



Audit and Governance Committee

Date: Monday, 27 September 2021

Time: 10.00 am

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

Membership: (Quorum 3)

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

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

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



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

[Link to live meeting](#)

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

Please note that public speaking has been suspended. However Public Participation will continue by written submission only.

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

Using social media at virtual meetings

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

A G E N D A

Page No.

1 APOLOGIES

To receive any apologies for absence.

2 DECLARATIONS OF INTEREST

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

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

3 PUBLIC PARTICIPATION

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

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

The deadline for submission of the full text of a question or statement is 8.30am on Wednesday 22 September 2021.

4 INTERNAL AUDIT PROGRESS REPORT

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To consider a report by the South West Audit Partnership (SWAP).

5 DELOITTE 2020/21 AUDIT PLAN

13 - 44

To receive the draft Audit Plan from I Howse, Deloitte.

6 RISK MANAGEMENT UPDATE

45 - 94

To consider a report by D Trotter, Risk & Resilience Officer and M

Eyre, Service Manager for Assurance.

7 TREASURY MANAGEMENT ANNUAL REPORT 95 - 112

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

8 VALUE FOR MONEY 113 - 120

To consider a report by B Forrester, Business Partner.

9 REVIEW OF AGENCY & CONSULTANCY SPEND 121 - 130

To consider a report by C Matthews, Service Manager – HR Operations

10 FORWARD PLAN 131 - 134

To consider the work programme for the committee.

11 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.

12 EXEMPT BUSINESS

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

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

There is no exempt business.

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Dorset Council

Report of Internal Audit Activity

Progress Report 2021/22 – August 2021

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Agenda Item 4

Executive Summary

As part of our update reports, we will provide an ongoing opinion to support our 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.

The contacts at SWAP in connection with this report are:

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SWAP is an internal audit partnership covering 25 organisations. Dorset Council is a part-owner of SWAP, and we provide the internal audit service to the Council.

For further details see:
<https://www.swapaudit.co.uk/>



Audit Opinion, Significant Risks, and Audit follow up work

Audit Opinion:

This is our second quarterly update for 2021/22 financial year.

Our live [Internal Audit Rolling Plan](#) and specifically the coverage and assurance tab (*which can be found on the first tab of the Rolling Plan or on page 2 below*), reflects the outcomes of recent reviews completed. Based on these recent reviews, we have identified that while generally risks are well managed, we have identified some gaps, weaknesses and areas of non-compliance. However, we have reasonable levels of confidence that the agreed actions will be implemented and as such are able to offer a **reasonable opinion**.

Since our last progress report in July 2021, we have issued **two Limited** assurance opinions on the areas and activities we have been auditing but these have not been classified as significant risks. Currently all previously identified significant risks have been assessed as having adequate mitigating controls now in place. In Appendix A on pages 6 &7, we have provided the one-page audit report for the Limited assurance opinion work, to offer the committee further insight.

Follow Up of Agreed Audit Actions

In order to improve the levels of implementation of high-priority audit actions across the Council, SWAP have developed a new process to embed the follow up of actions within directorates themselves, and track this on a continuous basis. We have a link contact within each of the Council's directorates, who is responsible for obtaining updates from managers. When actions are considered to be complete, there is a process of sign off by the service, with a confirmation sign off from SWAP. Over the past few months, we have focussed on ensuring that long overdue actions are updated and signed off where possible to bring us to an up to date position. We are pleased to report that of 63 overdue actions on 27/05/2021 this has been reduced to 39 as at 17/08/2021.

We have an **Action Tracker** which is stored in the same location as our Rolling Plan and can be viewed by clicking on [this link](#). SWAP is providing a separately scheduled training session after the September committee meeting to demonstrate the Rolling Plan document and the Action Tracker to ensure that all members are comfortable in being able to access and scrutinise these two documents, which provide up to date and continuous detail around the work of Internal Audit.

Internal Audit Plan Progress 2021/22

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.



SWAP Internal Audit Plan Coverage, and a move to Assurance Mapping

Recent internal audit coverage and outcomes by corporate risk are reflected in the chart below. As you will see the areas with no audit coverage is reducing. Additionally, we are currently working with the Assurance team to develop a more holistic **Assurance Map**, which will identify and capture other streams of assurance over the corporate risks across the Council. From this and our own coverage assessment we will be able to visually highlight key assurance gaps, but also build a better picture of assurance outcomes to help direct focus and oversight.

