

Audit and Governance Committee

August 2020 Risk Management Update

For Decision

Portfolio Holder: Cllr S Flower, Leader of the Council

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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 to 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	Dorset	Wiltshire	Somerset	Cheltenham Borough Council	Cotswolds/Forest of Dean and West Oxfordshire	Mendip District Council	East Devon District Council	Somerset West and Taunton
Sections in strategy								
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.