan (MTFP) and budget strategy 2021/22

17.1 During the Summer, officers will be updating the MTFP, modelling what might happen in certain circumstances, dependent upon Covid-19 impact and government funding.

17.2 At this stage it is very difficult to model the financial future with any degree of precision so the challenge now is to review quickly and accurately, what action can be taken to reduce the gap and a balanced budget strategy for 2021/22 to be agreed.

17.3 Part of the MTFP development will be the Council's assumptions about future funding. At this stage we know very little about the next spending round. What we do know is that work on the business rates retention and fair funding reviews has been further deferred so any benefit that may have flowed to Dorset Council (particularly from the Fair Funding Review (FFR)) is at best delayed but potentially lost.

17.4 The duration of the spending review period is also uncertain with speculation placing the planning period anytime between one and three years. Clearly the longer this period, the greater certainty all Councils will have over their financials but the challenge facing Government at present is significant and a spending review spanning more than one year will be extremely challenging.

17.5 In order to reach that point, the Council must focus, with a tighter budget timetable than is usual. A summary of key dates for proposed milestones in the budget are set out below and headlines from which are set out below.

18. Conclusions

18.1 The Council has made considerable savings since reorganisation and this has allowed the local pressures from national issues including children in care and increased demand for adult services, to be managed with a limited impact on reserves.

18.2 Covid-19 has had a dramatic impact on the Council's finances with a loss of income and increased expenditure. Whilst Government has provided some funding to cover this financial gap, the balance of £43m is current being funded by the Council's reserves. These reserves can only be spent once.

18.3 The Council therefore needs to focus on three things:

a. Making every effort to contain this current year's operational and financial pressures within the funding envelope available.
b. Continuing to explain the financial reality of the situation to Government and secure additional funding where possible.
c. Entering into a really challenging budget setting round which combines the identification of tactical savings with the development of a transformation programme which enables the Council to meet the needs of Dorset's residents within the funding which is available.

Aidan Dunn

Executive Director of Corporate Development

Footnote:

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

Appendix 1

Capital programme recommendations from CSAM

CSAM has met several times during the year to review and filter the items it now recommends to Cabinet to be funded from the £15m fund established in the budget strategy and approved by Council in February 2020.

A summary of each of the programme lines is set out below.

Capital programme bids 2020/21	2020/21	2021/22	2022/23	2023/24	2023/24	Total
	£k	£k	£k	£k	£k	£k
Compulsory Purchase of Long Term Empty Property	255	489				744
IT programme	1,450	1,250	1,250	1,250	1,250	6,450
ITS Asset Replacement Programme	200	200	200	200	200	1,000
Slipway extension and storage solutions	135					135
Healthy Homes Dorset	75	75	75			225
	2,115	2,014	1,525	1,450	1,450	8,554

Compulsory purchase of long-term empty properties

This project proposes to compulsory purchase a small number of long-term empty properties. Working with housing association partners to renovate and convert as necessary in order to provide temporary accommodation for local people. Housing Standards has identified up to 50 target properties in Dorset through previous work but will target a small number (up to 8 but have assumed 4 units will actually complete) which are most suitable for conversion as temporary accommodation and where there is no prospect of the owner bringing them back into use despite frequent interventions by the Council. This project will contribute to the Council meeting its legal responsibility under the Homelessness Suitability Order 2003 limiting the length of stay in bed and breakfast to 6 weeks for people who are registered as homeless. In addition, there is political will to tackle the long term empty property problem which is a significant blight and wasted housing resource.

IT programme

Including £200k on replacement housing system, this funding is recommended for support of the IT infrastructure estate and for software renewal and replacement across the Council. These projects are generally required for business to continue and they were not included in the capital programme as there were no bidding rounds for 2019/20 or for 2020/21 but the reality is that we will not be able to keep up replacements of obsolete software or hardware without the funding.

ITS assets replacement programme

68% of all traffic signals (ITS assets) are beyond their serviceable life. They are managed through a maintenance contract. The current condition average of all

ITS assets is around 65.5%. If things continue without investment this average will reduce to 33.91% within five years and to 4.29% in fifteen years. ITS assets are critical to managing traffic flows, congestion and safety of road users and pedestrians. Some of the technologies are now obsolete, and we will soon lose the ability to remotely connect to some assets. We are already in a position of being unable to replace the bulbs in some units as they are no longer manufactured. Investing £200k in each of the next five years will go some way to recover this position, replacing only the most in need, but will mean we are still sweating some assets beyond their serviceable life.

Slipway extension and storage solution

This project focuses on two areas; the main slipway, and storage which is needed to protect harbour equipment. The current slipway has become undermined forming a step at the end which is unsafe for harbour users. Without intervention this could jeopardise vessel launches, including the RNLI lifeboat. There is an opportunity to expand the area to the east of the slipway at the same time as repair, which will provide storage solutions, generating addition income. A storage building is required for harbour supplies and to house the harbour JCB telehandler and harbour boat. We are currently storing some equipment in a town Council building for which we pay rent but our major items (JCB & boat) are exposed to elements all year round resulting in high maintenance costs. There is an opportunity to gain income from a new storage building.

Healthy homes Dorset

From 2015 to 2020, Public Health Dorset funded the Healthy Homes Dorset pilot project providing advice to thousands of residents to improve hundreds of homes to help reduce illness. It is a key component of the draft Dorset Council Plan and contributes to all five corporate priorities as well as the overarching climate agenda. This project recommends match and gap funding for heating and insulation measures, acting as funder of last resort when not available elsewhere.

Appendix 2

Milestones from budget timetable 2021/22

Key dates

July-September	Assess the short and long term financial implications of COVID Update MTFP Develop options including financial and transformational plan
Early October	Members Budget Workshop 1 (setting the scene - scale of problem and possible solutions)
October-December	Public engagement / Consultation
December	Scrutiny café of budget proposals
January	Budget to Cabinet
February	Budget to full Council

Dorset Council

Appendix 3

Summary of MTFP assumptions 2021 to 2026

(as rolled forward from 2020/21 MTFP round)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Council tax increase	<2%	<2%	<2%	<2%	<2%	<2%
Council tax base growth	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Social Care Precept	2%	0%	0%	0%	0%	0%
Business rates growth	0%	0%	0%	0%	0%	0%
Pay award	2.75%	2.50%	2.25%	2%	2%	2%
General inflation	1.20%	2.25%	2.50%	2.50%	2.50%	2.50%
Increase in fees & charges	2.30%	2.25%	2.50%	2.50%	2.50%	2.50%
Employer pension contribution	2% +£650k	0% +£252k	0% +£261k	£750k	£275k	£300k
Adult Services pressures	£5,497k	£5,109k	£5,333k	£5,585k	£5,827k	£6,060k
Children's Services pressures	£1,362k	£1,127k	£1,046k	£967k	£1,015k	£1,066k
Base budget pressures c/fwd	£10,500					

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Summary budget gap (£000)	0	7,434	5,431	6,834	5,537	5,774
Cumulative budget gap (£000)	0	7,434	12,866	19,700	25,237	31,011

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Audit and Governance Committee
Monday, 12 October 2020
Treasury Management Annual Report

For Decision

Portfolio Holder: Cllr G Suttle, Finance, Commerical & 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
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Report Status: Public

Recommendation:

That the Committee note and comment upon the report.

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. Executive Summary

This report summarises the treasury management performance and position information for Dorset Council for the year ended 31 March 2020.

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 and a year-end review of actual performance against the strategy (this report).

2. Financial Implications

This report summarises the performance of the Council's treasury management activity in 2019/20. There are no other financial implications arising from this report.

3. Climate implications

There are no equalities implications arising from this report.

4. Other Implications

There are no other implications arising from this report.

5. 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

6. Equalities Impact Assessment

There are no equalities implications arising from this report.

7. Appendices

Appendix 1: Economic Background Commentary (Arlingclose)

8. Background Papers

9. Introduction

9.1 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.

9.2 Treasury risk management at the Council is conducted within the

framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

9.3 The Council's treasury management strategy for 2019/20 was approved at a meeting of the Dorset Shadow Council in February 2019.

10. Treasury Management Advisers

10.1 The Council employs professionally qualified and experienced staff with responsibility for making borrowing and investment decisions. Officers are supported by external advisers who are specialists in their fields. The Council currently employs Arlingclose Limited as treasury management advisers.

10.2 This approach ensures that the Council has access to a wide pool of relevant market intelligence, knowledge and skills, that would be very difficult and costly to replicate internally. However, whilst advisers provide support to the internal treasury function, final decisions on treasury matters always remain with the Council.

11. Member and Officer Training

11.1 The high level of risk inherent in treasury management means officers need to be adequately experienced and qualified. Officers attend national treasury management events and training courses, and have regular strategy and review meetings with advisers, as well as regular telephone contact.

11.2 On 23 January 2020 a training session for all Dorset Council's elected members was provided by officers and advisers to explain the responsibilities that members have in relation to treasury management. Further training will also be provided from time to time as necessary.

12. External Context (Economic Background and Outlook)

12.1 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.

12.2 The UK's exit from the European Union and future trading arrangements remained the major influence on the UK economy and market sentiment for most of 2019/20 as it had in previous recent years. However, towards the end of the year the coronavirus pandemic swiftly changed everything, with falls in financial markets not seen since the global financial crisis of 2008.

12.3 A detailed economic commentary provided by Arlingclose is included in Appendix 1.

13. Local Context

13.1 The Council's balance sheet summary and forecast are shown in table 1 below.

Table 1: Balance Sheet Summary

	01-Apr 2019 Actual £m	31-Mar 2020 Actual £m	31-Mar 2021 Budget £m	31-Mar 2022 Budget £m	31-Mar 2023 Budget £m
Capital Financing Requirement	**308**	**320**	**361**	**369**	**368**
External Debt (incl. PFI & leases):					
External borrowing	233	216	240	240	240
Long Term PFI Liabilities	25	24	25	25	25
Obligations under Finance Leases	5	3	5	5	5
Total External Debt	**263**	**243**	**270**	**270**	**270**
Internal Borrowing	45	77	91	99	98
Cash and Investments	**148**	**108**	**100**	**100**	**100**

13.2 The Council pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

13.3 The treasury management position at 31 March 2020 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.19 Balance £m	Net Movement £m	31.03.20 Balance £m
Long-term borrowing	201.0	-21.0	180.0
Short-term borrowing	31.3	4.7	36.0
Total Borrowing	**232.3**	**-16.3**	**216.0**
Investments	80.5	-4.8	75.7
Cash and cash equivalents	67.0	-35.5	31.5
Total Cash and Investments	**147.5**	**-40.3**	**107.2**
Net Borrowing	**84.8**	**24.0**	**108.8**

14. Borrowing

14.1 At 31 March 2020 the Council held £216m of loans, (a decrease of £16m from 31 March 2019), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans as at 31 March 2020 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.03.19 Balance £m	Net Movement £m	31.03.20 Balance £m
Public Works Loan Board	86.4	-1.5	84.9
Banks (fixed-term)	25.6	0.0	25.6
Banks (LOBO)	31.0	-20.0	11.0
Local authorities (long-term)	15.0	0.0	15.0
Local authorities (short-term)	30.0	-15.0	15.0
Other lenders (fixed-term)	25.0	20.0	45.0
Other lenders (LOBO)	19.5	0.0	19.5
Total Borrowing	**232.5**	**-16.5**	**216.0**

14.2 The chief objective of the Council (and its predecessors) 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.

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

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

14.5 However, on assessment of the LOBO portfolio by Arlingclose, loans from some banks presented restructuring opportunities with substantial value from a negotiated settlement with the bank. The risks and benefits, including restructuring savings, were assessed and £20m LOBOs were repaid during the year which has also helped reduce exposure to medium/long-term optionality.

14.6 In addition, capital finance may be raised by the following methods that are not borrowing but are classed as other debt liabilities: leasing, hire purchase, Private Finance Initiative (PFI) and sale and leaseback.

15. Investments

15.1 The Council holds significant levels of invested funds, representing income received in advance of expenditure plus balances and reserves held and money borrowed in advance of need. Cash, cash equivalents and treasury investments held on 31 March 2020 are summarised in Table 4 below.

Table 4: Cash and Treasury Investments Position

	31.03.19 Balance £m	Net Movement £m	31.03.20 Balance £m
Cash and Cash Equivalents:			
Banks & Building Societies (unsecured)	46.2	-33.1	13.1
Covered bonds (secured)	0.0	0.0	0.0
Government (including local authorities)	19.4	-19.4	0.0
Corporate bonds and loans	0.0	0.0	0.0
Money Market Funds	33.7	13.7	47.4
Less 'co-mingled' Dorset LEP Balances*	-32.3	3.3	-29.0
Total Cash and Cash Equivalents	**67.0**	**-35.5**	**31.5**
Investments:			
Short-dated bond funds	3.0	-0.2	2.8
Strategic bond funds	10.7	-0.8	9.9
Equity income funds	42.0	-5.2	36.8
Property funds	18.1	2.3	20.4
Multi asset income funds	6.7	-1.0	5.7
Real Estate Investment Trusts (REITS)	0.0	0.0	0.0
Total Investments	**80.5**	**-4.8**	**75.7**
Total Cash and Investments	**147.5**	**-40.3**	**107.2**

**The Dorset Local Enterprise Partnership NatWest bank balances are 'co-mingled' in the same interest group with Dorset Council's balances.*

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

15.3 £76m of the Council's investments are held in externally managed strategic pooled investment vehicles (bond, equity, multi-asset and property funds) where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

15.4 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.

15.5 Correlations between asset classes which should in 'normal' times help diversify investment risk, can break down in times of severe market stress and returns for all asset classes can move in the same direction. This was seen in the reactions of financial markets to the global coronavirus pandemic in March and April 2020.

16. Treasury Performance

16.1 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 5 below.

Table 5: Treasury Performance

	Budget £m	Actual £m	Variance £m	
Interest Payable	10.6	7.4	3.2	F
Interest and Investment Income	-4.3	-3.6	-0.7	A
Net Payable / (Receivable)	**6.3**	**3.8**	**2.5**	**F**
Unrealised (Gains) / Losses in Fair Value	0.0	8.8	-8.8	A
Net (Surplus) / Deficit	**6.3**	**12.6**	**-6.3**	**A**

16.2 The unrealised losses in the fair value of investments relate to the Council's investments in strategic pooled investment vehicles. Unrealised gains or losses in the fair value of these investments are accounted for through reserves and do not have an impact on the general fund.

17. Compliance

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

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

Table 6: Debt Limits

	Maximum £m	31.03.20 Actual £m	Operational Boundary £m	Authorised Limit £m	Complied Yes/No
Borrowing	233.0	216.0	388.0	398.0	Yes
PFI & Finance Leases	30.0	27.0	37.0	37.0	Yes
Total Capital Financing	**263.0**	**243.0**	**425.0**	**435.0**	

18. Treasury Management Indicators

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

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

Table 7: Security

	31.03.20 Actual	2019/20 Target	Complied Yes/No
Portfolio average credit rating or score	4.0	6.0	Yes

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

Table 8: Liquidity

	31.03.20 Actual	2019/20 Target	Complied Yes/No
Total cash available within 3 months	80%	30%	Yes

18.4 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

	31.03.20 Actual £000s	2019/20 Target £000s	Complied Yes/No
Upper limit on one-year revenue impact of a 1% rise in interest rates	60	500	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	60	500	Yes

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

18.6 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 to final maturities beyond the period end were:

Table 10: Investments beyond year end

	2019/20 £m	2020/21 £m	2021/22 £m
Actual principal invested beyond year end	0.0	0.0	0.0
Limit on principal invested beyond year end	20.0	20	20
Complied (Yes/No)	Yes	Yes	Yes

18.7 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

	31.03.20 Actual £m	% of Total Borrowing	Upper Limit	Lower Limit	Complied Yes/No
Under 12 months	36.0	16.7%	25%	0%	Yes
12 Months to 2 Years	1.0	0.5%	25%	0%	Yes
2 Years to 5 Years	11.1	5.1%	25%	0%	Yes
5 Years to 10 Years	10.0	4.6%	35%	0%	Yes
10 Years to 15 Years	19.5	9.0%	35%	0%	Yes
15 Years to 20 Years	0.0	0.0%	35%	0%	Yes
20 Years to 25 Years	0.0	0.0%	45%	0%	Yes
25 Years to 30 Years	0.0	0.0%	45%	0%	Yes
30 Years to 35 Years	41.8	19.4%	45%	0%	Yes
35 Years to 40 Years	15.0	6.9%	45%	0%	Yes
40 Years to 45 Years	0.0	0.0%	45%	0%	Yes
45 Years to 50 Years	56.0	25.9%	45%	0%	Yes
50 Years and above	25.6	11.9%	75%	0%	Yes
Total	**216.0**	**100.0%**			

18.9 Time periods start on the first day of each financial year, so borrowing maturing “under 12 months” is all borrowing that may mature before the end of this financial year. The maturity date used is the earliest date on which the lender can demand repayment or the borrower has the option to repay without penalty.

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

Appendix 1: Economic Background Commentary (Arlingclose April 2020)

Economic background: The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. The 29th March 2019 Brexit deadline was extended to 12th April, then to 31st October and finally to 31st January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation UK Consumer Price Inflation fell to 1.7% y/y in February, below the Bank of England's target of 2%. Labour market data remained positive. The ILO unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. Against a slowing economic outlook, the US Federal Reserve began cutting rates in August. Following a series of five cuts, the largest of which were in March 2020, the Fed Funds rate fell from of 2.5% to range of 0% - 0.25%. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a $2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

Financial markets: Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touch its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31st March. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

Since the start of the calendar 2020, the yield on 2-year US treasuries had fallen from 1.573% to 0.20% and from 1.877% to 0.61% for 10-year treasuries. German bund yields remain negative.

Credit review: In Q4 2019 Fitch affirmed the UK's AA sovereign rating, removed it from Rating Watch Negative (RWN) and assigned a negative outlook. Fitch then affirmed UK banks' long-term ratings, removed the RWN and assigned a stable outlook. Standard & Poor's also affirmed the UK sovereign AA rating and revised the outlook to stable from negative. The Bank of England announced its latest stress tests results for the main seven UK banking groups. All seven passed on both a common equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would remain twice their level before the 2008 financial crisis.

After remaining flat in January and February and between a range of 30-55bps, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March and through to mid-April but remain above their initial 2020 levels. NatWest Markets Plc (non-ringfenced) remains the highest at 128bps and

National Westminster Bank Plc (ringfenced) still the lowest at 56bps. The other main UK banks are between 65bps and 123bps, with the latter being the thinly traded and volatile Santander UK CDS.

While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days in mid-March.

Fitch downgraded the UK sovereign rating to AA- in March which was followed by a number of actions on UK and Non-UK banks. This included revising the outlook on all banks on the counterparty list to negative, with the exception of Barclays Bank, Rabobank, Handelsbanken and Nordea Bank which were placed on Rating Watch Negative, as well as cutting Close Brothers long-term rating to A-. Having revised their outlooks to negative, Fitch upgraded the long-term ratings on Canadian and German banks but downgraded the long-term ratings for Australian banks. HSBC Bank and HSBC UK Bank, however, had their long-term ratings increased by Fitch to AA-.