Corporate Risk	Audit Coverage	Assurance assessment based on completed internal audit work
CRR 01 – Budget	Good	Reasonable
CRR 02 – Cyber Attack	Some	Reasonable
CRR 03 – Recruit, Retain, Develop Workforce	In progress	
CRR 04 – GDPR	Some	Limited
CRR 05 – Emergency Response	None	
CRR 06 – Brexit	None	
CRR 07 – Infrastructure	Some	
CRR 08 – Education	Some	
CRR 09 – Transformation	Some	Limited
CRR 10 – Corporate Knowledge	None	
CRR 11 – Climate Change	None	
CRR 12 – Breach of Statutory Duty	Some	
CRR 13 – Health, Safety, Wellbeing	Some	Limited
CRR 14 – Safeguarding	Good	Limited
CRR 15 – Commissioning	Good	Limited
CRR 16 – Officer/ Member Interface	None	
CRR 17 – School Transport	Adequate	Limited
CRR 18 – Evidence Base	None	
CRR 19 – Partnerships	Some	Reasonable
CRR 20 – Election	None	
CRR 21 – Covid-19 Response	Good	Advisory

Coverage Key	
Good	Good audit coverage completed
Adequate	Adequate audit coverage completed
Some	Some aspects of audit coverage completed
In progress	Some aspects of audit coverage in progress
None	No audit coverage to date

*Audits carried out more than 2 years from current date are not included.
*Audits carried out between 12 and 24 months from current date have a reduced impact on audit coverage.

Assurance Key	
Substantial	Sound system of governance, risk management and controls exist
Reasonable	Generally sound system of governance, risk management and control in place
Limited	Significant gaps, weaknesses or non-compliance were identified
No Assurance	Fundamental gaps, weaknesses or non-compliance identified

*Audits carried out more than 12 months from current date are not included.

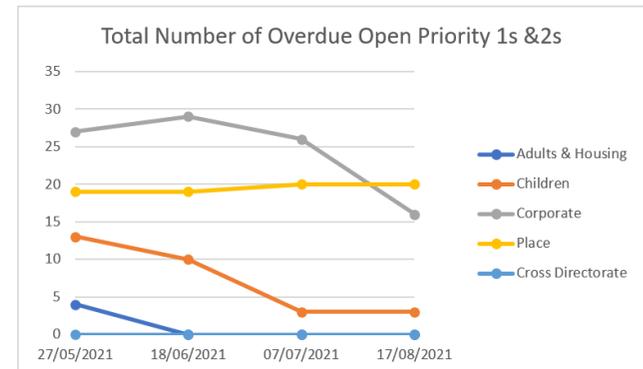
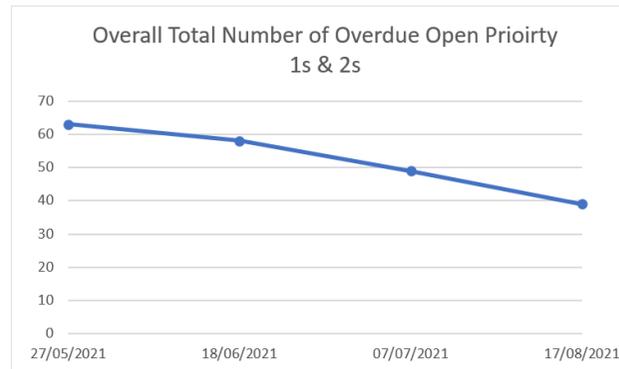
Internal Audit Plan Progress 2021/22

We review our performance to ensure that our work meets our clients' expectations and that we are delivering value to the organisation.

SWAP Performance Measures

Performance Measure	Performance
Overall Client Satisfaction <i>(Did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	100%
Value to the Organisation <i>(Client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	100%
Financial Savings delivered to the Organisation <i>(Direct and potential savings identified as a result of internal audit work)</i>	
Since our last report	£12,441
Cumulative total for 2021/22	£123,441

Outcomes from Follow Up Audit Work



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Added Value

‘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.’



Added Value

Financial Savings

As part of a routine audit of Early Years Funding, we have identified direct and potential savings to Dorset Council of £12,441. This is made up of £2,150 of hours overclaimed by nurseries. We also found that £10,291 of debt had not been put through the Council’s Accounts Receivable team. As a result of doing so there is substantially increased chances of successful recovery of these debts.

Surveys

As part of two recent audits SWAP has undertaken surveys and analysed the results. Detailed analysis of the survey findings has been provided to services in the form of a powerpoint presentation as well as a Power BI report. This analysis has been well received by the services concerned.

Continuous Audit

We have implemented a process of continuous audit for the Accounts Payable function. This is being expanded to cover Accounts Receivable and Main Accounting functions and we are planning to start continuous audit for Disclosure and Barring Service Checking due to the limited assurance provided during the recent review. Continuous audit is a process of undertaking regular testing of *key* controls within fundamental or high-risk functions. This provides an on-going assurance for services that the key controls are functioning as intended.

Cifas

SWAP is looking to facilitate checking of agency, interim and contractor staff through the Cifas database (this data matching service will help the Council to both prevent and detect fraud). We are aware of another Council who use Cifas to do this, that has recently retracted employment offers to a number of agency staff as a direct result of matches on the Cifas database. The reason mainly has been facility fraud, for example theft.

Value for Money Framework

SWAP has provided key support to the Council to advise on the early stages of developing an authority wide Value for Money Framework. This has included providing commentary on Dorset’s intended approach and their work on this to date along with providing ideas for supplementary actions to help complement and develop their approach. As such, we have assisted with developing a survey on the subject of VfM going to key managers across the authority and will provide support with analysis of the results of this.