Borrowing Update

On 9th October 2019 the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180bp above gilt yields appears relatively very expensive. Market alternatives are available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. Announcements included a reduction in the margin on new HRA loans to 0.80% above equivalent gilt yields (the value of this discount is 1% below the rate at which the authority usually borrows from the PWLB), available from 12th March 2020 and £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

The consultation titled "Future Lending Terms" represents a frank, open and inclusive invitation, allowing key stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals on allowing authorities that are

not involved in “debt for yield” activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield without impeding their ability to pursue their core policy objectives of service delivery, housing, and regeneration. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The consultation closed on 4th June 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22.

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Dorset Council

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

Dorset Council

Report of Internal Audit Activity and Update on Audit Planning

Progress Report 2020/21 – September 2020

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

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Executive Summary

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

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating previously identified significant risks by audit.

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Audit Opinion, Summary of Significant Risks and Follow up work

Audit Opinion:

This is our second quarterly update for 2020/21 and is the first update since we substantially re-started audit reviews following the pause in our work due to the Covid-19 pandemic. Reviews completed to date, highlight that in the majority of areas, risks are reasonably well managed with the systems of internal control working effectively.

However, since our last report in June 2020, we have issued one Limited opinion on the areas and activities we have been auditing. This Limited opinion piece of work has also been classified as a significant risk. In Appendix A on pages 6-7, we provide a summary of the Limited opinion work, to provide the committee with further insight.

Significant Risks:

SWAP was asked to undertake audit work to assess the reasons for a largely unpredicted budget overspend in 2019-20 for both SEN and Mainstream **Home to School Transport**. The overspends were £1.3m and £419k respectively. Our work has led us to identify key factors that contributed to this situation occurring. The report has been received by the Director for People (Children's), the Corporate Director for Education and Learning, the Corporate Director for Economic Growth and Infrastructure and the Corporate Director for Finance and Commercial. An action plan has been put in place by the Corporate Directors to take the audit recommendations forward and there is a high level of confidence that rapid improvement should be seen. We will of course undertake a follow up audit in due course, however some recommendations around suitability of IT systems for example may take some time to implement.

Follow up

Members will recall at the last meeting, we reported a significant corporate risk around the use of **Pupil Premium Plus (PPP) Grant by the Virtual School (VS) for Looked After Children (LAC).** It was found that it was not possible to evidence that the grant is used effectively in every instance to provide the best value for money for the Council and achieve improved educational outcomes for LAC. This results in Looked After young people potentially making poorer educational progress than might have been possible with more effective oversight and control in place. Since the July meeting we have been working with the current Virtual School Head to complete a follow up review to assess progress. Further details of our work can be found on page 8 in Appendix A.

Our follow work in respect of this area is not fully completed; however we have undertaken sufficient work to enable us to form an opinion around the progress made. Whilst a significant amount of work has been undertaken to implement our recommendations, it is not yet possible to provide members with assurance that the significant corporate risk has been effectively mitigated. Following the Blueprint for Change review a new structure around the Virtual School will have been implemented on 1st September. It is hoped that this new structure will deliver improved control around grant spending and of course we will be undertaking a further follow up review at a suitable point.

At the audit committee in July 2020 we reported on a partial opinion for a review of **Financial Reconciliations**. A follow up audit has shown there to be substantial improvement since our original audit work but the actions can only be implemented as quickly as other changes allow thus there is more work to do to enable all the recommendations to be fully signed off. Further details on this can be found on page 9 in Appendix A.

In July 2020 we reported two follow up audits where we did not consider sufficient progress had been made towards implementing our recommendations. In respect of the **Whistleblowing** follow up, the Senior Manager for Assurance has reported directly to the committee on this issue and we are working with him in order to be able to report a satisfactory position. In respect of the follow up work with **Portesham School**, we intend to contact the school to undertake further follow up work to ensure satisfactory progress. However, in organising this work, we do have to be aware that schools have not been fully operational since March.

Update to SWAP Audit Assurance Opinions and Definitions

There are no industry-standard audit assurance opinions and definitions. However, in a recent paper, the Chartered Institute of Public Finance and Accountancy (CIPFA) made recommendations to standardise the opinions and the definitions of these. SWAP has chosen to adopt these recommendations and as such our previous Partial opinion has become Limited, and None has become No Assurance. Our Reasonable and Substantial opinions remain unchanged. Limited and No Assurance opinions are being treated as broadly similar opinions to our previous Partial and None opinions. There are new definitions for each of the four opinions and these can be found at the top of page 6 at the start of Appendix A.

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Internal Audit Plan Progress 2020/21

The Chief Executive of SWAP reports overall performance of the company on a regular basis to the SWAP Board of Directors.

SWAP audit plan coverage, changes to the plan, and performance measures

Over the last year we have implemented a more flexible and regular approach to audit planning. This has somewhat been driven by the fast-changing risk profile of the organisation as a result of local government re-organisation. However, recent events such as the pandemic have sharpened the focus on an agile approach to audit planning, which is also recognised as best practice by the internal audit profession.

Historically we have reported the plan progress completion percentage as part of our update reports. However, we have considered what measures would provide greater value and propose providing a diagrammatical representation of how our completed audits and work in progress provides assurance to the committee over the Authority's key strategic risks. At the start of the year there is likely to be gaps in coverage and assurance, but as the year builds with more completed work, coverage across the key risk areas should increase.

Corporate Risk	Coverage	Assurance
CRR 01 – Budget		
CRR 02 – Cyber Attack		
CRR 03 – Recruit, Retain, Develop Workforce		
CRR 04 – GDPR		
CRR 05 – Emergency Response		
CRR 06 – Brexit		
CRR 07 – Infrastructure		
CRR 08 – Education		
CRR 09 – Transformation		
CRR 10 – Corporate Knowledge		
CRR 11 – Climate Change		
CRR 12 – Breach of Statutory Duty		
CRR 13 – Health, Safety, Wellbeing		
CRR 14 – Safeguarding		
CRR 15 – Commissioning		
CRR 16 – Officer/ Member Interface		
CRR 17 – School Transport		Limited
CRR 18 – Evidence Base		
CRR 19 – Partnerships		
CRR 20 – Election		
CRR21 – Covid-19 Response		Advice & Guidance

TABLE KEY:

	Reasonable coverage
	Partial coverage
	Coverage planned but not started or completed
	No planned coverage
	Proposed coverage removed

We will build our audit plan as the year progresses to ensure that we are auditing the right things at the right time

Changes to the Audit Plan

As a result of the change to our planning approach, we anticipate more changes to the audit plan as the year progresses. Rather than periodically presenting the committee with a static plan and proposed changes, we are looking to provide senior management and members with an improved, real-time solution to view planned audit work; including updates on audits added or removed, together with a risk assessment of the impact of removal on assurance.

This solution is currently being finalised and can be found by accessing this link.

SWAP Performance

Performance Measure	Performance
Quality of Audit Work	
Overall Client Satisfaction *(did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)*	100%
Value to the Organisation *(client view of whether our audit work met or exceeded expectations, in terms of value to their area)*	100%
Outcomes from Follow Up Audit Work	
Percentage of Priority 1&2 recommendations for Partial assurance audits, that remain outstanding when the follow up audit is undertaken	81%

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Value Added

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

Value Added

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

We are introducing and implementing the concept of *'Agile Auditing'*. With increased collaboration and a joint commitment with the service under review, it is possible to complete audits faster and more efficiently. We have used this concept to complete the School Transport audit and have had positive feedback from the senior managers working with us on this review. We are extending this initiative, using it wherever possible in our audits this current financial year.

With the help of SWAP's two newly appointed Data Analysts, we are looking to include analysis of data as part of every audit. This allows us not only the opportunity to test whole populations of data, but where this is not possible or appropriate, to be able to use data analytics to target our testing in a more effective way.

As further examples of adding value, we have also undertaken a benchmarking exercise on school transport using the County Chief Auditor's Network which has delivered some useful benchmarking data for that service. We have also provided benchmarking data on the payment of small business grants. Furthermore, we undertook a piece of advisory work for the Audit and Governance Committee to produce a best practice guide on essential and desirable skills for the Audit and Governance Committee members.

Finally, we were asked to comment on Dorset's draft Risk Management Strategy, which has demonstrated that when compared against other risk management strategies of our partner councils, that the Dorset strategy was a robust example containing all the elements expected. Some recommended minor enhancements have been made. In addition, we have also provided a comparison of recording systems used across the partnership for risk management.

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Internal Audit Plan Progress 2020/21 – Limited Opinion Audits APPENDIX A

The role of SWAP as the internal auditors for Dorset Council is to provide independent assurance that the Council's risk management, governance and internal control processes are operating effectively. In order for senior management and members to be able to appreciate the implications of the assurance provided within an audit report, SWAP provide an assurance opinion. The four recently revised opinion ratings are defined as follows:

Assurance Definitions	
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

In addition to the assurance definitions above we also provide an 'assurance dial' which indicates on a range of high medium or low where within the range of that assurance a particular audit assurance sits.

As can be seen in this example the assurance provided is low limited as the dial is sitting on the lower end of the limited scale. It could equally have been a medium limited assurance where the dial sits midway or high limited when it is sitting at the upper end close to the reasonable assurance.

We provide the Committee with details of the overall assurance opinion for all completed audits and they can be seen in the plan progress table in Appendix B on page 10 below. The Committee have indicated that they would like additional insight into Limited assurance audits that have a high number of recommendations and/or could be a cause for concern. We have therefore introduced a section of our report which provides further information for members on the Limited assurance audits completed to date. We have also included the position on the dial, so members are also able to gauge where the audit sits within the Limited assurance range. As a further enhancement, we are now including more detail on follow up audits where we consider the pace of progress toward implementation of our recommendations, to be limited.

Home to School Transport	To identify potential failures that have led to unpredicted budget overspends in Special Educational Needs and mainstream school transport.	Low Limited	12	4	6	2

Summary of Findings

It is apparent that the data relied upon from the Trapeze and Synergy systems to set the budgets each year is not completely accurate. Staff have reported that it is difficult to maintain accurate records within Trapeze due to the system's functionality and a lack of staff resource. Therefore, it is likely that not only will an unrealistic budget be set at the beginning of the year, it is also difficult to accurately project during the year the final expenditure position using this data. Our audit has highlighted that the Trapeze system, the capacity within Dorset Travel to manage the consolidated billing process and the billing process itself would all benefit from management review to establish how efficiency and accuracy can be improved. Without this review it is possible that a similar unpredicted budget overspend will occur this financial year.

An important factor in the unforeseen overspend of the SEN transport budget was the lack of regular budget monitoring from approximately July 2019 onwards. A Children's Service Manager post with responsibility for SEN Transport was lost as part of a restructure during Local Government Reorganisation. The post-holder had performed budget monitoring activity however this responsibility was not officially assigned to another individual when this post was removed.

Currently there is no commissioning strategy in operation for SEND transport, therefore the development and implementation of a clear, evidence-based strategy would be a positive step to potentially delivering benefits such as a reduction in spot-purchasing and better management of the current market. To feed into this, it would also be recommended that any travel requirements associated with an Education, Health and Care Plan (EHCP) are addressed at an early stage to further reduce the need for spot-purchasing. Furthermore, it should be ensured that the EHCP annual review covers any changes in need regarding school transport.

It is noted that there have been several external/consultant reviews conducted over the past three years covering areas related to SEND transport, however, it is unclear what actions have been taken following these pieces of work. A recommendation was made to ensure that, where appropriate, the recommendations coming from these external reviews are implemented to ensure maximum benefit is achieved from the work commissioned.

In conclusion, the risk of a further unexpected and potentially significant overspend of the SEN and mainstream school transport budgets remain until all the risks highlighted have been mitigated.

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Follow up Audit	Scope and Objective	Progress assessment
Virtual School	To assess the progress made in implementation of the recommendations made following our original audit which was given a partial opinion.	

Progress Summary

	Completed	Substantially complete	In progress	Not Started	Total
Priority 1	1	0	3	0	**4**
Priority 2	3	2	5	0	**10**
Priority 3	1	2	1	0	**4**
Total	**5**	**4**	**9**	**0**	**18**

Summary of Findings

Since July we have been working with the Virtual School (VS) Head to complete a follow up review to assess progress towards the implementation of our recommendations. We recognise that the VS have been working on our recommendations against the backdrop of the significant structural changes being made as part of "Blueprint for Change" and the unexpected challenges faced as a result of Coronavirus. However, whilst a significant amount of work has been undertaken to implement our recommendations, it is not yet possible to provide assurance that the significant corporate risk has been effectively mitigated. It is hoped that the new structure and division of responsibilities will deliver improved control around grant spending and we would therefore be undertaking a further follow up review at a suitable point.

Following our recommendation, a new decision-making matrix has been introduced with the aim to provide a more structured oversight of funding applications, however it has not provided the level of control we had hoped. Following data analysis and sampling, a range of anomalies were found with the data quality and robustness of the decision-making process.

We have however, identified good progress in the implementation of some of our recommendations, for example the spend with suppliers who are not part of a framework contract has significantly decreased, thereby providing a greater level of assurance over safeguarding and monitoring of outcomes. As yet we have not assessed the quality and timeliness of the impact and outcome statements, which were raised as a concern as part of the original audit. From 1st September the brokerage team will be involved in sourcing intervention provisions for the Looked After Children. It is hoped this change will result in further rigour in the use of suppliers.

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Follow up Audit	Scope and Objective	Progress assessment
Financial Reconciliations	To assess the progress made in implementation of the recommendations made following our original audit which was given a partial opinion.	

Progress Summary

	Completed	In progress	Not Started	Total
Priority 1	-	-	-	-
Priority 2	0	2	0	**2**
Priority 3	1	1	0	**2**
Total	**1**	**3**	**0**	**4**

Summary of Findings

The original audit work was concluded in February 2020 with four recommendations being made; two of which were priority 2 and two priority 3. The follow up audit was concluded in August 2020 where progress in implementing the recommendations was found to be slower than anticipated with only one of the recommendations having been fully completed and three still in progress.

At the time of the original audit, concern was raised around a significant backlog in the reconciliation process for the former Purbeck and East Dorset District Council's (PDC and EDDC), with the latest reconciliations being April and August 2019 respectively. Significant work has been undertaken to get this backlog as up to date as possible with EDDC reconciliations showing as up to date and PDC's latest reconciliation being April 2020.

The process of merging to one bank account will reduce the complexity of the bank reconciliation process along with moving from legacy council financial systems to the one SAP system. Overall, there has been significant improvement and the actions are all in hand but can only be implemented as quickly as other changes allow. However, there is a high level of confidence that the recommendations will be implemented. As the two priority 2 recommendations are still in progress, we will undertake a further follow up once these other changes have allowed the full implementation of the recommendations. The timescale for this is suggested to be April/May next year.

Unrestricted

At the conclusion of audit assignment work each review is given an Audit Assurance; a summary of the assurance levels is as follows:

- Substantial – A sound system of governance, risk management and control in place
- Reasonable – A generally sound system of governance, risk management and control in place
- Limited – Significant gaps, weaknesses or non-compliance were identified
- No Assurance – Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Completed Work								
Redeployment	Revenues and Benefits Team – Small Business Grants	1	Completed	N/A				
Redeployment	Registration Service - Registration of Deaths	1	Completed	N/A				
Redeployment	Discretionary Grant Scheme Administration	1	Completed	N/A				
Investigation	Public Conveniences Investigation	1	Final	Advice and Guidance				
Operational	Financial Support to Leisure Centres during COVID Closure	1	Final	Advice and Guidance				
Operational	Operation of Business Grant Benchmarking Exercise	1	Final	Advice and Guidance				
Grant Certification	Troubled Families Certification	1	Final	Advice and Guidance				
Operational	Audit Committee Skills Best Practice	2	Final	Advice and Guidance				
Operational	Distribution of redundant laptops within the Community	2	Final	Advice and Guidance				
Operational	School Transport	2	Final	Limited	12	4	6	2
Operational	One Time Vendors	2	Final	Advice and Guidance				

Unrestricted

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Grant Certification	LEP Grant Certification	2	Final	Advice and Guidance				
Operational	Generation and use of surplus car parking funds	2	Final	Advice and Guidance				
Follow up	Financial Reconciliations	2	Final	N/A	3	0	2	1
Reporting								
Operational	Protection of Property	2	Draft					
In Progress								
Follow up	Virtual School	2	In progress					
Investigation	Complaints Investigation	2	In progress					
Follow up	Fostering Service	2	In progress					
Follow up	Adult Care Services Debt Management	2	In progress					
Follow up	Framework to measure the effectiveness of social care practices	2	In progress					
Operational	Data Protection training	2	In progress					
Operational	High Cost Placements	2	In progress					
Operational	Payroll	2	In progress					
Operational	Transport Operators licence	2	In progress					
Operational	Duplicate Payments	1-4	In progress					

Unrestricted

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium		
						Recommendation		
						1	2	3
Grant Certification	Troubled Families Certification	2-4	In Progress					
Scoping								
Operational	Disclosure and Barring Service	2	Scoping					
Operational	Dedicated Schools Grant	2	Scoping					
Operational	Coroners Service	2	Scoping					
Operational	Convergence of Contracts	2	Scoping					

Unrestricted

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Dorset Council

SWAP INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

Dorset Council

Internal Audit Annual Opinion Report 2019-20

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Unrestricted

Contents

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SWAP INTERNAL AUDIT SERVICES Assuring – Improving – Protecting

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.

Purpose

The Head of Internal Audit should provide a written annual report to those charged with governance to support the authority's Annual Governance Statement (AGS). This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment
- disclose any qualifications to that opinion, together with the reasons for the qualification
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures, criteria and standards
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

Background

The Internal audit service for Dorset Council is provided by the SWAP Internal Audit Services. SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. Internal audit work is guided by the Internal Audit Charter which is reviewed annually. Internal audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of SWAP for the 2019/20 year.

Executive Summary

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

Annual Opinion

I have considered the balance of 2019/20 audit work for the new Dorset Council, enhanced by the work of external agencies and am able to offer **Reasonable Assurance** in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Whilst I have some concerns regarding certain aspects of the control environment, there were no areas of significant corporate risk reported to the committee during the year in question.

Due to the Covid-19 pandemic, we were not able to conclude all planned audit work and some of this work is to be undertaken during 2020/21. However it is our view that our planned work has been substantially concluded in order to inform this opinion.

Over the year SWAP have found management across Dorset Council to be generally supportive of SWAP findings and responsive to the recommendations made. In addition, there is a good relationship with management whereby they feel they can approach SWAP openly in areas where they perceive potential problems. Generally, the follow up work confirms the responsive nature of management at Dorset Council in implementing agreed recommendations to mitigate exposure to areas of significant risk. However, there have been increasing instances during the past year where follow up audits have found that insufficient progress has been made in implementing recommendations and further follow up work has been required to be scheduled.

It is recognised that there will be occasions where audit make recommendations to mitigate risk exposure and after consideration of the recommendation, the service decide to accept the risk. In 2019/20 there was only one instance where a high or medium priority recommendation has not been accepted by a service. It is considered important to highlight these instances to the committee in order that further consideration can be given to the recommendation to ensure that the residual risk exposure is in line with the risk appetite of the organisation. Further details on risk accepted recommendations can be found on Page 3 below.

Risks Accepted

Where control weaknesses have been brought to the attention of senior management and a decision is taken by them to accept the risk and not implement audit's recommendation this should be brought to the attention of the Audit Committee

Risks Accepted

There will be occasions where audit make recommendations to mitigate risk exposure and after consideration of the recommendation, the service decide to accept the risk. In 2019/20 there was just one instance where high or medium priority recommendations have not been accepted by the service:

Audit Area	Suggested Audit Outcome	Priority Level	Suggested Person Responsible	Manager Comments
Compliance with IR35 (*engagement of individuals to provide services through intermediary companies*)	We recommend that SLT implements a process that ensures a single, consistent IR35 assessment procedure across the entire organisation to ensure there is a whole council understanding of the management of suppliers and therefore reducing the potential of both errors in the classification of suppliers and future financial liabilities.	2	Service Manager for HR Operations to take a proposal to SLT	It has not been possible to undertake follow up work in this area as yet and an update from the Service Manager for HR operations is pending. We will aim to schedule a follow up audit in the coming weeks.

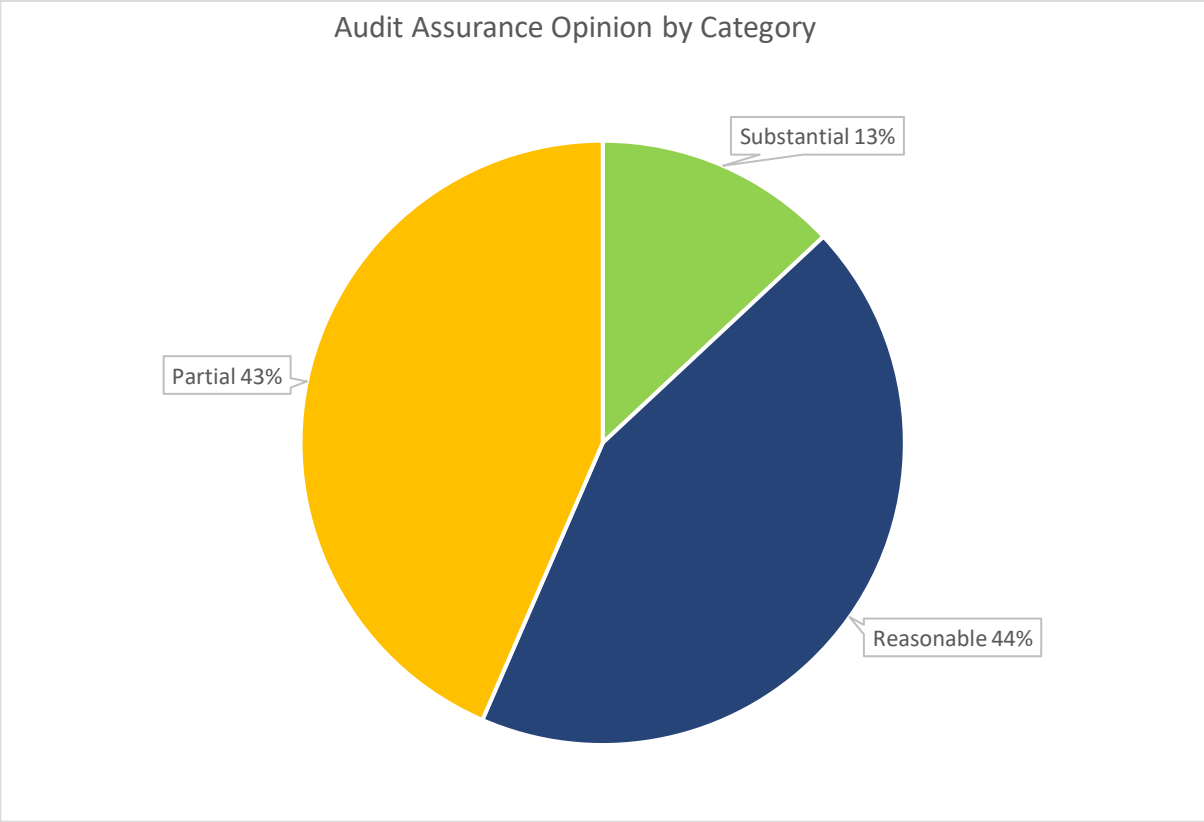
Audit Outcomes

Summary of Audit Opinions

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:

- **Substantial – Well controlled and risks well managed**
- **Reasonable – Adequately controlled and risks reasonably well managed**
- **Partial – Systems require control improvements and some key risks are not well managed**
- **None – Inadequately controlled and risk are not well managed**

Summary of Audit Opinions



57% of audits resulted in a Substantial or Reasonable assurance opinion

Value Added

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

Value Added

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost. This has included the circulation of industry bulletins and fraud prevention alerts wherever possible. We distribute the outcomes of any benchmarking undertaken across our SWAP Partner base and also aim to share emerging areas of risk, or findings from relevant audit reviews undertaken at our Partners, to enable the sharing of best practice and comparison of common findings.

We have provided benchmarking data across either the SWAP partnership or the wider reach of the Chief Auditors Network for:

- Dorset Local Enterprise Partnership
- Fostering
- Sickness Management
- Property Asset Management
- Adult Services Financial Assessments
- Corporate Performance
- Capital Programme
- Equalities and Diversity

In addition, as part of our audit on communications with staff we undertook a survey of Council staff jointly with the Council's Communication team.

Finally, we have expanded our successful data analysis of duplicate payments that we regularly report to the council, to also include data on One Time Vendors as a piece of fraud detection work.

The Chief Executive of SWAP reports overall performance of the company on a regular basis to the SWAP Board of Directors.

SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the Board of Directors and Owners Board. The respective outturn performance for Dorset Council for the 2019/20 year is as follows:

Performance Target	Performance
Audit Plan – Percentage Progress Final, Draft and Discussion Fieldwork Completed awaiting report In progress Yet to complete	 100% 0% 0% 0%
Outcomes from Follow Up Audit Work Percentage of Priority 1&2 recommendations for partial assurance audits, that remain outstanding when the follow up audit is undertaken	79% (11 of 14)
Value to the Organisation Client view of whether our audit work met or exceeded expectations, in terms of value to their area	95.45%

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice Framework of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). Both standards require an Internal and External Assessments (Standard 1300) of the Internal Audit function.

The standards require an External Assessment to be carried out at least every five years. SWAP exceeds this with an assessment undertaken every three years. The latest assessment undertaken in March 2020 found SWAP to be 'Generally Conforming' with the International Professional Practices Framework and the Public Sector Internal Auditing Standards (PSIAS) and is the highest level of performance awarded. A summary of the report has been included at Appendix 1 for reference. As a result of the External Assessment, a Quality Assessment Improvement Plan (QAIP) is produced and maintained. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

Summary of Internal Audit Work 2019/20

The schedule below contains the audit work undertaken in 2019/20, along with the respective outturn.

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion, a summary of the assurance levels is as follows:

- Substantial – Well controlled and risks well managed.
- Reasonable – Adequately controlled and risks reasonably well managed.
- Partial – Systems require control improvements and some key risks are not well managed.
- None – Inadequately controlled and risks are not well managed

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Completed Work								
Operational	Election Readiness	1	Final	Advice and Guidance	N/A			
Operational	Induction and Training of Elected Members	1	Final	Substantial	2	-	-	2
Operational	Dorset Local Enterprise Partnership – Enterprise Zone	1	Final	Partial	5	-	5	-
Grant Certification	Weymouth Port Health Authority – Annual Review	1	Final	Grant Certification	N/A			
Grant Certification	Dorset Gateway LEP	1	Final	Grant Certification	N/A			
Grant Certification	Troubled Families Certification	1 -4	Final	Grant Certification	N/A			
Follow up	Family Partnership Zones	1	Final	N/A	3	-	1	2
Operational	Mountjoy School	1	Final	Advice and Guidance	N/A			
Follow up	Deferred Payments (DCC)	1	Final	N/A	0	-	-	-

Summary of Internal Audit Work 2019/20

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Follow up	Sickness Management (DCP)	1	Final	N/A	1	-	1	-
Follow up	Data Handling and Disposal (DCP)	1	Final	N/A	4	-	-	4
Follow up	Whistleblowing (DCC)	1	Final	N/A	7	-	4	3
Operational	Property Maintenance Framework	1	Final	Reasonable	3	-	1	2
Operational	Portesham School	1	Final	Partial	13	-	6	7
Follow up	Portesham School	3	Final	N/A	14	-	6	8
Operational	Recording of the new Dorset Council Budget	1	Final	Advice and Guidance	N/A			
Operational	Homes Dorset	1	Final	Partial	10	3	4	3
Operational	Property Asset Management	2	Final	Advice and Guidance				
Operational	Policy Convergence	2	Final	Partial	6	-	4	2
Follow up	Deprivation of Assets	2	Final	N/A	0	-	-	-
Operational	GDPR Compliance	2	Final	Advice and Guidance	N/A			
Operational	Financial Assessments	1	Final	Reasonable	5	-	-	5
Operational	Communication with Staff	2	Final	Advice and Guidance				
Operational	Fostering Service	2	Final	Partial	4	-	3	1

Summary of Internal Audit Work 2019/20

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Grant Certification	Christchurch Disabled Facilities Grant	3	Final	Grant Certification	N/A			
Grant Certification	Local Enterprise Partnership Interim Certification	3	Final	Grant Certification	N/A			
Operational	Effectiveness of Social Care Practice	2	Final	Partial	6	-	6	-
Operational	Social Care Caseload Management	2	Final	Reasonable	1	-	1	-
Operational	Use of Pupil Premium for Looked after Children	2	Final	Partial	18	4	10	4
Operational	IR35 Compliance	2	Final	Partial	4	-	2	2
Key Control	Key Control – Financial Reconciliations	2	Final	Partial	4	-	2	2
Operational	Deputyship for Service Users	1	Final	Reasonable	5	-	2	3
Follow up	Continuing Health Care	4	Final	N/A	0	-	-	-
Operational	Risk Management	3	Final	Advice and Guidance				
Operational	Housing Benefits	2	Final	Substantial	0	-	-	-
Operational	Public Law Outline	2	Final	Partial	7	-	3	4
Operational	Budget Monitoring and Reporting to SLT and Members	2	Final	Reasonable	2	-	-	2
Operational	Council Tax and Business Rates	2	Final	Substantial	0	-	-	-
Operational	NFI	1-4	Final	N/A				

Summary of Internal Audit Work 2019/20

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Major ↔ 3 = Medium Recommendation		
						1	2	3
Operational	Duplicate Payments	1-4	Final	N/A				
Operational	Corporate Performance	3	Final	Advice and Guidance				
Operational	Contract Compliance	3	Final	Reasonable	7	-	2	5
Operational	Effectiveness and Implementation of EHCP's	2	Final	Reasonable	6	-	2	4
Operational	Programme Management – Children's	2	Final	Reasonable	9	-	-	9
Operational	Disaggregation of Electronic Records to BCP	3	Final	Advice and Guidance				
Operational	Disaggregation of Paper Records to BCP	3	Final	Advice and Guidance				
Key Control	Main Accounting	4	Final	Reasonable	2	-	-	2
Operational	Equalities and Diversity	4	Final	Reasonable	7	-	2	5
Operational	Review of Car Parking Complaint	4	Final	Advice and Guidance				
Operational	Cyber Security	4	Final	Advice and Guidance				
Reporting								
Operational	Preparations for 2020-21 budget	3	Draft					
Operational	Capital Programme/budget	3	Draft					
Operational	Commercial Contract Management (to include contract management in Children's and Adults)	3	Draft					

Executive Summary

SWAP is a high performing and well managed internal audit partnership, delivering professional and high-quality services to its partner/client organisations in conformance with Public Sector Internal Audit Standards. Whilst some areas of partial conformance with the Standards have been identified, none of these are considered to be significant.

Interviews with stakeholders were overwhelmingly positive about the service they receive from SWAP, recognising the value and professionalism of the service. In the interest of continuous improvement, something quite rightly seen as being of great importance to the Chief Executive and SWAP management, we have taken the opportunity as part of this review to identify areas where the organisation can further improve and develop. In many cases, these are simply suggestions for management to consider as in some cases, they may not be appropriate for every internal audit service provider.

PSIAS Statement of Conformance

DEFINITIONS	
Generally Conforms	The internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics.
Partially Conforms	Deficiencies in practice are noted that are judged to deviate from the *Standards* and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
Does Not Conform	Deficiencies in practice are judged to deviate from the *Standards* and the Code of Ethics, and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

(Ref: Institute of Internal Auditors)

Based on the work carried out it is our overall opinion that SWAP generally conforms with the Standards and the Code of Ethics. A summary of Evaluation Actions to be taken by SWAP to address areas for improvement against individual Standards and the Code of Ethics is shown [below]:

Evaluation Actions Summary

There were a small number of areas were partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion. Some were captured across more than one of the attribute standards or are recommendations for improvement, rather than failures in conformance. A summary of the actions agreed relating to these areas are as follows:

Task
Regular meetings will be held with all Audit Committee Chairs to further strengthen relationships and ensure that they are kept up to date with any issues outside of formal meetings. *(Attribute Standard 1000)*
We will consider establishing an Internal Audit Strategy which sits alongside the Charter and annual plan, which will cover the objectives and remit of the service, and how it will be delivered. This will include service and staff development. *(Attribute Standard 2010)*
There will be a consolidation of the templates used as part of the engagement planning process, to ensure that the fraud risks are properly considered. The pre-audit questionnaire will be reviewed and updated, the template loaded onto MK Insight and formally rolled out. The process of reviewing Audit Terms of Engagement will consistently include reviewing the results of the pre-audit questionnaire, to ensure that risks have been properly identified and reflected in the scope of the review. *(Attribute standard 1210)*
The Internal Audit Charter will be extended to cover the type of consultancy work which could be provided, and how independence will be maintained. This detail will also be reflected within the Internal Audit Strategy, once developed. *(Attribute standard 2200)*
Whilst it may not be proportionate to report the QAIP (Quality Assessment Improvement Plan) in its entirety to Audit Committees, an update on progress will be included in the annual opinion reports going forward. *(Attribute Standards 1300, 1310, 1311, 1320 and 2450)*
The inclusion of significant issues identified in AGS (Annual Governance Statement) reports helps ensure that internal audit provides holistic assurance of the organisation, particularly where there are known concerns. The identification of other sources of assurance aim to ensure that work is co-ordinated with other assurance bodies and limited resources are not duplicating effort. The Audit manual will be updated to ensure that the AGS forms part of the audit planning risk assessment process, and other sources of assurance are duly considered. *(Attribute standard 2010 and 2050)*
The Audit Manual and accompanying power point slides that have been embedded in the induction will be made accessible on the Intranet to all staff. *(Attribute Standard 2020)*
The QAIP will be maintained as a live document and reported to the Board and respective Audit Committees. *(Attribute Standards 1300, 1310, 1311, 1320 and 2450)*

Audit and Governance Committee
12 October 2020
Fraud and Whistleblowing

Choose an item.

Portfolio Holder: Cllr S Flower, Leader of the Council

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

Report Author: Marc Eyre
Title: Service Manager for Assurance
Tel: 01305 224358
Email: marc.eyre@dorsetcouncil.gov.uk

Report Status: Public

Recommendation: To note the action plan developed to support delivery of the Council's Anti-Fraud, Bribery and Corruption Strategy.

Reason for Recommendation: To support the Council's zero tolerance to fraud.

1. Executive Summary

At the meeting on the 7 July 2020 the Committee received an update from the Service Manager for Assurance on the status of outstanding actions from the South West Audit Partnership audit on Whistleblowing. It was agreed that the September meeting would receive an update on the actions, together with a summary of fraud and whistleblowing activity during financial year 2019/20.

2. Financial Implications

Fraud presents a financial risk to the Council which needs to be managed to reduce risk down to an acceptable level.

3. Climate implications

None

4. Other Implications

None

5. Risk Assessment

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

Current Risk: Medium
Residual Risk: Medium

6. Equalities Impact Assessment

Fraud policies have been subject to EQIA.

7. Appendices

Appendix A – Anti Fraud, Bribery and Corruption Action Plan

8. Background Papers

None

Whistleblowing and Fraud

1. Background

1.1 A number of fraud related policies were established and approved for Dorset Council ahead of 1st April 2019:

- Anti Fraud, Bribery and Corruption Policy;
- Anti Money Laundering Policy;
- Whistleblowing Policy

There are also clear links with Code of Conduct policies.

1.2 South West Audit Partnership carried out an internal audit on whistleblowing. A key finding was that whilst there was a policy framework in place, there was no defined action plan setting out how the Council would deliver on its objectives and commitments. A small task and finish group has been established with officers from Assurance, Strategic Finance and Human Resources to develop this action plan and drive its implementation forward. Helpfully this group has been supported and attended by SWAP to provide an input into approaches taken more widely across the south west.

1.3 This report sets out the action plan that has been agreed and provides an interim overview of whistleblowing and fraud activity ahead of a more formal Annual Report process being established from 1 April 2021.

2. Improvement Action Plan

2.1 The original whistleblowing audit was carried out for Dorset County Council and issued in October 2018. It provided a "partial" opinion and identified a number of recommendations, with a mix of priority 2 and priority 3 findings. A follow up audit was undertaken in July 2019 to look at outstanding actions, but with the wider remit of looking at Dorset Council's approach to whistleblowing. This identified a number of risk areas that had not yet been fully addressed:

2.2 **Issue - There is evidence to demonstrate that employees of the Council are not fully aware of the arrangements set out under its Whistleblowing Policy** (Priority 2).
This recommendation acknowledged that whilst the various fraud policies are available within the intranet, it is not easy to navigate to them. It was agreed that signposting within the intranet will be improved and that awareness will be strengthened via internal communication. This will include promoting the fraud e-learning module and emphasising the Council's zero tolerance to fraud.

2.3 **Issue - No formal fraud action / delivery plan in order to ensure that the outlined goals and objectives within the Anti-Fraud, Bribery and Corruption Strategy are achieved and maintained** (Priority 2).
This action plan has now been developed and is contained at Appendix A of this report.

2.4 **Issue - No effective mechanism to ensure fraud related policies are reviewed and updated against agreed timescales** (Priority 2).
The Business Improvement Team are currently working on a schedule of policies, owners and renewal dates. Generally policy will be reviewed every three years, other than where there is a significant change that necessitates an earlier review (for instance, legislative change).

2.5 **Issue - External stakeholders are not required to adhere to the Council's Whistleblowing Policy and Procedure** (Priority 2).
The Corporate Director for Legal and Democratic Services contacted colleagues in Legal and Procurement to ensure that contracts contain a clause requiring contractors to adhere to the principles of the whistleblowing policy. An action remains to improve accessibility to the fraud policies on the external website. All policies are posted within the ModGov system (that is used for committee reports) and do not therefore display whilst using the internet search.

2.6 **Issue - No mandatory reporting to the Monitoring Officer or SWAP of fraud, corruption, theft or wrongdoing cases takes place** (Priority 3).
The Task and Finish Group have been focussing on this, as there is currently no single point of reporting. This is discussed further in Section 3 of this report.

2.7 **Issue - No active publication of proven cases of fraud, corruption, theft or wrongdoing takes place** (Priority 3).
It has been agreed that each case will be looked at on its own merits in conjunction with the Monitoring Officer and Communications Team.

2.8 The improvement action plan developed by the Task and Finish Group has been included at Appendix A. SWAP will be carrying out a Follow Up audit shortly to review progress.

3. Reporting of Whistleblowing and Fraud – 2019/20

3.1 Whilst any issues reported via the Whistleblowing hotline or directly to either the Monitoring Officer or Section 151 Officer will be recorded centrally, other issues that could constitute fraudulent activity (for instance those related to staff code of conduct) are investigated and reported separately via Human Resources. Similarly the purpose of the

whistleblowing policy extends beyond fraud to other perceived cases of malpractice, whether behavioural, procedural or in respect of health and safety failings.