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.

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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.

The Committee is able to view a record of all internal audit work on the [Rolling Plan](#). Please follow this link, click on the files tab and then on the file called **Internal Audit Rolling Plan**. From the document, members are able to view work in progress and all completed work that would have previously been reported to the Committee in a table form. To provide the Committee with additional insight into Limited assurance audits we have been providing a summary of the outcomes. We have however, recently introduced a one-page audit report, which we are now providing in full for Limited assurance audits for members information.

Disclosure and Barring Service Checking – Final Report – July 2021



Audit Objective To assess the procedures and controls in place to ensure individuals are subject to appropriate DBS checking where relevant to their role in the Council.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	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.	Priority	Number	The Authority fails to identify individuals unsuitable to work with vulnerable people, potentially leading to harm or detriment to the wellbeing of service users.	Medium
		Priority 1	1		
		Priority 2	4		
		Priority 3	6		
		Total	11		
				Individuals who require DBS clearance, start work prior to clearance being obtained, or an appropriate risk assessment in place leading to potentially unsuitable individuals working with vulnerable people.	Medium

Key Findings		Audit Scope
	The responsibility for ensuring that staff have appropriate DBS clearances sits within directorates, however from our work we have established that there is a lack of complete central oversight across the organisation to ensure full compliance with DBS requirements. The role and responsibilities of the HR Business Partners have not been defined in respect of DBS and as a result there are differences in their approaches to how they monitor for anomalies and report to directorates on DBS compliance.	The audit included: <ul style="list-style-type: none"> Analysis of data provided by the service. Testing of that analysis to ensure compliance with DBS requirements. Testing of employees, agency/consultants, contractors, and volunteers. Testing of controls to ensure that suppliers have adequate procedures in place around the DBS requirements. A review of the role and consistency of approach across HR Business Partners; and A benchmarking exercise using the Local Authority Chief Auditor Network
	We sample tested 'red flags' identified through our analysis of the data provided by the service. We found: <ul style="list-style-type: none"> Instances of incorrect or missing data on the DES system. High levels of DBS checks older than 3-years, particularly within Children's and Place directorates. Where employees had started in post prior to DBS clearance, we identified significant numbers where no date of a risk assessment was recorded in DES and no risk assessment was held on the personal file. From a sample check, managers of staff requiring a regulated check confirmed that a risk assessment had been considered. This was not the case for some staff requiring a basic check where a risk assessment had not been undertaken. Instances where the same or very similar roles showed differing levels of DBS requirement 	
	Whilst we identified a significant number of anomalies, errors, and missing data within DES as part of our sample checking, which had not been previously identified either within HR or directorates, we did not identify any individuals where a regulated check was required that had not been undertaken.	

Next Steps
 SWAP will look to work with HR to set up a process of continuous auditing of DBS, which will be undertaken and reported on a quarterly basis.

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Early Years Funding – Final Report – August 2021

Audit Objective

To provide assurance that Early Years providers are claiming for the right number of hours, for the right number of children, at the right time, in accordance with the Local Provider Agreement.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	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.	Priority	Number	Inaccurate or fraudulent claims by early years providers leads to overpayments made by Dorset Council resulting in overspent budgets.	Medium
		Priority 1	0		
		Priority 2	3		
		Priority 3	5		
		Total	8		

Key Findings

- Analysis of Synergy records, primarily from Autumn Term 2020, highlighted 20 children who had active duplicate records on the system. Audit testing also identified 526 overclaimed hours (Summer, Autumn, Spring 2020 terms), with an estimated value of at least £2,150. These overclaims were due to a mixture of duplicate records on Synergy, the adjustments process and provider record errors.
- A total debt of £10,291.66 across five providers was highlighted during analysis. These debts had not been raised within the SAP system and therefore not included within financial reporting or subject to the formal Dorset Council debt recovery process. It has been agreed that work will take place with the central debtors team to bring the debt management of Early Years in line with central processes to ensure correct oversight, monitoring and recovery is taking place.
- Sampling of providers highlighted a number of ways in which their record keeping could be improved to enhance accuracy and consistency. Administrative issues with the keeping of daily registers, production of invoices and accurate completion of parental agreements were noted, particularly with a child minder. A wide variation in the content of providers' fee policies was also noted. Therefore, the promotion of a self-assessment checklist will be undertaken to assist providers with keeping a good standard of records that are also in line with the Local Provider
- It is recognised that the Early Years Team have undergone changes in management and resources in recent years, notably the loss of a dedicated audit team who completed spot checks of providers to ensure accuracy and highlight anomalies. There is a wealth of knowledge and experience concentrated in this small team and although this poses concerns for resilience in the medium and long term, there are steps being taken to increase the number of staff with in depth knowledge of systems and processes. Enhancements available for the Synergy system should be explored, as these may benefit the team by providing additional controls and streamlining certain processes to increase capacity.