3.2 It is agreed that an Annual Report will be presented wef 1 April 2021 with the aim of providing a holistic overview of all whistleblowing and fraud activity, and the Task and Finish Group have included an action within the delivery plan to enable that.

3.3 To assist, the following definition of Fraud has been drafted:

"What is fraud? It can be defined as any intentional false representation, including a failure to declare information or abuse of position that is carried out to make a gain, cause loss or expose another to the risk of loss.

Fraud can be used to describe many acts such as:

Deception	*Causing someone to accept as true or valid what is false or invalid*
Bribery	*Offering someone money or something valuable in order to persuade them to do something for you*
Forgery	*Copying a document, signature etc in order to deceive*
Extortion	*Using violence, threats, intimidation, or pressure from one's authority to force someone to hand over money or something valuable*
Corruption	*Offering, giving or accepting an inducement or reward which would influence the actions taken*
Conspiracy	*A plan or agreement formulated by two or more persons to commit an unlawful, harmful, or treacherous act*
Embezzlement	*Theft or misappropriation of funds placed in one's trust or belonging to one's employer*
Misappropriation	*The wrongful, fraudulent or corrupt use of other's funds in one's care*
False representation	*An untrue or incorrect representation regarding a material fact that is made with knowledge or belief of its inaccuracy*
Concealment of material facts	*The act of hiding or not putting forward any relevant fact that should to be revealed*
Collusion	*The act of doing something secret or illegal with another person, company, etc. in order to deceive people*

3.4 A key performance indicator has been established for more regular reporting to the Senior Leadership Team.

3.5 The whistleblowing policy sets out a number of mechanisms for notification of fraud or other perceived malpractice. The table below sets out whistleblowing activity during 2019/20:

i)	Whistleblowing hotline	No notifications received
ii)	Notification to Manager / Executive Director / Chief Executive	A managerial/procedural issue was raised by a whistleblower. SWAP were engaged and an internal audit undertaken, resulting in an improvement action plan. An issuing relating to potential conflict of interest raised during 2018/19 but with the SWAP investigation concluded in 2019/20. This report has not focussed on the outcome of investigations, which are ported separately by SWAP.
iii)	Notification to the Monitoring Officer	No notifications received
iv)	Notification to the Section 151 Officer	No notifications received
v)	Notification to SWAP	No notifications received (other than 2 above)

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

Appendix A – Anti Fraud, Corruption and Bribery Action Plan

Theme	Action	By Whom	By When	Progress
Policy framework	Define scope of what constitutes Fraud	Service Manager for Assurance	Aug-20	Drafted for further discussion with Task and Finish Group
	Liaise with Policy team to ensure that review of fraud related policies are incorporated within corporate framework	Service Manager for Assurance	Sep-20	Discussed with Business Improvement Team
	Formalise Joint Working Fraud Protocol with SWAP	Service Manager for Assurance / SLT	Oct-20	Document drafted by SWAP. The principle of this needs to be agreed with Monitoring Officer / SLT
	Develop fraud risk assessment to prioritise focus across services (linked to training needs analysis)	Service Manager for Assurance / Risk & Resilience Officer	Nov-20	Risk and Resilience Officer has produced a draft document 'Fraud Risk for Managers' which sets the scene and provides applicable fraud risk areas as action cards with a risk status, risks, causes and key controls. This will link in with training needs assessment
Communication and accesability	Internal promotion campaign on fraud awareness, including access to policy framework via "How Do I" section on the Intranet	Service Manager for Assurance / Comms Team	Sep-20	Greenlight from comms and article to be drafted by Service Manager for Assurance
	Improve accessability of policy framework from external website	Service Manager for Assurance / Digital Team	Sep-20	AS policies are stored within ModGov they are available to the public but are not accessible from searches. Separate page to be developed with hyperlinks

Theme	Action	By Whom	By When	Progress
	News article on the role of the Assurance Service and points of contact	Service Manager for Assurance / Comms Team	Sep-20	Greenlight from comms and article to be drafted by Service Manager for Assurance
	Ensure that proven cases of fraud are considered for publication / promotion	Service Manager for Assurance / Comms Team	Ongoing	To be considered on a case by case basis
Reporting and escalation	Identify areas of potential fraud that may be reported and managed through other management mechanisms (for instance, code of conduct). Ensure that this reporting is centralised with appropriate reporting to Monitoring Officer and SWAP	Service Manager for Assurance / Task & Finish Group	Sep-20	To be reviewed further by Task and Finish Group. Copies of documents from other LAs obtained for reference.
	Develop mechanism for consolidation of fraud reporting, including Annual Fraud report	Service Manager for Assurance	Sep-20	KPI on fraud to be added to the SLT dashboard

Audit and Governance Committee

August 2020
Risk Management Update

For Decision

Portfolio Holder: Cllr S Flower, Leader of the Council

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

Name: Marc Eyre, Service Manager Assurance; Tel: 01305 224358
Email : m.eyre@dorset.council.gov.uk

Name: David Trotter, Risk and Resilience Officer - Assurance; Tel: 01305 228692
Email : d.trotter@dorset.council.gov.uk

Report Status: Public

Recommendation: That Audit and Governance Committee review the key risks identified in the corporate and service risk registers and comment on the draft risk management strategy.

Reason for Recommendation: To ensure that the Council's risk management methodologies remain current, proportionate and effective in enabling risk informed decisions to be made.

1. Executive Summary

The continual development and promotion of risk management will ensure that the Council is well placed to demonstrate that objective and informed decisions are taken and that the Council is ultimately in a strong position to successfully face and address the challenges ahead.

Strategic risk management is owned by the Senior Leadership Team, with an agreed risk management policy statement setting out the Councils commitment. Corporate Directors are accountable for the top-level strategic risks. These are informed by operational service level risks owned by Heads of Service and Service Managers.

Work has developed and a revised Risk Management Strategy has been drafted and the Committee's thoughts would be welcomed before it is submitted for approval and adoption.

2. Financial Implications

No budget implications specifically, although unmanaged risks may pose a threat to the Council's financial stability. Identified risk improvement measures may also have direct budget implications, each of which need to be subject to a cost/benefit analysis prior to implementation.

3. Climate implications

"Failure to protect our environment and adapt services and communities to the impacts of a changing climate" is identified as one of the 20 corporate risk themes.

4. Other Implications

None

5. Risk Assessment

Having considered the risks associated with this decision using the Council's approved risk management methodology, the level of risk has been identified as:

Current Risk: HIGH

Residual Risk: HIGH

The risk level is identified as High as Appendix B provides an update on those High-level risks which are currently identified within the Corporate Risk Register

6. Equalities Impact Assessment

Considering equalities issues is a key aspect of good governance, but there are no equalities issues arising directly from this report.

7. Appendices

- Appendix A – Draft Dorset Council Risk Management Strategy
- Appendix B – Summary of Dorset Council corporate and service risks, including the snapshot of risk status scoring matrices

8. Background Papers

None

August 2020 - Risk Management Update Report

1.0 Background

1.1 An extract from the corporate risk register was considered by the Audit and Governance Committee on 20 May 2020 at which councillors made helpful observations and judgements on the format of the risk reporting and layout. The committee considered a three by three matrix which focused on a Red, Amber or Green (RAG) Status.

1.2 It should be noted that the approach was also used by the Senior Leadership Team when dealing with risks associated with the COVID crisis.

2.0 Risk Management Strategy

2.1 Dorset Council continues to work to better embed and help raise awareness of the principles of risk management and to assist officers, at all levels, in applying sound risk management principles and practices. In delivering our services for Dorset residents, officers and members have established an agreed a set of strategic and operational objectives to provide the Authority with direction. As such, a revised Risk Management Strategy has been produced that captures the Dorset Council approach to risk management for sign off at the meeting.

2.2 The Strategy has been produced to help in raising awareness of the principles of risk management and to assist colleagues, at all levels, in applying sound risk management principles and practices. The strategy's objectives are to:

- Be risk informed not risk averse
- Integrate and embed risk management into the culture of the Council as part of normal business management processes
- Anticipate and respond to changing social, environmental and legislative requirements and ensure that statutory obligations and policy objectives are met
- Prevent injury, damage and losses and reduce the cost of risk to an acceptable level
- Raise awareness of the need for proportionate risk management principles and practices by all those connected with the delivery of the Council's services
- Maintain effective and efficient control, management and stewardship of public funds and assets
- Preserve and promote the reputation of the Council for the benefit of the communities it serves
- Recognise positive risks (opportunities) as well as negative risks (threats)

2.3 The South West Audit Partnership (SWAP) undertook a benchmarking review of the **Draft Risk Management Strategy (APPENDIX A)** and Dorset's strategy is among the strongest. To deliver the most effective review, SWAP carried out a benchmarking exercise with seven other local authority (LA) partners with a Risk Management Strategy in place. The purpose was to compare DC's proposed strategy against these other examples in order the provide feedback on the strengths as well as the opportunity to identify any potential missing components and to suggest minor alterations to enhance the strategy. In addition, a document from the Chartered Institute of Public Finance and Accountancy (CIPFA) specifically related to Risk Management was also consulted to inform the review.

2.4 First impressions of the strategy were very positive and the benchmarking comparison against seven other LAs (comparison can be found summarised below) provided further confirmation of the high standard of the DC strategy.

Benchmarking Results - SWAP Partners

Local Authority / Sections in strategy	Dorset	Wiltshire	Somerset	Cheltenham Borough Council	Cotswolds/Forest of Dean and West Oxfordshire	Mendip District Council	East Devon District Council	Somerset West and Taunton
Risk Management Framework	✓	✓	✗	↔	✓	↔	Policy	✓
Risk Appetite	✓	✓	↔	✗	✓	✓	✗	↔
What is a Risk Register	↔	↔	✗	✓	↔	✓	↔	↔
Risk Leads and Risk Owners	✓	✓	✓	✓	✓	↔	✗	↔
Monitoring and Reporting of Corporate Risks	✓	✓	✓	✓	✓	✗	↔	↔
Role of Risk Management in Transformation	✓	✗	✗	↔	↔	✗	✗	↔
Risk Informed Decision Making	✓	✓	✓	✓	↔	↔	↔	↔
Roles and responsibilities	↔	✓	✓	✓	✓	✓	✓	✓
Types of risk (Strategic and Operational)	↔	↔	↔	↔	✓	↔	↔	↔

Key	
✗	Not covered within the strategy/policy
↔	Is covered but could be enhanced either through greater explanation or alternative display format
✓	Well covered within the strategy

3.0 Risk Register

3.1 The latest **Risk Management (APPENDIX B)** update provides a quarterly report that focuses on Adults and Housing, Children's Services, Corporate Services and Place Services.

3.2 Note that there is also a summary page that provides a snapshot focus on all the services covered in the report to help stakeholders. We are pleased to report that all registers are up to date and include details and management response for service risks identified as High – note that some gaps do exist due to ongoing reviews. As mentioned in a previous meeting the reporting processes used within this report have also been adopted by the Council for its response to Covid-19.

3.3 It should be noted that a risk report will be prepared for the next committee that focuses on Brexit. As you are possibly aware regarding Brexit Whitehall has provided a codename for the planning of any potential four-way crisis this winter revealed as 'D20'. The shorthand stands for December 2020 – deemed as the critical month for when the UK could be hit by a second spike of coronavirus, a winter flu outbreak, flooding and a no-deal Brexit. With the Brexit transition period due to end on 31 December, Whitehall and civil contingency planners are preparing for a range of scenarios in the event of a second wave of Covid-19 infections coupled with a potential no-deal exit from the EU.

3.4 The team is determined to bring members an:

- Provide independent assurance to the Council of the adequacy and effectiveness of the risk management arrangements and associated control environment; and
- Receive regular update reports on all risk management activities.

The Risk and Resilience Officer will continue to:

- Lead on the development and manage the implementation of an integrated risk management framework, strategy and process on behalf of the council.
- Undertake a review of the council's Risk Management approach and update, accordingly, presenting any revisions for approval.
- Spread the ethos and, promote the effectiveness of good risk management throughout Dorset Council.
- Facilitate the review and update of all Risk Registers.
- Provide the council with guidance, toolkits, advice and support on the application of risk management principles and, support officers in delivering their role.
- Lead, co-ordinate and develop risk management activity across the council with the support of the Team Manager for Assurance.
- Liaise with external consultants and risk management organisations and review national standards to identify, share and maintain best practice within the council; and
- Liaise with both internal and external audit about risk management.

3.5 Thinking about the bullet points above it is evident that the service risk registers are still maturing, and the Risk and Resilience Officer has been attending relevant directorate management meetings to present and discuss the current risk situation and hold open surgeries with the accountable officers to update their specific risks. However, there is now a closer alignment between the risk management and internal audit processes, with the corporate and service risks playing a key role in informing the annual audit plan.

3.6 As the risk management process matures, owners of service risks will make a judgement on the effectiveness of internal controls, with SWAP providing challenge and support to improving this control framework.

3.7 Work on the audit plan has also developed and sits along the risk registers within a new Assurance site within SharePoint. We are pleased to report that some of the internal audit recommendations and plans have been addressed by managers.

4.0 Way Forward

4.1 As already highlighted the overview of risk management rests with the Assurance function, which is looking to embed a culture of organisational learning from risk events that occur.

4.2 It is hoped that with the update presented today that the members are given the necessary assurance that all works undertaken to date surrounding risk and audit management has moved along in the right direction. The Risk and Resilience Officer will continue to drive forward a proactive risk management approach, in conjunction with Accountable Officers and Risk Owners. Clear identification and assessment of risks will ultimately lead to a more effective use of resources and result in direct improvements to the services we can provide to our customers and stakeholders.

4.3 Risk management is about taking informed decisions, achieving objectives and delivering results. As we know risk can impact in many ways, whether financially, politically, on our reputation, environmentally or to our service delivery.

4.5 The team appreciate the work undertaken by all stakeholders in enabling the report to be considered today and are pleased to report that most risks across all directorates have been updated together with the internal audit management plans. The Assurance team wish to thank all managers for their help and buy in to the revised approach.

4.6 It is clear in recent months that the Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which risks are identified in all areas of the business, are understood and managed, rather than avoided. We acknowledge that Council managers and officers do not shy away from risk but instead seek to manage it.

Overall Risk Management by Service – August 2020

The following is provided to summarise the current position against each risk service area. This will help the council to identify and focus upon potential areas for further scrutiny. All risks are drawn from the relevant risk registers service areas.

We recognise that Risk Management is one of the key principles of effective Corporate Governance. It is also a key contributor to a sound internal control environment and the Annual Governance Statement. The Council seeks to identify, evaluate and control all risks and opportunities to ensure that they are managed at acceptable levels.

Risk management within the council is about managing our threats and opportunities and striving to create an environment of 'no surprises'. By managing our threats effectively we will be in a stronger position to deliver our business objectives. By managing our opportunities, we will be in a better position to demonstrate improved services and better value for money.

Risk is unavoidable.

Overall Statement from the Risk and Resilience Officer – Within the role I have tried to move Risk Management forward and develop the Council approach.

As we know risk can impact in many ways, whether financially, politically, on our reputation, environmentally or to our service delivery. Successful risk management is about ensuring that we have the correct level of control in place to provide sufficient protection from harm, without stifling our development. As a Council, with a range of different stakeholders, each with differing needs and expectations, this can be a challenge. I am pleased to report that the majoirty of risks across all directorates have been updated together with the internal audit management plans. I would like to thank all managers for their help and buy in to the revised approach.

Officers continue to consider the implications for stakeholders when decisions are made in relation to the benefits of taking actions that outweigh the risks. The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which risks are identified in all areas of the business, are understood and managed, rather than avoided.

Risk management therefore needs to be taken into the heart of the Council and our key partners. I am pleased to report that the managers / officers do not shy away from risk but instead seek to manage it. This will help the Council to meet the needs of the community today, but also be prepared to meet future challenges.

Thank you – David Trotter (Risk and Resilence Officer – Assurance)

Dorset Council
45 High Risks (20%)

		Likelihood		
		L	M	H
Impact	H	54	**26**	**10**
	M	44	52	**9**
	L	27	4	2

Dorset Council
Risk Management

August 2020

Adults and Housing Services

2 High Risks (5%)

		Likelihood		
		L	M	H
Impact	H	12		2
	M	9	10	
	L	4	2	1

Adult social care supports people to achieve the important things in ways that are right for them: the activities of daily living, maintaining independence, enjoying social interaction, and playing a part in society. We also act on concerns that an adult is being abused or neglected.

We take a 'strengths-based approach' which is a collaborative approach between the individual and those working with them. The approach looks at an individual's situation holistically; considering what is most important to them, their strengths and capabilities and their support network, in order to find the best ways to work towards meeting the needs of the individual. Needs can be met in a range of ways, such as: information and guidance, technology, through existing relationships and support networks, community resources or social care services.

Children's Services

11 High Risks (39%)

		Likelihood		
		L	M	H
Impact	H	5	8	2
	M	4	4	1
	L	2	1	1

We work in partnership with families, other agencies and the voluntary and community sector to promote and safeguard the welfare of children and young people and improve their life chances.

We provide child protection services for children at risk of harm.

We provide support to families with complex difficulties.

We are responsible for services for children in care who cannot live with their own families. We have a duty to provide care to children.

We have a range of services to support children and young people in need.

Corporate Services

5 High Risks (19%)

		Likelihood		
		L	M	H
Impact	H	12	3	1
	M	2	5	1
	L	2	1	

We bring together a range of corporate functions which work collectively and consistently together to help the Council plan by offering clear intelligence, professional advice and effective internal controls.

We play an important role in shaping and influencing our strategic priorities to ensure Dorset Council is and remains fit for purpose.

To do so we work closely with the political and managerial leadership, commissioners and providers in service directorates, and external partners from across the public, private and voluntary and community sector.

Place Services

27 High Risks (20%)

		Likelihood		
		L	M	H
Impact	H	25	15	5
	M	29	33	7
	L	19		

We have a range of landscapes and assets provide services, such as, direct extraction, through pollination for agriculture and horticulture. The "Jurassic Coast" is England's first and only Natural World Heritage Site a 95-mile stretch of coast with about 71 miles in Dorset. The highways service addresses sustainable development and is responsible for planning, transport, and supporting the economy. The directorate is responsible for about 2,300 miles of road and hundreds of acres of countryside.

Household waste and recycling collections are provided to every household in Dorset. Waste Services also provide street cleansing services, the household recycling centres, transfer and disposal of waste, providing waste education, policy and enforcement activities together with the management of closed landfill sites. Waste Services also provides a commercial waste service and charged garden waste service.

Risk Management Strategy

August 2020

Foreword

This Risk Management Strategy has been produced to help in raising awareness of the principles of risk management and to assist colleagues, at all levels, in applying sound risk management principles and practices.

In delivering our services for Dorset residents we have in place an agreed and established set of strategic and operational objectives to provide Dorset Council with direction.

Risk management is a process that aims to identify significant risks that may impact on the achievement of our objectives and then looks to evaluate, design and implement effective actions to reduce both the likelihood and the potential impact of these risks occurring. Clear identification and assessment of risks will ultimately lead to a more effective use of resources and result in direct improvements to the services we can provide to our customers and stakeholders.

Risk management is about taking informed decisions, achieving objectives and delivering results. By being more risk aware we it is our intention to be better placed to avoid threats and take advantage of any opportunities that might arise.