Audit Scope

- The audit included:
- Targeted sampling of providers to review parental agreements, invoices, attendance, fees policies and adjustments.
 - Analysis of Synergy records from the previous 12 months, primarily focussing on Autumn Term 2020 to highlight overclaims and duplicate records.
 - Review of the adjustments process and analysis of corresponding data.
 - Review of financial reconciliations.
 - Policy and procedure review, including provider Fees Policies.

Next Steps

SWAP will look to work with the service area to share data analysis undertaken to highlight overclaims and duplicate records.

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DRAFT Planning report to the Audit and Governance Committee
for the year ending 31 March 2021

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01 Planning report

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Partner introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

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I have pleasure in presenting our planning report to the Audit and Governance Committee for the audit of the 2020/21 financial statements. I would like to draw your attention to the key messages of this paper:

Audit Plan

We have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.

Our basis for calculating materiality remains in line with our prior year audit.

We note that a separate Audit Plan will be produced in relation to the Pension Scheme Accounts.

Key risks

The significant risks for financial accounts audit have been identified as:

- Property Valuation;
- Completeness of Accrued Expenditure;
- Valuation of the Council's share of the Dorset Pension Fund Net Liability;
- Management Override of Controls; and
- Value for money – Children's services

At this stage, we have not identified any risks of significant weaknesses in relation to our other work on the Council's Value for Money arrangements (children's services noted above), although we note that our initial risk assessment is still in progress.

Our risk assessment process is ongoing and should we identify any significant risks as part of our ongoing procedures, or risks of significant weaknesses in Value for Money arrangements we will inform the Audit and Governance Committee.

Regulatory

The National Audit Office has issued a revised Code of Audit Practice for 2020/21, including a significantly revised approach to "Value for Money" work. This requires a wider scope of underlying work, and introduces narrative reporting for all bodies in a new public "Annual Auditor's Report".

The audit approach reflects changes to International Standards on Auditing (UK) on management estimates (ISA (UK) 540), and Practice Note 10, effective for this year.

Ian Howse
Audit Partner

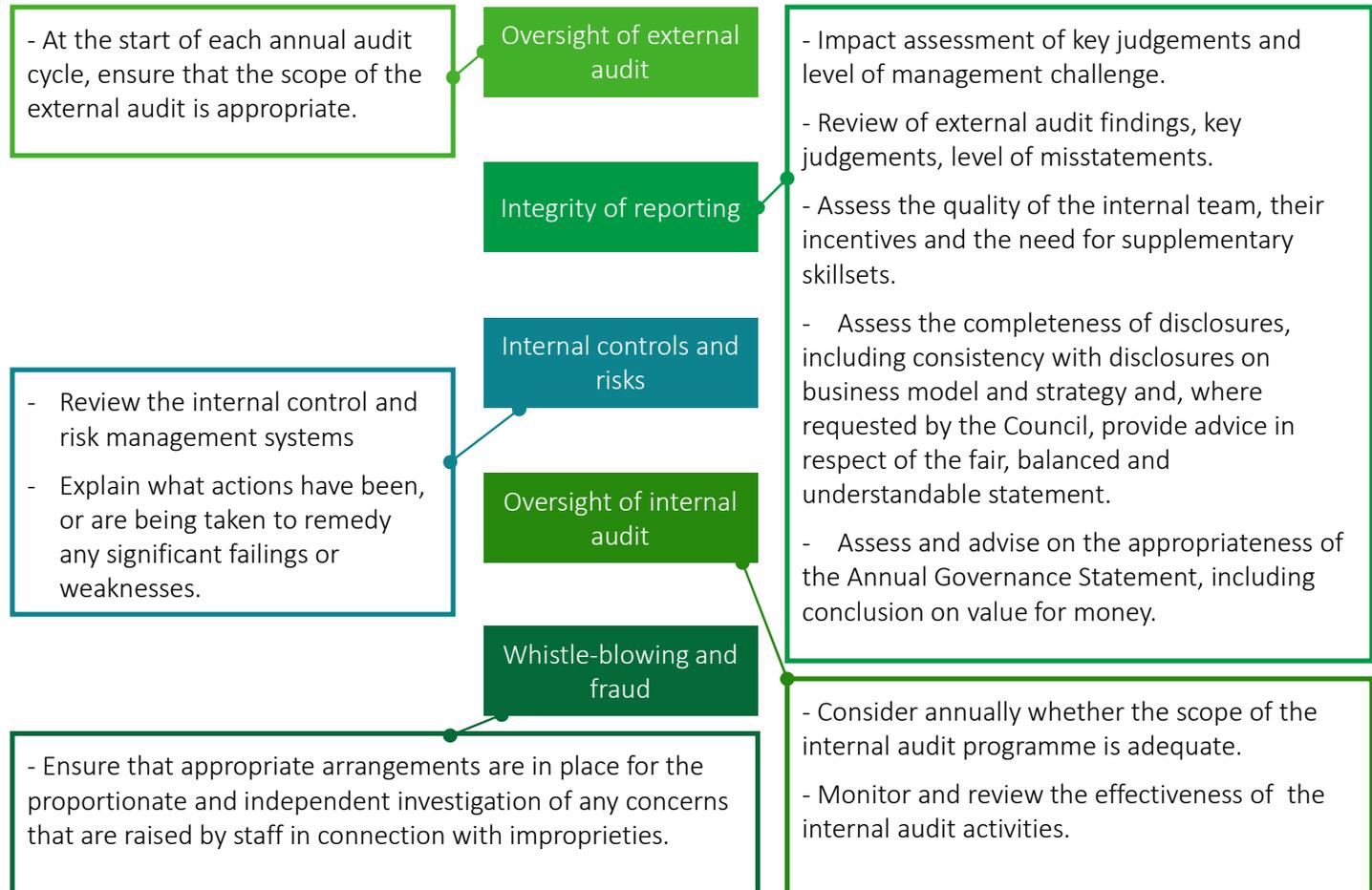
Responsibilities of the Audit and Governance Committee