Dorset Council is also committed to a programme of risk management to ensure its ambitions for residents can be fulfilled through:

'The identification, analysis, management and financial control of those risks which can most impact on the Council's ability to pursue its approved council plan.'

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DRAFT

1. Introduction

If risk is to be recognised correctly it should be viewed as a positive and managers need to embrace risk and, in doing so, actively consider it in undertaking and performing their day to day duties and responsibilities. This positive 'risk aware' stance will assist in delivering an objective, informed and robust management decision making process.

Effective risk management processes therefore provide the authority with a means of:

- Improving strategic, operational and financial management
- Securing robust operational and service performance
- Maximising opportunities and minimising loss events which might result in financial losses, service disruption, bad publicity, threats to human health and safety or claims for compensation

As such, a 'risk aware' culture that is fully embedded within an organisation's decision-making processes provides an enhanced and informed operational and strategic focus to assist it to achieve its stated objectives and priorities. Dorset Council is committed to using risk management to maintain and improve the quality of its own services as well as any contribution by partnerships through its community leadership role and the following objectives:

- To continue to embed risk management into the culture of the Council
- To promote the recognition of risk within the Council's defined corporate aims and objectives
- Continue to raise risk awareness within the Council and its partners
- To manage risk in accordance with best practice
- To comply with legislation and guidance
- To improving safety and increase safety awareness
- To protect Council property, services and public image
- To reduce disruption to services by having effective contingency or recovery plans in place to deal with incidents when they occur
- To minimise injury, damage, loss and inconvenience to residents, staff, service users, assets, arising from or connected with the delivery of Council services
- To review robust frameworks and procedures for the identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- To maximise value for money.

2. Governance

An extract from the corporate risk register was considered by the Audit and Governance Committee at which councillors made helpful observations and judgements on the format of the risk reporting and layout. The committee considered a three by three matrix which focused

on a Red, Amber or Green (RAG) Status. The approach was also used by the Senior Leadership Team when dealing with risks associated with the COVID crisis.

Work has been developed and will include improvements with the:

- Inclusion of relevant performance measures for corporate risks providing a clear link between performance and risk

- Clearer acknowledgement of changes made on individual risks since the previous reporting and the ability for councillors to invite risk owners to relevant meetings where specific detailed questions on risks will be raised

We understand that effective performance management relies on close monitoring and assessment of a variety of measures from across the council. These range from the highest-level strategic measures – the council's key performance indicators (KPIs), through to the multitude of lower level metrics and measures which support individual services and teams. Strategic level outcomes associated with measuring the successful delivery of the council plan and oversight of the council's overall performance. The strategic reporting consists of:

- Quarterly reporting on progress with the Dorset Council Plan to the Corporate Leadership Team (CLT) / Senior Leadership Team (SLT) and the Cabinet.

- Balanced scorecard reporting on service performance: monthly to CLT/ SLT; monthly to performance leadership group (executive directors and portfolio holders); and quarterly to the Place and Resource Overview Committee and the People and Health Overview Committee.

- Quarterly risk management and internal audit updates to Audit and Governance Committee. The Committee has an assurance role on this overarching framework and will refer any areas of high-level concern to the appropriate overview committee.

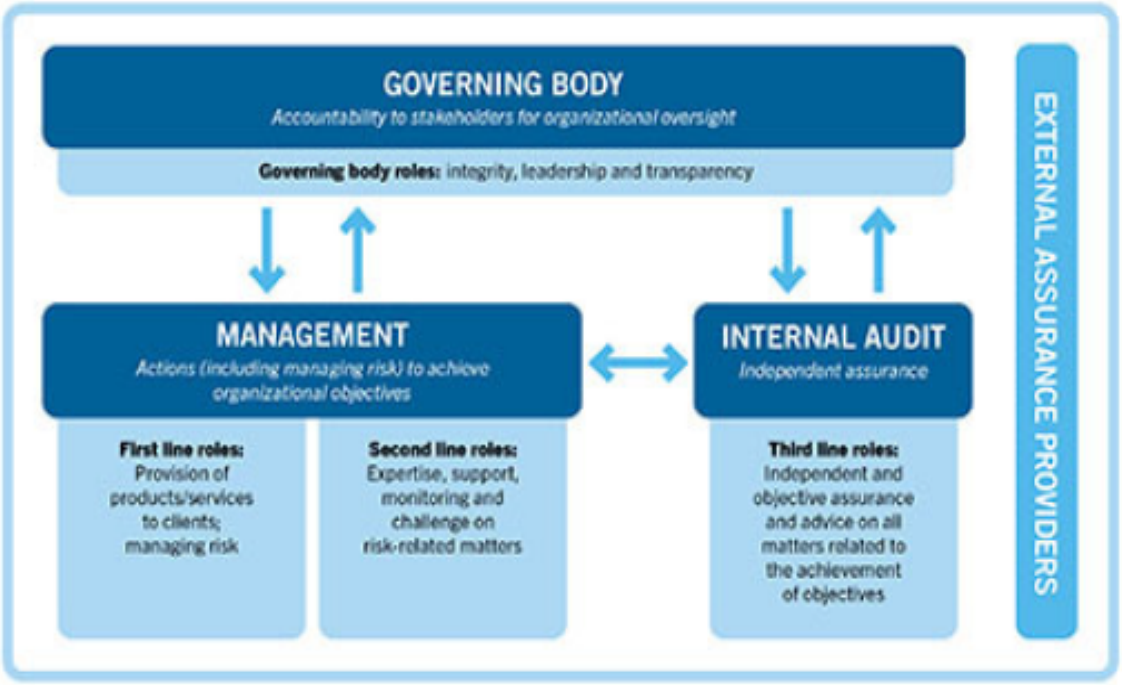
Service level reporting required to make informed service level leadership and management decisions. The approach to service level reporting will provide monthly management information in a range of formats determined by the senior leadership teams of each of the council's directorates: People – adults and housing; People – children's; Place; and Corporate development with a clear link between performance and risk management.

During 2020 Dorset Council had had a significant role in responding to the Covid-19 outbreak, as a Category One responder under the Civil Contingencies Act. This resulted in some temporary changes to governance arrangements, including postponement of some committee meetings, and prioritisation of service delivery to cope with changing demand. Dorset Council worked with partners to take all the necessary steps to contain and delay the virus and to ensure we are well prepared for any potential spread. The council shared messages with the workforce and residents as to how they can help minimise the spread of germs and the coronavirus in Dorset.

3. The Three Lines model

The Three Lines Model provides a look at the way many organisations look not just at risk, but also at controls, collaboration, communication, accountability, assurance, and

more. The Three Lines Model clearly looks at roles and responsibilities of the governing body, as well as executive management, and internal audit. These roles are not limited to risk management but focus on the overall governance of the organisation.



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The identification of six key principles on which the new Three Lines Model is based:

- Principle 1 - Governance of an organisation requires appropriate structures and processes that enable accountability, action, and assurance.

- Principle 2 - Governing body roles ensure appropriate structures and processes are in place for effective governance.

- Principle 3 - Management's responsibility to achieve organisational objectives comprises both first- and second-line roles. First-line roles are most directly aligned with the delivery of products and/or services to clients of the organisation and include the roles of support functions. Second-line roles help with managing risk.

- Principle 4 - In its third-line role, internal audit provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. It achieves this through the competent application of systematic and disciplined processes, expertise, and insight. It may consider assurance from other internal and external providers.

- Principle 5 - Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility.

- Principle 6 - All roles working collectively contribute to the creation and protection of value when they are aligned with each other and with the interests of stakeholders.

Organisations that embrace and embed these principles in their controls, operations, and cultures will invariably enjoy stronger governance. Adherence to these principles should be the goal of all organisations and, once achieved, must be continually monitored and nurtured. The model's principles-based approach is designed to provide users greater flexibility. The areas of responsibility are generally described as:

- Accountability by the governing body to stakeholders for oversight.

- Actions (including managing risk) by management to achieve organisational objectives.

- Assurance and advice by an independent internal audit function to provide insight, confidence, and encouragement for continuous improvement.

4. The Risk Management Framework

Dorset Council believes it is more likely to achieve its priorities and enhance its services to residents by managing risks at all levels of its planning activities in a pro-active, considered, proportionate and systematic way. This approach is based on an acceptance that some risks will never be eliminated and acknowledges that exposure to acceptable levels of risk is integral to delivering more innovative, customer focused and cost-effective services.

We will continue with help from colleagues to achieve the following operating principles relating to its approach to managing risk:

- We are risk informed not risk averse, our decisions reflect this, and we communicate this well

- Consideration of risk does not stop us doing what we need to do

Dorset Council's risk management strategy's objectives are to:

- Be risk informed not risk averse

- Integrate and embed risk management into the culture of the Council as part of normal business management processes

- Anticipate and respond to changing social, environmental and legislative requirements and ensure that statutory obligations and policy objectives are met

- Prevent injury, damage and losses and reduce the cost of risk to an acceptable level
- Raise awareness of the need for proportionate risk management principles and practices by all those connected with the delivery of the Council's services
- Maintain effective and efficient control, management and stewardship of public funds and assets
- Preserve and promote the reputation of the Council for the benefit of the communities it serves
- Recognise positive risks (opportunities) as well as negative risks (threats)

Risk management is only considered to be truly embedded when it functions as part of the Councils day to day operations. For this to be achieved it is vital that clarity exists to determine the various roles and responsibilities of individuals involved throughout the Council in the risk management process.

To ensure that this level of clarity exists, the Council has established a clear structure that depicts how Members, Officers and the various Committees, Groups and Teams contribute to the overall risk management process.

Each relevant Directorate manager helps to facilitate and promote risk awareness throughout the Directorate and Dorset Council with support from the Risk and Resilience Officer.

The approach helps to form the basis of the Council's Resilience Group, together with specialists in subject areas such as health and safety, performance management, legal, audit, emergency planning, insurance and risk management.

Working with colleagues within the council and at directorate management tams it will help to:

- Provide the link between the Resilience Group and their Directorate Leadership Team
- Contribute to the corporate risk management agenda
- Ensure that risk management issues are considered and addressed in relation to their Council, Directorate and Service Plan priorities
- Periodically report to the Resilience Group on the performance of the management of risks within the relevant Risk Registers
- Ensure that progress is made in addressing the strategic risks allocated to lead officers within their directorate and to feed this information back to the Resilience Group.

5. Risk Appetite

Risk Appetite can be defined as "the level of risk that an organisation is prepared to accept in order to meet its strategic priorities". The Council's risk ranking matrix attempts to present a gauge of what would ordinarily be deemed to be above this appetite level.

The risk ranking matrix identifies the level of risk, as highlighted below:

MANAGING RISK – RISK ASSESSMENT						
Score IMPACT	Financial	Legal / Compliance	Strategic	Safety, Wellbeing & Safeguarding	Reputation	Service Delivery
HIGH	Over £500k	Non-compliance with legislation or regulatory breach Significant regulatory impact	Complete failure of a strategic priority Major impact on a strategic priority	Fatality or life-changing injury / illness; Significant safeguarding breach Major injury / illness; moderate safeguarding breach	Complete failure in confidence (local or national) Long term media attention (local or national)	Complete failure to deliver critical services (safeguarding; urgent statutory responsibilities etc) Major impact on delivering critical services (safeguarding; urgent statutory responsibilities etc)
MEDIUM	£300k to £500k	Moderate regulatory impact	Moderate impact on a strategic priority	Moderate injury / illness	Medium term negative impact on public memory	Serious disruption to less critical services
LOW	£0k to £300k	Minimal regulatory impact No legal or regulatory impacts	Minor impact on a strategic priority Negligible impact on a strategic priority	Injury or illness requiring minimal intervention / treatment No health and safety impact	Short term negative impact on public memory Minor complaints or rumours	Minor disruption to services Negligible disruption to service delivery

Score LIKELIHOOD	**LOW**	**MEDIUM**	**HIGH**
Type	0 to 40%	40% to 60%	61% to 100%
Description	Unlikely	Possible	Likely

The Council's risk ranking matrix attempts to present a gauge of what would ordinarily be deemed to be above this appetite level.

		LIKELIHOOD		
		Unlikely	Possible	Likely
IMPACT	Significant			
	Moderate			
	Minor			

6. What is a Risk Register?

A risk register provides a snapshot of the key strategic risks to achievement of agreed aims, objectives and priorities, as identified by Senior Leadership Team and/or Directorate Management Teams. The Corporate Risk Register is linked to the Council's Plan, whereas a project risk register will relate to the individual priorities or projects.

The key point is that it should act as a management tool to identify, assess and manage risk down to a level that is considered acceptable to tolerate.

- The register provides a framework in which these risks that threaten achievement of objectives (or anticipated benefits) are captured

- Actions are then instigated to reduce the potential impact and / or likelihood

It is essential that we undertsand the risk and folowing the risk management process to:

- **Understand**

  Identifying what are the key risks that threaten achievement? It is often helpful if this identification process is undertaken by a small group.
  What do we currently have in place to control or manage this risk?
  Based on these controls, what do we see as our current level of risk? Once you have considered the impact, you should next consider the Likelihood.

- **Plan**

  Measurement all risks once scored, prioritise risks that require the most urgent attention. High risk activity should be subject to a greater level of scrutiny, to ensure assurance can be given that potential exposures are controlled to an acceptable level.

- **Do**

  Management of risks down to an acceptable level. In determining the options that are available to deal with the identified risks, early consideration must be given to the cost/benefit of implementing the identified solutions.
  To implement solution which brings with it an acceptable level of cost that outweighs the benefits of attempting to mitigate it is unlikely to receive a particularly warm welcome!
  On occasion, there may be legal, regulatory or social responsibility factors that determine the necessity for control regardless of its cost benefit. Responsibility for the management of the risk should be defined.

- **Review**

  With robust **monitoring** and **reporting** of the performance of risk as this is an essential part of the risk management cycle. This will ensure that the effectiveness of controls can be reviewed, whether the level of risk has changed and whether there are any new risks that should be added to the risk register.

7. Risk Leads and Risk Owners

To ensure the active management and monitoring of risk, each of the risks within the risk register are allocated to both a 'Risk Lead' and a 'Risk Owner'. The Risk Lead is the officer within Dorset Council that is in the best position to actively influence the management of the risk. Whilst this officer may provide the corporate lead, many actions for risk improvement are likely to be delegated to other professional/technical officers for implementation.

The Risk Owner will be at either Director or Head of Service level and is accountable for the performance of the risk, and will

- Periodically review the assessment of the risk to ensure that the entry within the register accurately reflects the current risk position. As a guide, High risks will be reviewed quarterly, Medium risks half yearly and Low risks (and risks controlled to an "acceptable level") annually

- Co-ordinate the Council's corporate response to managing the identified risk, in terms of reviewing the adequacy of the current controls and developing any action plans for improvement

- Report any adverse performance of the risk, or any significant change to the risk environment

Risk Owners shall:

- Monitor and challenge the performance of the risks that they own

- Liaise with risk leads as and when necessary, in the event of any adverse performance of the risk

8. Monitoring and Reporting of Corporate Risks

Monitoring the performance of risk is an essential part of the risk management cycle. Corporate risks are reviewed regularly and subject to challenge at the following levels:

- Risk Leads – High risks should be reviewed on a quarterly basis; medium risks every six months, and low risks or those that are currently managed to an acceptable level are reviewed annually.

- Risk Owners – These are allocated at Director / Head of Service level and are accountable for the performance of the risk. Reviews are held with Risk Owners on a six-monthly basis, to gain assurance over the status of all the key risks identified within their service areas.

The performance monitoring and reporting process is the main vehicle for updating the Senior Leadership Team and Members. This provides an update on the key performance indicators linked to the Council Plan objectives and priorities, in addition to the latest position on all corporate risks identified as High, or Medium level risks noted as "deteriorating".

The Risk and Resilience Officer will be the liaison for review and monitor of all risks. As such the officer will support lead officers and look to update the risk registers on a regular basis to provide an accurate position statement on performance. Annual Risk Management Report –

The yearly report to Senior Leadership Team and Audit and Governance Committee provides a more detailed overview of risk performance, including the corporate risk register.

High and Deteriorating risks should be escalated to the appropriate decision-making body (for example, programme/project board; Directorate Leadership Team).

9. The Role of Risk Management in Transformation

Dorset Council operates risk registers across its various programmes and projects to help ensure that those risks that potentially threaten successful delivery and can gain assurance that appropriate measures are being taken to satisfactorily manage the risks to an acceptable level.

Risk management plays a key role in the service transformation process, both in terms of identifying the appetite to accept any risks associated with the changing approach to service delivery, but also in ensuring that the risks arising from the implementation process are identified, assessed, prioritised, managed and monitored.

As the Council's risk management methodology clearly identifies our appetite for risk, it provides a positive framework for challenging service delivery practices and identifying potential areas for change.

The identification of High risks should not automatically present a barrier to change but does highlight those areas where a more thorough understanding of the risk is necessary so that an informed decision can be made as to whether the Council wishes to accept that risk.

10. Risk Informed Decision Making

Whether at a Cabinet level, service level or within individual projects, it is important that there has been a clear consideration of risk, so that decisions can be reached on a risk informed basis.

The aim of this strategy is to help define the role that risk management plays in transforming service delivery. However, it is also vital that elected members are sighted on the risks associated with decisions that are made as part of the committee process.

The Committee Report template requires the writer to identify the level of risk associated with the decisions to be made. Risk should be scored both for:

- The current level of risk (identifying the level of the risk prior to the recommendations / proposals set out in the report, or the level of risk in a "stand-still" position if no action is taken); and

- The residual risk (the level of risk to reflect the proposals / recommendations in the report, together with any additional mitigating actions proposed.

Where either the current or residual risk is identified as High, the writer should clearly articulate these risks within the report, together with any mitigation proposed.

This "High" rating also provides an escalation criterion for liaison with Directors, Heads of Service and Portfolio Holders.

Reporting of lower level risks (those identified as 'low' or 'medium') within committee reports will be at officer's discretion. It is essential that we learn from risks when they do arise, whether impacting on this Council's services or learning from others experience.

Consider what you're already doing, and the controls you already have in place. Ask yourself: Can I get rid of the risk hazard altogether? If not, how can I control the risks so that harm is unlikely?

Put the controls you have identified in place. You're not expected to eliminate all risks, ***but you need to do everything 'reasonably practicable' to protect people Dorset Council from harm***.

This means balancing the level of risk against the measures needed to control the real risk in terms of money, time or trouble.

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APPENDIX A

RISK ASSESSMENT MATRIX – GUIDANCE NOTES

1. Introduction

Risk Assessment matrices provide a powerful and easy-to-use tool for the identification, assessment and control of risk. It will help to enable managers to consider the whole range of categories of risk affecting a service activity. The various categories of strategic and operational risks are detailed later in this guidance note.

The technique can assist in the prioritisation of risk and decisions on treatment plans, identification and allocation of resources; determine the adequacy of existing control measures and the need for further action. The technique can be directed at the business activity as a whole or on individual directorates, services, projects or programmes.

2. Identifying risks

Key questions should be asked to aid identification of risk. For each specific area knowledge of what the activity or outcome is and how it is achieved will be key to identifying any risks. Information on processes, people, skills and external risk will be essential, for example - PROCESS – Street Sweeping, tools required, equipment issued. PEOPLE – How many are involved in this process? Skills – Specific skills or knowledge required for this process, such as local knowledge of roads. External risk – traffic, hazardous waste.