Helping you fulfil your responsibilities

As a result of regulatory change in recent years, the role of the Audit and Governance Committee has significantly expanded. We set out here a summary of the core areas of Audit and Governance Committee responsibility to provide a reference in respect of these broader responsibilities.

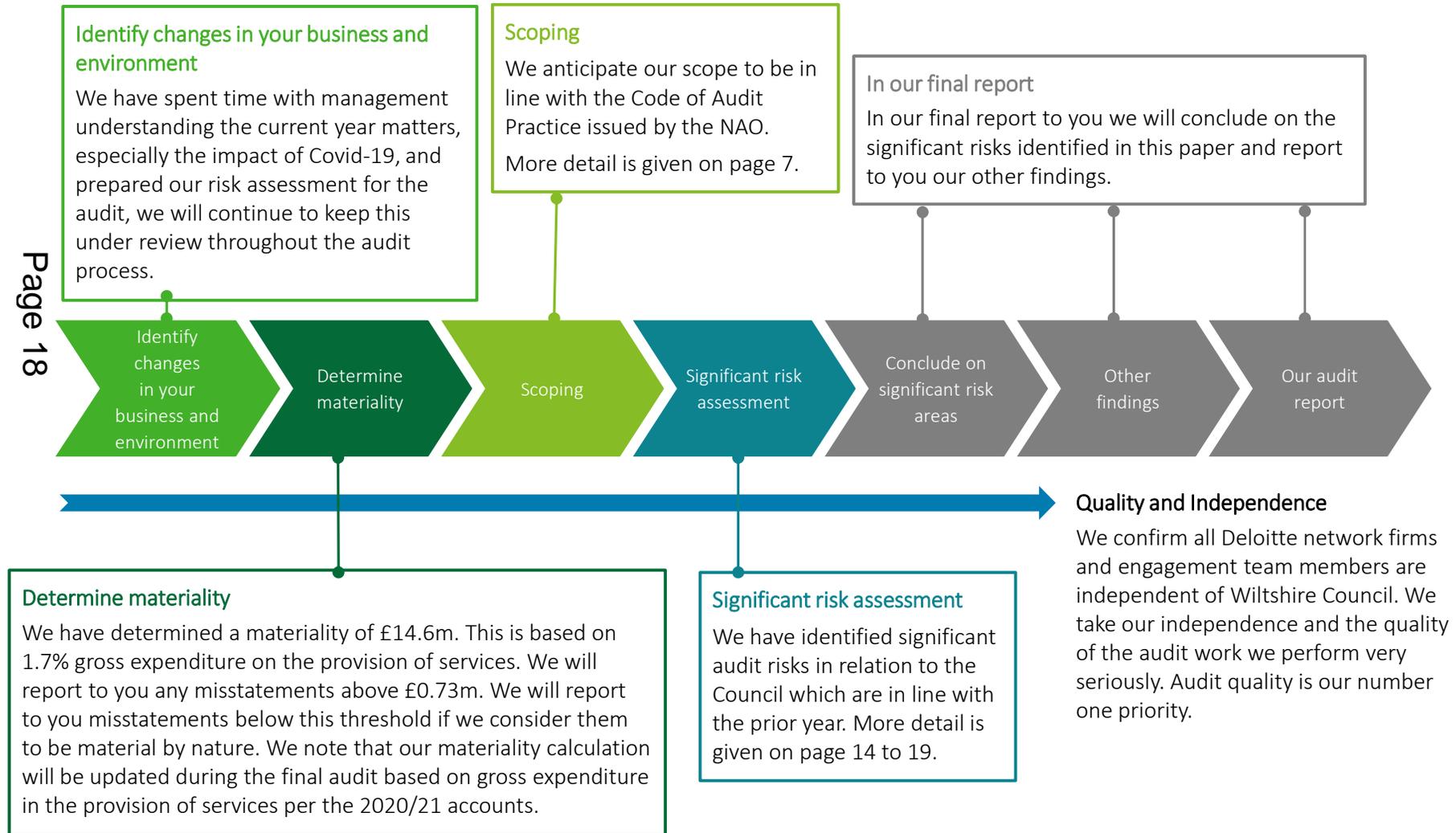
Why do we interact with the Audit and Governance Committee?