3. Analysing Risks

Once enough knowledge of the activity or outcome has been obtained risks analysis can be carried out and key questions could include:

- What could go wrong?
- How could it go wrong?
- Has it happened before? (Look to other local authorities or organisations who may have the same or similar risks for evidence as well as internally)
- What other processes/objectives could be affected? (This will allow analysis of links to other risks)
- Is the risk to a strategic objective (affecting 3-5-year planning) or to an operational objective (affecting the day to day activity)?

Consideration should be given to whether the risk could be both strategic and operational, for example, an operational risk that if not controlled will stop the Council achieving a strategic objective.

4. Profiling of Risk

Risk profiling uses data collected on risk through identification processes to “score” the level of risk posed by the process/objectives.

Risk is profiled according to its likelihood and impact:

Risk Appetite can be defined as "the level of risk that an organisation is prepared to accept in order to meet its strategic priorities".

The Council's risk ranking matrix attempts to present a gauge of what would ordinarily be deemed to be above this appetite level.

		LIKELIHOOD		
		Unlikely	Possible	Likely
IMPACT	Significant			
	Moderate			
	Minor			

MANAGING RISK – RISK ASSESSMENT

Score IMPACT	Financial	Legal / Compliance	Strategic	Safety, Wellbeing & Safeguarding	Reputation	Service Delivery
HIGH	Over £500k	Non-compliance with legislation or regulatory breach Significant regulatory impact	Complete failure of a strategic priority Major impact on a strategic priority	Fatality or life-changing injury / illness; Significant safeguarding breach Major injury / illness; moderate safeguarding breach	Complete failure in confidence (local or national) Long term media attention (local or national)	Complete failure to deliver critical services (safeguarding; urgent statutory responsibilities etc) Major impact on delivering critical services (safeguarding; urgent statutory responsibilities etc)
MEDIUM	£300k to £500k	Moderate regulatory impact	Moderate impact on a strategic priority	Moderate injury / illness	Medium term negative impact on public memory	Serious disruption to less critical services
LOW	£0k to £300k	Minimal regulatory impact No legal or regulatory impacts	Minor impact on a strategic priority Negligible impact on a strategic priority	Injury or illness requiring minimal intervention / treatment No health and safety impact	Short term negative impact on public memory Minor complaints or rumours	Minor disruption to services Negligible disruption to service delivery

Score LIKELIHOOD	LOW	MEDIUM	HIGH
Type	0 to 40%	40% to 60%	61% to 100%
Description	Unlikely	Possible	Likely

Dorset Council

Likelihood

- Unlikely - Some likelihood
- Possible - Significant likelihood
- Likely - Near certainty

Impact

- Significant - Total service failure, high financial loses, possible national media criticism, local media interest or possible fatalities/severe injuries.
- Moderate - Short-term total service failure or prolonged partial failure, possible local media interest, possible financial losses or injuries.
- Minor- An annoyance that does not disrupt service provision or has only a localised impact contained within the council/service affected. No media or public knowledge of incident.

Once the likelihood and impact of the risk have been assessed they are plotted on the risk profiling grid above and the risk rating defined, for example, if a risk has a likelihood of possible and an impact of significant the risk rating will be HIGH (RED). This would mean the risk is high and would require a treatment plan.

If either the 'current' or 'residual' risk is identified as 'High', include a summary of the most significant risks and proposed mitigation. Reports that note 'High' risks should be shared at an early stage with the Head of Service and Corporate Director for consideration and discussion with the relevant Portfolio Holder - 'High' risks identified should also be escalated to Assurance for inclusion within the relevant Service Risk Register.

When assessing risks – we need to **understand, plan, do and review** our processes and potential risks.

- Inherent/Gross risk = the level of risk existing before any controls and/or treatment measures have been applied.
- Net risk = the level of risk remaining after managing it through treatment and/or control measures. Review periodically to ensure conditions have not changed.

Assessing the Risk Rating for each risk should:

- In the first instance be scored to show the level of risk with NO control measures in place – this allows the assessor to see the base line risk.
- For all future assessment of that risk show the score with control measure in place. This will allow the assessor to see the true value of any control measures.

The level of the inherent risk will help determine the best treatment for a risk, whether strategic or operational and we will need to decide, using the four Ts to either tolerate, treat, terminate or transfer the risk – the FOUR Ts.

Tolerate – we might decide to tolerate a risk where:

- The risk is effectively mitigated by internal controls, even if it is a high risk
- The risk cannot be mitigated cost effectively
- The risk opens greater benefits

These risks **must be monitored**, and contingency plans should be put in place in case the risks occur.

Treat - this is the most widely used approach. The purpose of treating a risk is to continue with the activity which gives rise to the risk and to bring the risk to an acceptable level.

Terminate - Doing things differently and therefore removing the risk. This is particularly important in terms of project risk but is often severely limited in terms of the strategic risks of an organisation.

Transfer - Transferring some aspects of the risk to a third party, for example, via insurance, or by paying a third party to take the risk in another way.

Completing the Risk Assessment Matrix

SECTION 1

DATE the risk assessment was completed

NAME of person completing assessment (not necessarily the risk control owner)

POST of person completing assessment

DIRECTORATE/SERVICE that the risk has been identified as belonging to

Risk Assessment - Number Consecutively from 1 (the first assessment) this allows for accurate version control and provides and auditable trail of treatment and effectiveness.

Risk type define the category of risk:

- Strategic – a risk to the 3 – 5-year planning outcomes linked to the Council Plan.
- Operational – a risk affecting day-to-day processes.
- Both – an operational risk with a strategic impact.

SECTION 2

REFERENCE sequential numbering of risks identified; this can be used with the directorate service information to give each risk a unique reference that for the relevant risk register.

RISK describe the risk, what is it that is likely to happen? What are the triggers to this happening? Categories of

- Risk - identify which categories the risk falls into
- Likelihood - score from risk profiling grid
- Impact - score from risk profiling grid

SECTION 3

CONTROL Measures in Place: Describe all the controls currently in place. Are further controls required: Yes or No. Further controls will be required if the residual risk rating is still HIGH. Where further controls are required a treatment plan should also be completed.

REVIEW: How often will this risk be reviewed? Review dates have several criteria. How high is the risk rating? How important is it that this risk is controlled? What are the cost implications of this control?

If there is a significant cost to the control review may be delayed until a budget for the control is identified. Similarly, the cost of a control may mean that more frequent reporting on the risk is required as part of budget monitoring.

Low-level risks may only require monitoring on a yearly basis if the level of risk is not likely to change. A = Annual, Q = Quarterly, M = Monthly.

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Date of next Review: Plot realistically when you should next review the risk rating to assess the adequacy of the controls.

Owner: This is the person responsible for implementing the risk control measure, not necessarily the person filing in the form. If a risk requires further controls these will need to be agreed the risk should then be moved to a new risk assessment matrix to be able to plot how long this control should take and when to measure effectiveness at the next review date.

Ongoing monitoring of risks and treatment will ensure that actions are updated as required and that the risk control is always under the most appropriate ownership. Reassess the risk and controls every time that ongoing monitoring shows there is a significant shift in the rating, for example, if a medium level risk becomes high or a low-level risk becomes medium.

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Completing the Risk Treatment Plan

HEADER Section: Insert the department this risk relates to.

REFERENCE number here will be the same as the identifying number in the Risk Assessment Matrix.

RISK the risk as described in the Risk Assessment Matrix and the final rating (residual risk).

CONTROL describe all the controls currently in place.

- What actions need to be taken?
- What is the control? (Either in place or required).

- Owner of control measure
- How will we know the control is successful? What are the benefits of controlling the risk in this way?
- All key dates that may affect the control.
- The agreed date for review and frequency. This should consider how important it is to monitor and control the particular risk.

SUMMARY risk assessment is easy to use and will provide an overall and graphic views of risks, which are affecting the business activity. The process involves all staff; being driven by managers. It should be repeated to monitor the effectiveness of the risk control measures implemented. It is not a purely quantitative method but relies on the judgements and informed decisions of the person / team conducting the assessment.

Training will be provided to all involved, to lay a common grounding and understanding of the technique.

Please try to avoid the temptation to alter the results of an assessment to give a more positive result – this will not give a true value to any controls used and defeats the purpose of the exercise.

Extra vigilance should be taken assessing the level of residual risk after risk control measures have been implemented as this allows us to understand which controls work best and how well we are working toward reducing risk.

The assessment of residual risk will be almost worthless if based on risk control measures, which have not been accurately assessed for effectiveness. The effectiveness of treatment plans will be reviewed by the Assurance Service Manager, Risk and Resilience Officer or the proposed risk management clinics.

Hazards and risks need to be considered in judgements about the medium to long-term goals and objectives of the council, as well as the day-to-day operations of the Council. These may be: -

- Political: those associated with failure to deliver either central Government policy or meet the administration's manifesto commitments
- Economic/Financial: those affecting our ability to meet financial commitments. For example, internal budgetary pressures, the failure to purchase adequate insurance cover, external economic changes or the consequences of proposed investment decisions. Monitoring of financial planning and control and internal funds.
- Social: those related to the effects of changes in demographic, residential or socio-economic trends on the organisation's ability to deliver its objectives.
- Technological: those associated with the capacity of the organisation to deal with the pace / scale of technological change or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures affecting the organisation's ability to deliver its objectives, for example, IT systems, equipment or machinery.
- Legislative/Legal: those associated with current or potential changes in national or European Law, for example, the appliance or no appliance of TUPE Regulations, Human Rights Act, Data Protection Act, Disability Discrimination Act, etc. Risk related to possible breaches of legislation.
- Environmental: those related to the environmental consequences of progressing the organisation's strategic objectives, for example, in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc. Those related to pollution, noise or energy efficiency of ongoing service operations.
- Reputational: those related to the organisation's reputation and the public perception of the organisation's efficiency and effectiveness.
- Competitive: those affecting the competitiveness of the service (in terms of cost or quality) and / or its ability to deliver Best Value.
- Customer/Citizen: those associated with failure to meet the current and changing needs and expectations of our customers and citizens.
- Professional: those associated with the nature of each profession
- Physical: those related to fire, security, accident prevention and health and safety, for example, hazards / risks associated with buildings, vehicles, plant and equipment, etc.
- Contractual: those associated with the failure of contractors to deliver services or products to the agreed cost and specification.

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People Directorate - Adults and Housing (August 2020) - Risk Management

The continual development and promotion of risk management will ensure that the Council is well placed to demonstrate that objective and informed decisions are taken and that the Council is ultimately in a strong position to successfully face and address the challenges ahead.

Score IMPACT	Financial	Legal / Compliance	Strategic	Safety, Wellbeing & Safeguarding	Reputation	Service Delivery
HIGH	Over £500k	Non-compliance with legislation or regulatory breach Significant regulatory impact	Complete failure of a strategic priority Major impact on a strategic priority	Fatality or life-changing injury / illness; Significant safeguarding breach Major injury / illness; moderate safeguarding breach	Complete failure in confidence (local or national) Long term media attention (local or national)	Complete failure to deliver critical services (safeguarding; urgent statutory responsibilities etc) Major impact on delivering critical services (safeguarding; urgent statutory responsibilities etc)
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LOW	£0k to £300k	Minimal regulatory impact No legal or regulatory impacts	Minor impact on a strategic priority Negligible impact on a strategic priority	Injury or illness requiring minimal intervention / treatment No health and safety impact	Short term negative impact on public memory Minor complaints or rumours	Minor disruption to services Negligible disruption to service delivery

Score LIKELIHOOD	LOW	MEDIUM	HIGH
Type	0 to 40%	40% to 60%	61% to 100%
Description	Unlikely	Possible	Likely

The full Risk Register for the People Directorate - **Adults and Housing** can be viewed from this link - HERE

Adults and Housing Service Risk Profile

		Likelihood			
		L	M	H	**High Risks 2 in total**
Impact	H	12		2	
	M	9	10		
	L	4	2	1	

People Directorate - Adults and Housing - Overall

		Likelihood		
		L	M	H
Impact	H	12		2
	M	9	10	
	L	4	2	1

Commentary: High Risks = 2

The new format for risk reporting was agreed by Audit & Governance Committee at its May meeting.

It was requested that closer links are enabled between the risk and performance measures. Also, members wanted to be able to more clearly see what updates have been made to the risk since the last report. Both changes will be incorporated into future reports, as will links with the control environment.

Adult Care - Operations and Commissioning

		Likelihood		
		L	M	H
Impact	H	4		1
	M	3	2	
	L	1	1	1

The People Directorate - Adults and Housing delivers adult social care, housing and community safety services to people living in Dorset within the context of the Council Plan. We invested over £1million through our Better Care funding to deliver increased capacity for Adult Care Operations and Commissioning.

Dorset Council is one of the 4 pioneer authorities for Sustainability and Transformation Planning delivering a joint vision for working across the NHS and Local Authorities in Dorset around acute care, an integrated care system, and prevention at scale across our adult social care and health and commissioning functions.

High Risk: 125) Gap exists between amount of available resource and post-COVID statutory demand

Response: We are improving performance and financial management information with BI, enhanced reporting and more detailed financial data and analysis. This draws upon the intelligence and analysis from the monthly locality-based budget and performance meetings. A continuous drive by Directorate Leadership Team to identify options for improving outcomes and seeking additional efficiencies and savings.

Through the 'A Better Life' programme, informed through COVID learning and a required acceleration of change, will be an evolving programme with a clear focus - Stronger, Braver and Empowering for the people of Dorset. The programme will aim to deliver a transformed system approach to social care which will provide operational productivity and efficiencies with a focus on early intervention, prevention, reablement and enablement. The service is also exploring ways it can harness the work of the community to support service delivery, which has been extremely valuable during the shielding programme.

Also, we have been working with our assistive technology initiative working partners, Argenti, for several months. This work has been looking at the 'front door' as well as reviewing existing care and support arrangements for individuals. Conducting investigative work to get ahead of the game with Children's colleagues around the needs of young people and preparing them for adulthood. Both around practice and our commissioning offer. There are increased risks of provider failure across all areas of Adult Social Care provision. Strategic planning with system partners is ongoing to support appropriate levels of intervention in order to deliver the councils statutory responsibility for market shaping under the Care Act 2014.

The increased demand for care and support services is increasing the pressure upon provider workforce capacity. As part of the A Better Life Programme, there is a workforce stream which is developing a Dorset Social Care Academy to enable improved recruitment training and retention and a clear career pathway.

People Directorate - Adults and Housing - Brexit

		Likelihood		
		L	M	H
Impact	H	7		
	M	4	5	
	L	1	1	

Whilst we legally left the EU on 31 January 2020, we are unlikely to notice much difference until the end of the transition period which is currently 31 December 2020. If a trade deal is agreed by 31 December 2020, this deal would take effect immediately on 1 January 2021.

Please see our frequently asked questions for information on what will happen if no deal is agreed by 31 December 2020.

NO High Risks:

Community Safety Services

		Likelihood		
		L	M	H
Impact	H	1		
	M		2	
	L			

The Dorset Community Safety Partnership (CSP) aims to - reduce crime and the fear of crime - address risk, threat and harm to victims and local communities; and facilitate the strengthening of Dorset's communities in the delivery of local initiatives. Find out more about the Dorset Community Safety Partnership CSPs are required to have three-year Community Safety Plans that are refreshed annually. This latest refresh of the 2017-2020 Plan sets out partners' current priorities based on the most recent assessment of community safety issues.

NO High Risks:

Housing Services

		Likelihood		
		L	M	H
Impact	H			1
	M	2	1	
	L	2		

People may be finding it difficult to manage their own home. They may want to live somewhere smaller and easier to maintain or may want to live somewhere more suited to their physical needs, such as a bungalow. They may prefer to live nearer family or friends or have easier access to facilities such as transport and leisure. Or may want to live in a community where they retain independence. While buying or renting a different property or moving into a care home might be the first options that spring to mind, there are many others that could be considered, such as, exchanging a council or housing association property, sheltered housing, extra care housing, close care, retirement villages or home share schemes

High Risks: 247) Temporary Accommodation is insufficient to meet community need

Response: The COVID-19 pandemic has seen the Council's dependence on B&B accommodation for homeless households increase by over 50%. As of the 7 August 2020 the Council had 349 households in temporary accommodation of which 139 households are in B&B accommodation. The use of B&B has a direct revenue impact on the budget.

The Council has an Accommodation Finder who is an officer in the Housing team who sources new properties for leasing from the private sector and continues to be successful in sourcing new properties which will help reduce the number in Bed and Breakfast and has had her part-time hours increased to full-time, additional capacity is being sourced for the team. However, as soon as someone moves on from B&B another person needs Council support. On average 10 homeless households per week are seeking support from the Council and are being accommodated.

Officers are preparing a bid to the Ministry of Housing, Communities & Local Government to obtain capital grant funding to purchase additional accommodation. However, the Council will also need to contribute capital funding to the project and a report is being prepared for the Cabinet.

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CHILDREN'S (August 2020) - Risk Management The continual development and promotion of risk management will ensure that the Council is well placed to demonstrate that objective and informed decisions are taken and that the Council is ultimately in a strong position to successfully face and address the challenges ahead.

Score IMPACT	Financial	Legal / Compliance	Strategic	Safety, Wellbeing & Safeguarding	Reputation	Service Delivery
HIGH	Over £500k	Non-compliance with legislation or regulatory breach Significant regulatory impact	Complete failure of a strategic priority Major impact on a strategic priority	Fatality or life-changing injury / illness; Significant safeguarding breach Major injury / illness; moderate safeguarding breach	Complete failure in confidence (local or national) Long term media attention (local or national)	Complete failure to deliver critical services (safeguarding; urgent statutory responsibilities etc) Major impact on delivering critical services (safeguarding; urgent statutory responsibilities etc)
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Score LIKELIHOOD	LOW	MEDIUM	HIGH
Type	0 to 40%	40% to 60%	61% to 100%
Description	Unlikely	Possible	Likely

The full **Children's Services** Risk Register can be viewed from this link - HERE

Children's Service Risk Profile

		Likelihood			
		L	M	H	**High Risks 11 in total**
Impact	H	5	8	2	
	M	4	4	1	
	L	2	1	1	

CHILDREN'S SERVICES - Overall

		Likelihood		
		L	M	H
Impact	H	5	8	2
	M	4	4	1
	L	2	1	1

Commentary: **High Risks = 11**

The new format for risk reporting was agreed by Audit & Governance Committee at its May meeting.

It was requested that closer links are enabled between the risk and performance measures. Also, members wanted to be able to more clearly see what updates have been made to the risk since the last report. Both changes will be incorporated into future reports, as will links with the control environment.

Children's Care and Protection

		Likelihood		
		L	M	H
Impact	H	1	4	1
	M		2	
	L		1	1

Child protection helps protect children and young people from bad things that are happening in their lives.

It helps everyone understand who is doing what to help keep children safe. It's a way to get help and make things better. It helps to make sure that children are eating healthy food, have clean clothes, are protected from abuse, have good physical and emotional health and have a good education.

High Risk: 104) A lack of sufficiency and resilience (placements/residential/foster care) impacts negatively on the demands led budget for children in care

Response: Ensuring enough local placements for our children in care, closer to their families and communities, is a priority within our Strengthening Services for Children and Families Plan. We are undertaking focused work during Spring and Summer 2020 to further enhance our campaigns to promote Foster Care in Dorset, this has included social media and radio campaigns. We have an active group of Foster Carers who are continually helping us to shape our services and support. We are also continuing to deliver our Looked After Children Reduction Strategy agreed by Cabinet in July. This strategy explicitly states our commitment to reducing the number of children in our care.