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Our audit explained

We tailor our audit to your business and your strategy



Scope of work and approach

Scope: we have three key areas of responsibility under the Audit Code

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) (“ISA (UK and Ireland)”) as adopted by the UK Auditing Practices Board (“APB”) and Code of Audit Practice issued by the National Audit Office (“NAO”). The Council will prepare its accounts under the Code of Practice on Local Authority Accounting (“the Code”) issued by CIPFA and LASAAC.

We are also required to issue a separate assurance report to the NAO on the Council’s separate return required for the purposes of its audit of the Whole of Government Accounts and departmental accounts.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

As part of our work we will review the annual report and compare with other available information to ensure there are no material inconsistencies. We will also review any reports from other relevant regulatory bodies and any related action plans developed by the Council.

Value for Money (VFM) conclusion

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in its use of resources.

The updated Code of Audit Practice changes the approach of external audit work away from the auditor performing a risk assessment, and then only performing further work if a significant risk were identified, to specifying procedures that will need to be undertaken in each of three areas:

- Financial sustainability;
- Governance and Improving economy; and
- Efficiency and effectiveness.

This will require a minimum level of work at every local public body, with additional risk based work where relevant.

Scope of work and approach

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK and Ireland) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work where necessary. We will review the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit, where necessary, to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We recommend the Council completes the CIPFA Code checklist during drafting of their financial statements.

We would welcome early discussion on the planned format of the financial statements, and whether there is scope for simplifying or streamlining disclosures, as well as the opportunity to review a skeleton set of financial statements and an early draft of the annual report ahead of the typical reporting timetable to feedback any comments to management.

Value for Money and other reporting

As noted on the previous slide, changes to requirements will require a minimum level of work at every local public body, with additional risk based work where relevant. The National Audit Office (NAO) has recently issued an audit procedures scope and discussions on implementation are ongoing.

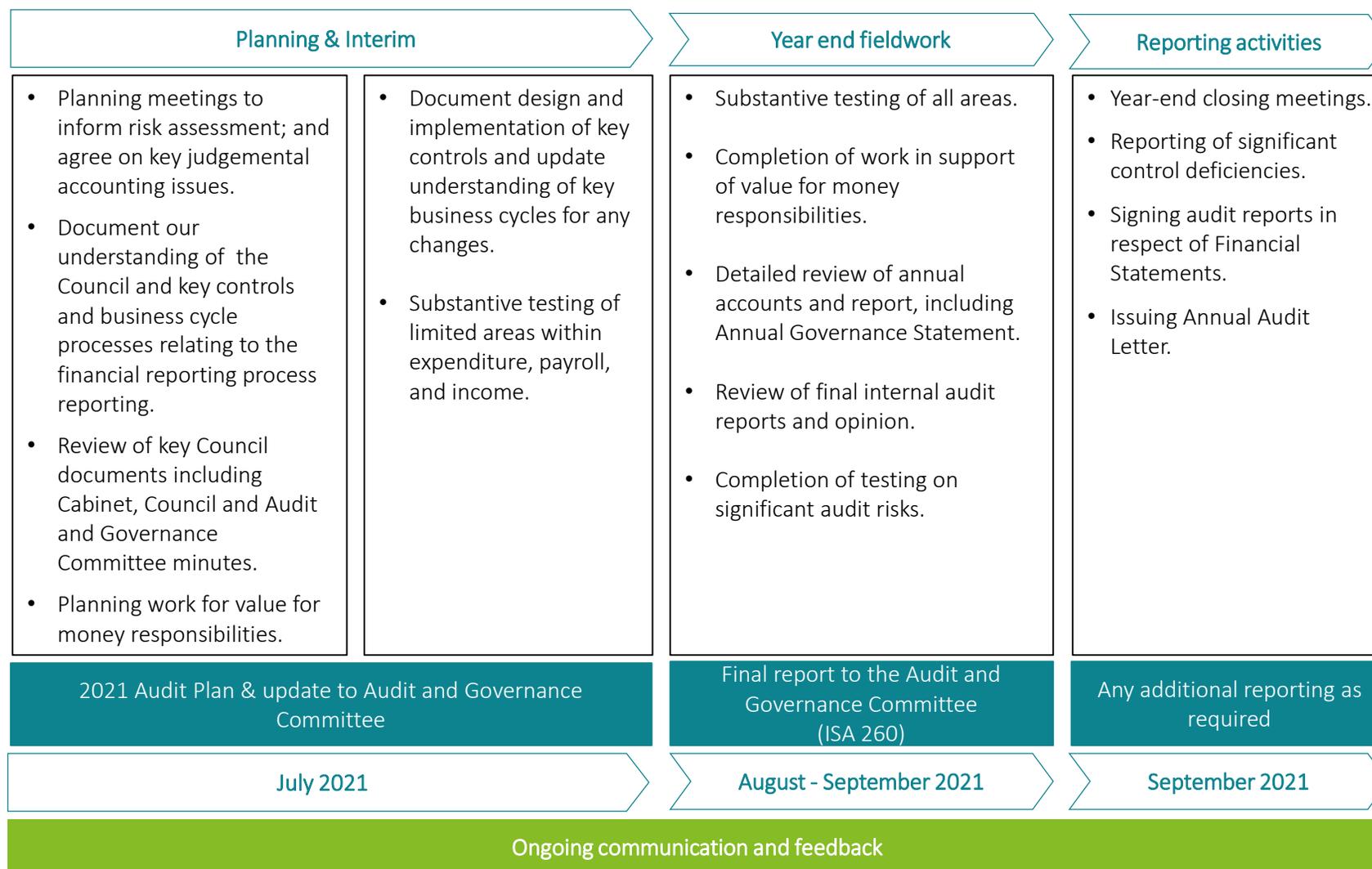
We will report by exception any matters we identify that indicate the Governance Statement does not comply with the CIPFA guidance, or is misleading or inconsistent with information of which we are aware from our audit. We are not required to consider, nor will we consider, whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously, and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.

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Covid-19 pandemic and its impact on our audit

Covid-19 pandemic and its impact on our audit.

Requirements

The Covid-19 pandemic had a significant impact on the 2019/20 audit process, despite impacting relatively late in the year. We would expect there to be guidance as we approach year-end on accounting and disclosure requirements for 2020/21, where the impact has been much more extensive on all organisations.

A key element of this will be communicating risks and governance impacts in narrative reporting, consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of Covid-19 and related uncertainties, including their impact on resilience and going concern assessments.

Entity-specific explanations of the current and expected effects of Covid-19 and the Council's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.

Actions

While there may be greater clarity as we approach year-end, we would expect organisations as part of their reporting to conduct a thorough assessment of the current and potential future effects of the Covid-19 pandemic including:

- Consideration of the impact across the Council's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position;
- The scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios); and
- The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible.

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Impact on the Council	Impact on annual report and financial statements	Impact on our audit
<p>We will consider the key impacts on the business such as:</p> <ul style="list-style-type: none"> • Interruptions to service provision. • Supply chain disruptions. • Unavailability of personnel. • Reductions in income. 	<p>We have considered the impact of the outbreak on the annual report and financial statements, discussed further on the next slide including:</p> <ul style="list-style-type: none"> • Narrative reporting, including disclosures on financial sustainability • Principal risk disclosures • Impact on property, plant and equipment valuations • Impairment of non-current assets • Allowance for expected credit losses • Accounting for COVID-19 grants • Events after the reporting period and relevant disclosures 	<p>We will continue to assess the impact on the audit including:</p> <ul style="list-style-type: none"> • Resource planning • Timetable of the audit • Impact on our risk assessment • Logistics including meetings with entity personnel.

Covid-19 pandemic and its impact on our audit

Impact on annual report and financial statements

Impact on property, plant and equipment

The Royal Institute of Chartered Surveyors issued a practice alert, as a result of which valuers identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This practice alert was withdrawn in September 2020. Valuation reports at March 2020 typically identified a need to consider potential impairments in future periods, and this year's valuations may reflect more significant movements.

The Council will need to consider the approach to its valuation (including any changes as a result of the pandemic). The Council will also need to consider whether there are any indications of impairment of assets requiring adjustment at 31 March 2021.

Expected credit losses

The Council will need to consider the level of provision required for expected credit losses under IFRS 9 and whether Covid-19 has had any impact on this.

Accounting for Covid-19 response measures

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One of the main elements of the response to Covid-19 which will have specific accounting considerations are the Covid-19 grants that the Council has received. Specific consideration will need to be given as to whether the Council is acting as the principal or agent in relation to the various grants, whether the grants are specific or non-specific and whether any specific conditions attached to the grants have been fulfilled. The Council has prepared an assessment of Covid-19 grant income and the proposed treatment which we will review in due course.

Narrative and other reporting issues

The following areas will need to be considered by the Council:

- Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability.
- Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities.

Events after the reporting period and relevant disclosures

Events are likely to continue to move swiftly, and the Council will need to consider the events after the Reporting Period and whether these events will be adjusting or non-adjusting and make decisions on a transaction by transaction basis.