High Risk: 107) Inadequate evidence base (including Partnership data) to determine service need for children's care and protection

Response: We are undertaking significant work to further strengthen practice and services through our Strengthening Services for Children and Families Programme. The developments in Business Intelligence are supporting us to understand and model service need and we will continue to develop this approach.

High Risk: 112) Inability to attract and retain suitably qualified specialist safeguarding staff within Children's Services

Response: We are progressing our recruitment and retention strategy and actively promoting Dorset Council Children's Services as an employer of choice. This has included: updating our recruitment webpages, increased promotion nationally through leading sector professional publication, writing to staff working with us through agencies to encourage their applications to permanent posts, pursuing overseas recruitment. Our Strengthening Services for Children and Families Programme includes significant work to expand our learning and development and support offer alongside manageable caseloads, regular and reflective supervision and integrated teams all of which are known to be important factors influencing social workers to apply for roles.

High Risk: 105) Failure to keep children safe that are known to, or in the care of, Dorset Council

Response: We are undertaking work to further strengthen practice and services through our Strengthening Services for Children and Families Programme.

High Risk: 106) Failure to understand and respond to the changing nature of exploitation results in a safeguarding failure

Response: Our new Pan-Dorset Safeguarding Partnership arrangements are now in place including the appointment of a highly regarded and experienced national sector leader as Independent Scrutineer. We, along with partners across Dorset County have published our new Child Exploitation Strategy 2020-2022 setting out how together we will ensure an effective and coordinated response to children and young people at risk of, or linked to exploitation, identifying potential risk early to reduce risk and harm.

Children's Commissioning and Partnerships

		Likelihood		
		L	M	H
Impact	H	4	2	
	M	3		1
	L	1		

Early action, both early in life and early in a challenging episode for a child, young person or family is the most cost-effective way to address emerging issues. Services need to make sure they provide a targeted intervention according to need and that service users receive personalised packages of support. This will ensure that we efficiently provide the right amount of service to bring about change. We need to commission the right services, delivered at the right time and in places where people can use them, and Family Partnership Zones are integral to making this happen.

High Risk: 284) Insufficient controls in place to ensure that operational employees use framework agreements effectively when sourcing education and support for children

Response: As part of the new model for children's services, sourcing of education and support will be undertaken by a single team and under a single management structure. This will ensure that operational colleagues use their skills to assess and identify need and provide direct support to children and families. Brokerage officers will use a range of compliant procurement mechanisms (including framework agreements) to secure value for money for the council. The leadership team will continue to review and monitor external spend to provide assurance of compliance.

High Risk: 281) Financial viability of nursery and after school provision unaffordable

Response: The position of schools and early years settings is such that full DFE grant income continues to be made available irrespective of opening status. There are some pressures on school budgets that are covered by exceptional DFE grants. Early years settings are commercial settings and have in some cases responded by closure and furlough. Other settings are working closely with the Council to ensure they remain viable.

Children's Services Leadership are undertaking a review of nursery and afterschool provision in order to understand the financial viability of providing nursery and afterschool provision as a fully traded service. Managers of these services have undertaken a review of income and expenditure and have put an income recovery plan in place. This will be subject to scrutiny by the management team.

High Risk: 277) Insufficient availability of local placements and supported accommodation to meet local needs.

Response: Ensuring enough local placements for our children in care closer to their families and communities and ensuring enough accommodation options for young people leaving care and other vulnerable young people is a priority within our Strengthening Services for Children and Families Plan.

We have developed and published the Dorset Young People's Protocol between Housing and Children's Services, this is a joint protocol that describes how Housing and Children's Services will work together jointly to address the needs of 16- and 17-year olds.

Children's Schools and Learning

		Likelihood		
		L	M	H
Impact	H		2	1
	M	1	2	
	L	1		

All children have a right to an education. Schools must provide each child with the help they need so that they can do well. This helps them to become confident adults. Schools can help all children by making sure that they provide high quality teaching, assess children's progress often and target areas of difficulty and adjust work for children who are struggling. Schools must also help children and young people with disabilities or medical conditions.

High Risks: 271) Failure to keep school finances in balance

Response: It remains the position that maintained schools that are put into a category by Ofsted must convert to sponsored academy, leaving any deficit behind with the LA. Since last updating the register, three schools have become sponsored academies, leaving behind a combined deficit of approximately £2.26M. As of 31 March 2020, there were 30 maintained schools with a combined deficit of £2.5M. The number of schools has increased from 28 schools as of 31st March 2019, but the combined deficit is less than last year, which was £3.1M. There are currently two sponsored academies in the process of conversion, which will leave a combined deficit of approximately £220k. Ofsted inspections have been suspended during Covid19 lockdown, but when they do resume, the schools with a high risk of receiving an inadequate judgement have a combined deficit of £0.5M. Schools at medium risk of inadequate have a combined deficit of £200k. It is also currently unknown what the effect of lockdown will be on school balances, which were already showing a downward trend. Due to legislation changes it is no longer possible for school deficits to be converted to loans, so the only available strategy is to try to keep deficits to a minimum. Notices of concern have been issued and financial delegation has been removed in the past, but this does require an appropriate resource allocation by the LA. Training on good financial management will continue to be offered to schools and all schools in deficit are monitored and visited termly (lockdown permitting).

How Do We Currently Manage this Risk/Issue? We check DES monthly to see if the remaining balance for the year looks reasonable. We monitor all school budgets based upon estimates from the schools 3 times per year. We visit schools where there appears to be a problem and ask them to put together a plan to manage the budget. We ask schools to explain how they are intending to repay any deficit by licensing a deficit against a deficit recovery plan. We have sent a notice of concern to several schools and have suspended delegation in the past. When schools send in their budgets to the LA at the beginning of each financial year, they are required to comment on the budget and to provide a 3 year forward plan. If a school is causing concern, we are involved in the Team Around the School meeting to balance educational and financial priorities.

High Risk: 272) Failure to stabilise the budget for the High Needs Block

Response: Failure to stabilise the pressures in the HNB budget will result in a further increase in the deficit in the DSG. Legally this deficit sits with the DSG and is not part of the LAs budget, however, this does not absolve the LA of working with all schools to support actions to create an inclusive culture of support for pupils with additional and special educational needs in all Dorset schools. Work is being undertaken to move to early intervention and support for families across Dorset; to identify pupil needs earlier so that remedial support can be put in place quickly and thus try to stop expensive support later; to create specialist support in all schools and highly specialist support in local schools to reduce the need for pupils to be placed in the independent sector.

High Risk: 275) Unable to provide enough school places (Basic Need)

Response: The sufficiency strategy remains under review as Basic Need pressures reduce in most areas. There are still significant short-term pressures in East Dorset and Wimborne. New housing that is being introduced across the Council area will need to be monitored should pupil numbers rise. Full engagement with the Local Plan development is essential to ensure ongoing successful delivery of the LA Sufficiency Duty in the medium to long term. The Sufficiency Duty is continually monitored using relevant demographic data (including from other local authorities, schools and GP/Health sources), engagement with Planning Colleagues and developers around need and optimum solutions to school place planning in specific planning area. There are identified short, medium- and long-term solutions for increased place provision in each planning area, including a register of available schools for expansion, available schools with additional capacity (Net Capacity Assessment Maintenance by the LA) and secured and proposed new school sites. Liaison with Pyramids and Schools to ensure Schools Forum can direct revenue funding in accordance with Pupil Growth Policy, to ensure quality provision in schools is maintained while expansions take place.

There is need to reference that the LA has a duty, in areas where pupil numbers are falling, to ensure that schools/MATS and the LA work together to remove excess surplus from the system in a timely manner to ensure school viability and quality of provision is maintained.

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CORPORATE SERVICES (August 2020) - Risk Management The continual development and promotion of risk management will ensure that the Council is well placed to demonstrate that objective and informed decisions are taken and that the Council is ultimately in a strong position to successfully face and address the challenges ahead.

Most services provided by Corporate Services are central support functions to the council's service areas.

Score IMPACT	Financial	Legal / Compliance	Strategic	Safety, Wellbeing & Safeguarding	Reputation	Service Delivery
HIGH	Over £500k	Non-compliance with legislation or regulatory breach Significant regulatory impact	Complete failure of a strategic priority Major impact on a strategic priority	Fatality or life-changing injury / illness; Significant safeguarding breach Major injury / illness; moderate safeguarding breach	Complete failure in confidence (local or national) Long term media attention (local or national)	Complete failure to deliver critical services (safeguarding; urgent statutory responsibilities etc) Major impact on delivering critical services (safeguarding; urgent statutory responsibilities etc)
MEDIUM	£300k to £500k	Moderate regulatory impact	Moderate impact on a strategic priority	Moderate injury / illness	Medium term negative impact on public memory	Serious disruption to less critical services
LOW	£0k to £300k	Minimal regulatory impact No legal or regulatory impacts	Minor impact on a strategic priority Negligible impact on a strategic priority	Injury or illness requiring minimal intervention / treatment No health and safety impact	Short term negative impact on public memory Minor complaints or rumours	Minor disruption to services Negligible disruption to service delivery

Score LIKELIHOOD	LOW	MEDIUM	HIGH
Type	0 to 40%	40% to 60%	61% to 100%
Description	Unlikely	Possible	Likely

The full **Corporate Services** Risk Register can be viewed from this link - HERE

Corporate Services Risk Profile

		Likelihood			
		L	M	H	**High Risks 5 in total**
Impact	H	**12**	**3**	**1**	
	M	**2**	**5**	**1**	
	L	**2**	**1**		

Corporate Services - Overall

		Likelihood		
		L	M	H
Impact	H	12	3	1
	M	2	5	1
	L	2	1	

Commentary: High Risks = 5

The new format for risk reporting was agreed by Audit & Governance Committee at its May meeting.

It was requested that closer links are enabled between the risk and performance measures. Also, members wanted to be able to more clearly see what updates have been made to the risk since the last report. Both changes will be incorporated into future reports, as will links with the control environment.

Business Insight and Corporate Communications

		Likelihood		
		L	M	H
Impact	H	1		
	M			
	L			

To enhance the understanding of the people that live and work in Dorset. The goal to have the right information to make intelligent choices about the design of services and the best use of resources. To work in partnership with others to transform the way information, analysis and insight is provided to the council to enable more effective decision-making, helping to achieve the ambitions set out in the Council Plan. Performance data is a vital part of running a high performing organisation and we strive for excellence in performance management and champion open data.

NO High Risks:

ICT Operations

		Likelihood		
		L	M	H
Impact	H		1	1
	M		1	
	L			

ICT Operations looks to support and maintain the current network environment and continue to develop the use of new technologies to support the Council's drive to a 'digital by default' model wherever possible. Much work focuses around support calls that cover a wide range of disciplines, provide clear advice and support to customers from a non-technical background and carry out daily maintenance tasks as required. There is a drive for the configuration, monitoring, management and development of the various technologies employed by the Operations team to support the functionality of Dorset Council.

High Risk: 286) Loss of ICT service or data through a cyber-attack (Risk Owner: Head of ICT Operations)

Response: Countermeasures for this risk can be split into 2 categories, Likelihood reduction and impact reduction. Likelihood reduction: User Awareness training and Phishing Simulation capabilities are under review in order to increase user awareness to phishing cyber-attacks. These types of attack account for up to 80% of all cyber security breaches (NCSC). These capabilities are expected to be in place in Jan 2020 and should provide a reduction in risk likelihood. Phishing simulation will allow the authority to assess the effectiveness of this training providing further assurance to the organisation. Impact Reduction: Planning has started to provide more consistent responses to cyber incidents, enabled by the Operations team in the ICT Structure. The planned changes will allow the organisation to react to a breach quickly which can drastically reduce the overall impact of the incident. Work is underway to implement the new DC password policy (likelihood reduction) and multifactor authentication capability (impact reduction) and is expected to complete by the end of December.

High Risk: 289) Failure to stop payment card details from being recorded. (Risk Owner: Service Manager for Assurance)

Response: The call management system primarily used by Dorset Direct was not stopping the recording of calls for the payment part of calls. This meant that payment card information was being stored within the call management system. The call recording functionality has been disabled after talks with Dorset Direct, Data Protection and ICT Operations. Teams that use the system have been informed and the call recording have been deleted. This potentially creates a secondary risk that call recordings are no longer available to investigate disputes.

Digital & Change

		Likelihood		
		L	M	H
Impact	H			
	M			
	L			

NO Risks:

Human Resources and Organisational Development

		Likelihood		
		L	M	H
Impact	H			
	M			1
	L	1	1	

The Service has an important role to play in supporting and guiding the organisation on workforce planning and profiling. Aligned to our work being a co-ordinated approach to the development and implementation of policies/procedures instigated covering HR, Health and Safety and Learning and Development. In an increasingly competitive labour market with identified skills shortages it is crucial that the implementation and development of the recruitment strategy remains at the forefront of the work of HR and other Council Services. We are proud of our workforce agility and capacity for all opportunities ahead. There are in place employment practices to ensure that our workforce represents the community we serve and utilises our role as one of the county's biggest employers to address organisational priorities on equality and inclusion.

High Risks: 119) The period of uncertainty and transition results in difficulties retaining and motivating staff (Risk Owner: Corporate Director for HR and OD)

Response: Some employees may choose to leave during period of major change causing further demand on remaining employees. Uncertainty of the future may impact upon motivation and affect performance.

Mitigation - Ongoing Communications and Engagement with all employees (Newsletters, Intranet, etc). Employee Forums established; Wellbeing and L&D support in place.

Strategic Finance

		Likelihood		
		L	M	H
Impact	H	4		
	M			
	L			

The service purpose is to maintain high standards of financial management and control, contribute to corporate management and leadership and support officers and members in an effective and responsive manner.
This is achieved by providing strategic financial advice, accounting and budgeting services, treasury management.

NO High Risks:

Legal & Democratic Services

		Likelihood		
		L	M	H
Impact	H	7	2	
	M	2	4	
	L	1		

Dorset Council's in-house legal team deals with a wide range of matters, both providing legal advice to departments within the council, and representing the Council in legal actions. Our Democratic Services Unit looks after all the procedures around ensuring the democratic process is administered correctly and within the law (Give advice to councillors and officers about the formal decision-making process and the Overview and Scrutiny function - Service council meetings, producing agendas, minutes and archive records - Maintain and update our Constitution, supporting the interface between the various parts of the political structure - Handle formal complaints). The key laws governing the work are (The Local Government Act 1972, as amended by Access to Information Legislation 1985 - The Local Government and Housing Act 1989 - The Local Government Act 2000 and ensuing regulations)

High Risks: 102) Failure to respond to a major event or civil emergency that impacts on the community, the environment and/or the Council (Risk Owner: Service Manager for Assurance)

Response: The Dorset Council Emergency Response Plan and supporting Command and Control structure was approved for Day One of Dorset Council. There is ongoing work by Local Resilience Forum workstreams and task & finish group leads on specific multi agency projects.

There has been a thorough training programme for the Command and Control Structure, including running a number of pandemic flu and BREXIT focussed exercises during 2019.

The full Command and Control structure at authority and LRF level has been in operation throughout the Covid-19 outbreak. The risk profile for COVID-19 shows that whilst a majority of risks are in the 'high' category, posing the most amount of risk to the Council, the likelihood of these happening are 'possible', which could suggest that there are mitigations in place to prevent these risks from occurring. Overall, however the Council is currently facing a high-risk situation during a major incident with many factors unpredictable including the central government response during the outbreak. The risk management strategy at this time is for continued, focussed oversight of known risk and management of capacity to respond to priority situations as they evolve.

High Risks: 212) Inadequate information governance culture and framework and culture (policy; training; monitoring etc) results in a significant data breach (Risk Owner: Service Manager for Assurance)

Response: The Shaping Dorset Council programme included a workstream on information governance to ensure that key policies and processes were harmonised, which has transformed into an Information Governance working group since 1 April, chaired by the Senior Information Risk Officer. A corporate Information Governance team was established during the Tranche 2 restructures, split between Information Compliance an Information Management.

The team are assessing any gaps in the Councils arrangements, reporting through to the Information Governance Board.
Current priority areas of focus are ensuring mandatory completion of GDPR training across the workforce and information governance supporting the Microsoft 365 rollout.

PLACE (August 2020) - Risk Management The continual development and promotion of risk management will ensure that the Council is well placed to demonstrate that objective and informed decisions are taken and that the Council is ultimately in a strong position to successfully face and address the challenges ahead.

Score IMPACT	Financial	Legal / Compliance	Strategic	Safety, Wellbeing & Safeguarding	Reputation	Service Delivery
HIGH	Over £500k	Non-compliance with legislation or regulatory breach Significant regulatory impact	Complete failure of a strategic priority Major impact on a strategic priority	Fatality or life-changing injury / illness; Significant safeguarding breach Major injury / illness; moderate safeguarding breach	Complete failure in confidence (local or national) Long term media attention (local or national)	Complete failure to deliver critical services (safeguarding; urgent statutory responsibilities etc) Major impact on delivering critical services (safeguarding; urgent statutory responsibilities etc)
MEDIUM	£300k to £500k	Moderate regulatory impact	Moderate impact on a strategic priority	Moderate injury / illness	Medium term negative impact on public memory	Serious disruption to less critical services
LOW	£0k to £300k	Minimal regulatory impact No legal or regulatory impacts	Minor impact on a strategic priority Negligible impact on a strategic priority	Injury or illness requiring minimal intervention / treatment No health and safety impact	Short term negative impact on public memory Minor complaints or rumours	Minor disruption to services Negligible disruption to service delivery

Score LIKELIHOOD	LOW	MEDIUM	HIGH
Type	0 to 40%	40% to 60%	61% to 100%
Description	Unlikely	Possible	Likely

The full Place Risk Register can be viewed from this link - HERE

PLACE Service Risk Profile

		Likelihood			
		L	M	H	**High Risks 27 in total**
Impact	H	25	**15**	**5**	
	M	29	33	**7**	
	L	19	4		

PLACE - Overall

		Likelihood		
		L	M	H
Impact	H	25	**15**	**5**
	M	29	33	**7**
	L	19	4	

Commentary: High Risks currently 27

The new format for risk reporting was agreed by Audit & Governance Committee at its May meeting. It was requested that closer links are enabled between the risk and performance measures. Also, members wanted to be able to more clearly see what updates have been made to the risk since the last report. Both changes will be incorporated into future reports, as will links with the control environment.

Economy Infrastructure and Growth – PLANNING

		Likelihood		
		L	M	H
Impact	H	1	1	
	M	2	6	1
	L	4		

Outstanding Returns:

141) Changes to national planning policy lead to delays to prep of the Local Plan Review.

High Risk: 141) Changes to national planning policy lead to delays to prep of the Local Plan Review.

Response: No Management Update

High Risk: 194) Lack of five-year housing land supply, or failure to meet Housing Delivery Test, means that policies are considered out of date and there is risk of having to allow more applications and of losing planning appeals.

Response: Ensure that new local plan allocates a good supply of sites against the targets, that there is a variety of sites and that they have a good chance of delivery.

Ensure local plan is progressed at intended speed. Ensure that the issue is clearly explained to planning committee members and that we allow applications where appropriate, where we do not have the five-year supply.

Economy Infrastructure and Growth – HIGHWAYS

		Likelihood		
		L	M	H
Impact	H	5	3	1
	M	11	9	
	L		1	

Outstanding Returns:

High Risk: 63) Inability to maintain the highways infrastructure to an acceptable standard in the face of changing circumstances (e.g. budget reductions; climate change)

Response: Service levels have reduced due to reductions in highways revenue funding which severely impacted on drainage maintenance and pothole repairs. We have assessed ourselves as Band 3 status for 2020/21, therefore secured the full allocation from the Department for Transport`s Incentive Fund (£2.2million). But under investment in revenue maintenance funding has contributed to a reduction in scores for some questions, to Band 2, specifically relating to drainage and pothole repairs. To have dropped into Band 2 overall, would have resulted in a loss of £1.5million. The Highways EAP have made recommendations to Cabinet to reinstate essential maintenance funding. Further submissions for central government funding will be made as and when the opportunities arise. Further actions:

- Highway maintenance revenue budget report
- Annual business cases for capital investment in highway maintenance;
- Develop a risk-based approach to cyclic drainage maintenance
- Further bids for extra funds from central government, and other sources, where appropriate;
- Deliver Action Plan to achieve full available funding from DfT incentivised funding

High Risk: 73) Failure to attract funding for assets that we cannot afford to maintain in future

Response: The HAMP will help us to understand whole life cost better - Inspection regimes for cycleway schemes are needed where we are legally responsible for their upkeep - We are not going to be allowed to charge commuted sums for SUDs adoption; Further actions:

- Development of the HAMP;
- Changes to processes so future maintenance funding is considered when bidding for funds;
- Cycleway assets - digitised in a way that allows defects to be assigned in confirm;
- Avoid over specifying schemes;
- Develop inspection regime for cycleways;
- Design schemes in the most suitable/low maintenance way;
- More robust contractual agreements where we are funding assets/equipment used by 3rd parties (so they cannot be moved out of the county);

High Risk: 84) Failure to deliver a safe and suitable alternative to the current arrangements for Wareham Level Crossing

Response: Dorset Council assumed responsibility from Dorset County Council to manage the pedestrian level crossing in Wareham. The lease agreement between Network Rail and Dorset Council for the level crossing runs until 2038; this crossing will close in 2038 as per the terms of the lease. If no suitable alternative is delivered before 2038 Dorset Council would be found to be breaching Equalities legislation. In 2008/9 The Office for Road and Rail (ORR) raised safety concerns with the pedestrian level crossing in Wareham. The ORR stated that mitigating measures had to be put in place or they would force the closure of the crossing. As a result, Dorset County Council paid for the provision of security guards at the crossing to improve compliance and safety at the crossing. In more recent years, following an additional review by the ORR the crossing has been managed with electronic gates closed by security guards when a train is approaching. The crossing is currently managed between 6am and 1am (19hours) seven days a week. The provision of security staff is provided by third party contractors STM Security Ltd. The crossing is locked closed between 1am and 6am each day. Dorset Council has assumed responsibility previously held by Dorset County Council. Network Rail and the Council have tried twice before to resolve this by proposing ramped bridges adjacent to the existing footbridge but failed to obtain planning permission from the then Purbeck District Council owing to local objections. The crossing continues to be a continuing financial commitment with ongoing reputational concerns as there is no suitable alternative means for all to cross the rail lines if the crossing is closed – there is a stepped footbridge adjacent to the crossing. Footway/cycleway alternatives are being explored in the area, but these are not currently seen to closing the level crossing. There remains commitment from Dorset Council and Network Rail to finding a resolution. Commitment from central government appears secure too following a visit by the Minister for Rail to the site and meeting with key stakeholders on 23 January 2020. The Minister for Rail stated that he was committed to finding a solution and that safety and accessibility were of paramount importance which would likely mean that a degree of compromise is required when considering suitable alternatives. Network Rail have agreed to explore and exhaust all possible technological options for providing an automated level crossing, however, it is more likely that an alternative step free route over the rail lines will be the most viable solution. No definitive plans are proposed for a suitable alternative at time of writing (February 2020).

Economy Infrastructure and Growth – HIGHWAYS (Cont'd)

High Risk: 292) Winter Service budget pressures

Response: The legal position relating to the Highway Authority's responsibility in respect of the winter service is set out in an amendment to Section 41(1) Highways Act 1980 (c.66) (duty of highway authority to maintain the highway). (1A) details that a highway authority is under a duty to ensure, so far as is reasonably practicable, the safe passage along a highway is not endangered by ice or snow.

The current budget provision to the Highway Service is suitable to cover the cost of normal salting operations and up to 24 hours of snow clearance. There is no budget allocation to cover the cost of snow clearance beyond this point.

Economy Infrastructure and Growth – TRAVEL DORSET

		Likelihood			Outstanding Returns:
		L	M	H	
Impact	H	1	1		
	M			4	
	L				

High Risks: 151) Major safeguarding incident (including death or serious injury) arises on adult transport due to lack of supervision

Response: Passenger Assistants (PAs) on all or selected adult social care transport. Address this matter in future commissioning strategy for adults

High Risk: 203) Loss/severe reduction of key public transport route(s) - e.g. no longer commercially viable, change to bus operator strategic direction

High Risk: 204) Dorset Travel fails to procure and implement a suitable replacement for its core transport management system (Trapeze) by Nov 2020

Response: Procuring a more effective replacement for is key to any service efficiencies, savings and improvements in future. We have no further options for extending the current contract.

High Risk: 205) Unviability of school bus services caused by failure to cut back overhanging trees and vegetation along routes (e.g. those operated by First Wessex)

Response: Facilitate communication and cooperation between the provider and DC's Highways and Arboriculture teams

High Risk: 206) Changes to legislation around community transport groups operating under Section 19 and Section 22 licences could significantly affect the viability of community transport in future

Response: Difficult to define clearly now until the results and timeframes from the judicial review are made public

Place Based Services – ENVIRONMENT & WELLBEING

		Likelihood		
		L	M	H
Impact	H	4	1	
	M	2		
	L	1		

Outstanding Returns:
140) Failure to adapt services and communities to the impacts of a changing climate

High Risk: 140) Failure to adapt services and communities to the impacts of a changing climate

Response: No Dorset Council Management Update
Dec 2019 - Response to the comprehensive climate change risk assessment has not been significantly responded to, other than within Dorset Highways and Public Health. The Dorset Low Carbon Economy Programme (DLCEP, worth £6.4m Jan 2018 - Dec 2020, funded from EU European Structural & Investment Funds) has begun. DCC had major role to play in developing LNP's Climate Change Position Statements on both Climate Change Adaptation and Mitigation in 2017. As a result of this DCC is now working closely with the Dorset LNP to develop and deliver a Climate Change Adaptation Seminar in early 2018 to get buy in from key partners to develop a Climate Change Adaptation Framework for the County (and B & P) which will look at the latest UKCP 18 scenarios for Dorset, the latest recognised national climate change risks as they apply to Dorset, other local risks and highlight the key adaptation actions required by different players across the Dorset sub region.

Place Based Services – COMMUNITY & PUBLIC PROTECTION

		Likelihood		
		L	M	H
Impact	H	6	1	
	M	6	10	
	L	12	1	

Outstanding Returns:

High Risk: 190) Significant Health and Safety incident / accident investigation and subsequent prosecution taking significant officer time away from normal duties resulting in lack of resource and risk to public health along with significant legal costs for the council.

Response: As required staff who are managing a significant case will have other statutory duties passed to team members who will prioritise work to concentrate on high risk premises. Further Action - Ensure that staffing numbers and capacity is enough to carry out significant investigation work without impacting on other statutory work. Working with Trading Standards on proceeds of crime action. Ensure enough resource for legal support as appropriate.

Place Based Services – WASTE & OPERATIONS

		Likelihood		
		L	M	H
Impact	H	3	1	1
	M	2		
	L			

Outstanding Returns:

High Risk: 62) Traffic Commissioner Revoking, Curtailing, Suspending or Restricting DCC's Operators Licence (Goods and/or Passenger Carrying Operators Licence)

Response: Whilst the Council's Risk Compliance Score remains Green, a targeted inspection from the Traffic Commissioners has highlighted several improvements required. This has prompted an audit of our fleet operations (undertaken by the Freight Transport Association) and a resulting action plan which has been submitted to the Traffic Commissioner. A failure to demonstrate improvement risks the O Licence being revoked, curtailed, suspend or restricted, which would impact significantly on our ability to deliver critical services as well as severe reputational damage. The Executive Director for Place is receiving monthly compliance reports. Further actions -Action plan has been submitted and accepted by the Office of the Traffic Commissioner for the Goods licence. The Office of the traffic Commissioner has granted a period of 3 months grace on the PSV licence for a named transport manager to be added to the licence. "

Place Based Services – WASTE & OPERATIONS (Cont'd)

High Risk: 83) PUWER Regulations - non-compliance of PUWER Regulations (H&S Provision and Use of Work Equipment Regulations 1998)

Response: There is a clear visual view to identify if individual plant items comply with the control measures. Each depot has a tagging colour scheme poster available to all operators. The system is simple and effective. Fleet will continue to monitor and audit the process to ensure compliance is consistent and maintained, with support from H&S;

- Countryside service is to start the first round of PUWER checks in February using the new process;
- Highways have completed the first round of 6 monthly checks in October and no items are outstanding;
- Highways compliance is excellent and is totally compliant. Countryside are struggling currently, but Fleet are aware of additional resources to catch up with the situation. Admin resources have been trained to implement the documents that are currently sat on desks. Fleet wave is showing 299 records from the Countryside service awaiting completed PUWER inspection sheets.
- Emails sent out explaining the current risk to the authority;
- Countryside and grounds are increasing the number of staff to carry out PUWER checks. Fleet Service to instruct on the practical checks and supply training on the Fleet Wave system to the nominated staff;
- The risk has changed to red due to the current situation. Audit of the system has resulted in 381 items of Countryside plant waiting for a PUWER sheet and the Fleet wave system to be updated. 80 items for Highways also in the same situation. The system was 95% compliant, but due to the current situation this has greatly reduced to 55% compliant. Update - the outstanding PUWER inspections have been completed from the previous scheduled programme. The next programmed 6-monthly PUWER inspections is currently in operation and will report on outstanding items not actioned next month.

Place Based Services – COMMERCIAL WASTE & STRATEGY

		Likelihood		
		L	M	H
Impact	H	2	4	2
	M	1	1	1
	L			

Outstanding Returns:

High Risk: 154) Failure to achieve capital and revenue budget / savings targets for the MTFP

Response: Continue to promote educational campaigns, such as, 'Right Stuff, Right Bin' to maintain and increase material capture rates for recycling and composting. Use the new in-cab BARTEC system to help further drive efficiencies from the existing Recycle for Dorset Service. Maintain project register and continue to work on savings projects, such as changing collection points, working patterns and infrastructure (invest to save). Move ahead with the development of a central strategic waste transfer station to avoid an uncompetitive situation for disposal/treatment prices in Dorset. This will also build in contingency for DWP as our landfill sites close and our disposal options become increasingly limited. Ensure greater transfer capacity is at the heart of infrastructure programme. Work to reduce waste arisings and residual waste through educational campaigns (Right Stuff, Right Bin). Work with contractors to ensure contingency plans in place for Brexit. Risk of second wave or local lockdown of Covid-19. Not being able to deliver campaigns

High Risk: 208) Gaining sites and planning to provide infrastructure leads to failure to deliver service

Response: Further action - Strategic case business planning being developed for infrastructure

High Risk: 209) Change of government policy through the new DEFRA national waste strategy could impact what, and how, waste is collected and increasing costs

Response: Need to respond to further consultations when they are published- next consultations have been delayed until early 2021. These documents will give more details of minimum collection standards which will be enforced nationally.

Place Based Services – COMMERCIAL WASTE & STRATEGY (Cont'd)
High Risk: 210) Commodity prices for recycle leads to increase in costs
Response: Ensure continued investment in communication and educational resources. Focus on reducing contamination to improve basket price.
High Risk: 211) Failure to maintain high recycling and waste therefore diverted to more expensive disposal
Response: Ensure continued investment in communication and educational resources.
High Risk: 293) Failure to secure capital to develop and maintain waste infrastructure
Response: Development of waste management centre (HRC and transfer facility) in Blandford and the need to address the lack of waste management infrastructure in the East. Improvement in depot infrastructure to enable further income generation activities and services.
High Risk: 294) Increase in cost of residual waste from HRC's
Response: Recent market testing indicates that there's a large gap in what we're currently paying in our contract and the market rate. ~£40-£50/tonne difference on 13,000 tonnes of waste. Short term risk in contract and long-term risk out of contract. Contract ends August 2024.

CUSTOMER SERVICES, LIBRARIES & ARCHIVES

		Likelihood		
		L	M	H
Impact	H	2		
	M	3	1	
	L	2	1	

Outstanding Returns:

High Risk: No High Risks

GROWTH & ECONOMIC REGENERATION

		Likelihood		
		L	M	H
Impact	H	1	1	
	M	1	4	1
	L			

Outstanding Returns:

High Risk: 228) Changing funding landscape and ability to secure investment funding for Dorset

Response: Further actions - Collation and evaluation of evidence and preparation of schemes and business cases

High Risk: 231) Securing enough and appropriate skills and resources through restructuring of service to deliver DC economic growth strategy

Response: Informed restructuring process

ASSETS & PROPERTY

		Likelihood		
		L	M	H
Impact	H		2	1
	M	1	2	
	L		1	

Outstanding Returns:

High Risks: 138) Breach of health and safety at an occupied premise (Directorate Duty Holder)

Response: Many sites now have a nominated Premises Responsible Person. However, restructuring of services and adoption of Corporate Landlord model has reduced local understanding of the Directorate Duty Holder Strategy. The strategy is ratified and DDH nominees have been identified. Grenfell Tower fire has implicated the need for a review of fire safety and specific review of individual property risks. Comply with DCLG/DFES requests for information/ complete our own fire risk reviews additionally and implement actions arising.

High Risk: 201) Climate change effects on sea level rise and uncertainty could lead to low lying areas such as Weymouth being uneconomic to defend

Response: Latest inter-governmental guidance is used when designing coast defences, design life of 50 years. Shoreline Management plan review – agree to use managed realignment of coastline in areas. May have to design coastal defences for 100 years life and accept increased costs of doing so. May have to relocate coastal communities. Work with, not against, nature. Further bids to Defra and others to increase funding above EA thresholds for erosion management and flood defence works. EA grant calculator update expected spring 2020, potential for increased funding to protect infrastructure and economic activity. Funding currently mainly based on numbers of homes protected"

High Risk: 202) Loss of professional engineering staff who provide advice could lead to poor decision making and potentially leave the Council liable for insurance claims if assets are not maintained or the appropriate response to emergency situations given

Response: There are many long serving staff currently retained within DC who enjoy the work and are committed to providing a service. Recruitment methods ensure that appropriate candidates are recruited – although there is a national shortage of qualified Chartered Engineers. Further actions - Increase resilience by formation of coastal partnership with BCP Council to share and grow staff resources with ability to source greater grant income. DC recognise importance of professional qualifications and need for staff to be members of appropriate institutions – pay for relevant subscription fees, allow qualifications on email signatures etc

Audit and Governance Committee Forward Plan

Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead councillor / officer
16 November 2020			
	Dorset Council Statement of Accounts	To receive the Statement of Accounts & External Audit report for Dorset Council	Portfolio Holder – Finance, Commercial & Assets
	Annual Audit Letters	To consider the Deloitte external auditor annual audit letters in relation to the 2019-20 accounts for the legacy sovereign authorities of Dorset Council.	
18 January 2021			
	Financial Report Quarter 2 2020/21	To review and scrutinise the Quarter 2 finance report as presented to Cabinet	Portfolio Holder – Finance, Commercial & Assets Officer contact - Executive Director – Corporate Development & S151
	Internal Audit 2020/21 Plan Progress Report	To receive the report and note the internal audit progress for 2020/21	Portfolio Holder – Leader of the Council Officer contact – Corporate Director – Legal & Democratic Services & Monitoring Officer and Executive Director – Corporate Development & S151
	Risk Management Update	To review and challenge the council's corporate risk register including the effectiveness of the controls identified to bring down the level of risk to an acceptable level	Portfolio Holder – Leader of the Council Officer contact – Service Manager for Assurance

	Constitutional Changes (if required)	To report to the committee on any changes made to the Constitution under powers delegated to the Monitoring Officer, to seek the views of the committee on any proposed changes requiring full Council approval and to receive an update on the 12 month review of the Constitution.	Portfolio Holder - Leader of the Council Lead Officer - Corporate Director -Legal & Democratic Services Monitoring Officer
22 February 2021			
	Financial Report Quarter 3 2020/21 (Theresa Leavy & Vivienne Broadhurst to attend)	To review and scrutinise the Quarter 3 finance report as presented to Cabinet	Portfolio Holder – Finance, Commercial & Assets Officer contact - Executive Director – Corporate Development & S151
	Internal Audit 2020/21 Plan Progress Report	To enable the committee to consider progress against the Internal Audit Plan for the second year half. This will include reporting of and a focus upon the highest priority actions identified through the Plan	Portfolio Holder – Leader of the Council Officer contact – Corporate Director – Legal & Democratic Services & Monitoring Officer and Executive Director – Corporate Development & S151
	Internal Audit Plan 2021/22 & Internal Audit Charter	To approve the proposed internal audit plan for 2021/22. The plan brought to the committee for approval will have been discussed with both the Leader and SLT	Portfolio Holder – Leader of the Council Officer contact - Corporate Director – Legal & Democratic Services & Monitoring Officer
	Risk Management Update	To review and challenge the council's corporate risk register including the effectiveness of the controls identified to bring down the	Portfolio Holder – Leader of the Council Officer contact – Service Manager for Assurance

		level of risk to an acceptable level	
	Annual Audit Update (External Audit)	To receive an update from the council's External Auditor	External Audit
	Annual Governance Statement	To review and challenge the content of the statutory Annual Governance Statement ahead of its signing by the Leader of Council and Chief Executive	Portfolio Holder – Leader of the Council Officer contact - Corporate Director – Legal & Democratic Services & Monitoring Officer
	Constitutional Changes (if required)	To report to the committee on any changes made to the Constitution under powers delegated to the Monitoring Officer, to seek the views of the committee on any proposed changes requiring full Council approval and to receive an update on the 12 month review of the Constitution.	Portfolio Holder - Leader of the Council Lead Officer - Corporate Director -Legal & Democratic Service Monitoring Officer
	Dorset Council Plan – Quarterly Report Q3	To review and monitor the Quarterly Report	Portfolio Holder – Corporate Development & Change Officer contact – Head of Business Intelligence and Corporate Communications
19 April 2021			
	Dorset Council Plan – Quarterly Report Q4	To review and monitor the Quarterly Report	Portfolio Holder – Corporate Development & Change Officer contact – Head of Business Intelligence and Corporate Communications

Other items raised by Audit and Governance Committee requiring further consideration

Issue	Notes	Date raised
Workforce stress / mental health issues	The committee have raised this as a potential area of work but note that it is linked to current transformation work	At committee on 7 November 2019
How Dorset Council holds and shares information	It is understood that some work is being undertaken in this area. A councillor workshop on the Dorset	At committee on 7 November 2019

	Council transformation programmes is being held on 10 January 2020. The suggestion is that councillors attend this session and following this, the committee give further consideration to whether any further work is required in this area	

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