Materiality

Our approach to materiality

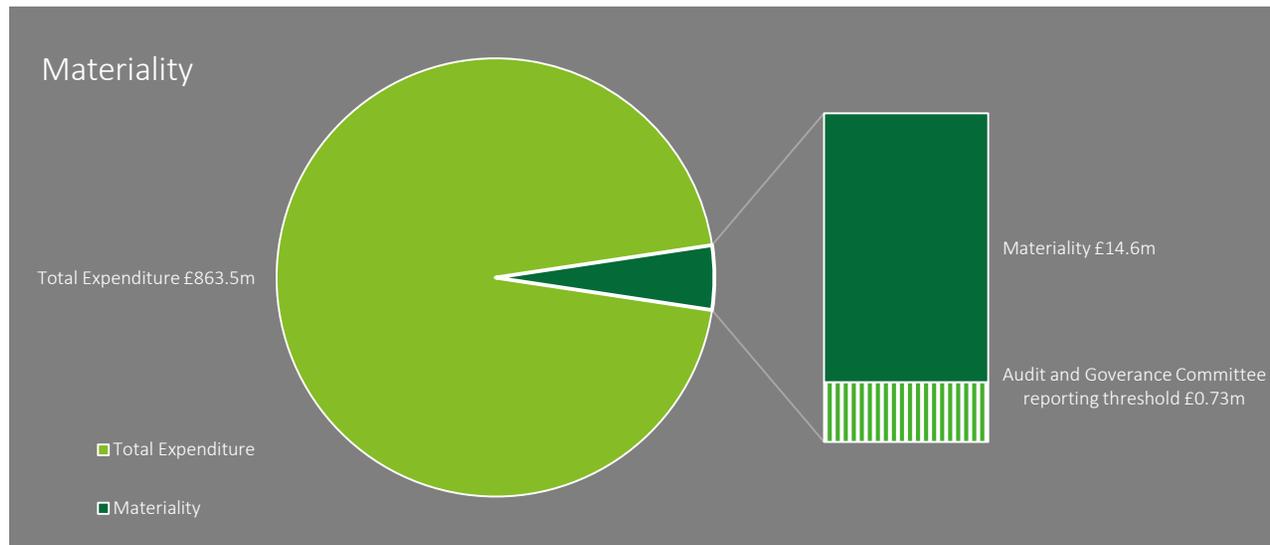
Basis of our materiality benchmark

- The audit partner has determined materiality as £14.6m (£14.0m in 2019/20), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 1.7% of gross expenditure on the provision of services as the benchmark for determining materiality.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £0.73m (£0.7m in 2019/20).
- We will report to you misstatements below this threshold if we consider them to be material by nature.

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Although materiality is the judgement of the audit partner, the Audit and Governance Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Significant risks

Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the annual report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

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Deloitte view

Management must carefully consider the principal risks, uncertainties and accounting estimates of the Council.

Principal risk and uncertainties

- Cyber security
- Future levels of funding
- BREXIT
- Covid-19

IAS 1 Critical accounting estimates

- Useful lives of assets
- Provisions
- Pensions liability
- Arrears (bad debt provision)

Changes in your business and environment

No significant changes (excluding the impact of Covid-19 on the Council's operating environment).

The next page summarises the significant risks that we will focus on during our audit. All the risks mentioned in the prior year Audit and Governance Committee report are included as significant risks in this year's audit plan.

Significant risks

Dashboard

Risk	Material	Fraud risk	Planned approach to controls	Level of management judgement	Expected to be included in the Audit and Governance Committee report	Slide no.
Property Valuations			D+I			15
Completeness of Accrued Expenditure			D+I			16
Valuation of the Council's share of the Dorset County Pension Fund Net Liability			D+I			17
Management Override of Controls			D+I			18
Value for Money - Children's Services	N/A	N/A	N/A	N/A		19

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D+I: Assessing the design and implementation of key controls

Low level of judgement



Medium level of judgement



High level of judgement



Significant risks

Risk 1 – Property Valuation

Risk identified	<p>The Council holds a significant amount of property assets. The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>The Council is completing its valuations on 1 January, carried out by NPS three months before the year end. Any changes to factors (e.g. build costs) used in the valuation process between January 2021 and March 2021 could materially affect the value of the Council’s assets as at year end.</p> <p>There is therefore a risk that that the value of property assets materially differ from the year end fair value, particularly given that valuations are inherently judgemental and include a number of assumptions.</p>
Our response Page 27	<p>We will test the design and implementation of key controls in place around how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation;</p> <p>We will test the design and implementation of key controls in place to prevent/identify any errors made in processing the valuation accounting entries;</p> <p>We review and challenge the Council’s assessment of whether there have been any material changes in the values of assets revalued as at 1 January;</p> <p>We will review and challenge the Council’s assessment of whether there have been any material changes in the value of assets not revalued in the current year;</p> <p>We will utilise our internal property specialists to support the audit team’s assessment as to whether there have been any material changes in property values;</p> <p>We will select a sample of revalued assets to determine whether the correct accounting entries have been made.</p>

Significant risks

Risk 2 – Completeness of Accrued Expenditure

Risk identified	<p>Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure, particularly in relation to year-end accruals.</p> <p>There is an inherent fraud risk associated with the under recording of expenditure in order for the Council to report a more favourable year-end position.</p> <p>There is therefore a possible risk that the Authority may materially misstate its expenditure through the understatement of accruals in an attempt to report a more favourable year end position.</p>
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Our response	<p>We will obtain an understanding of the design, and test the implementation, of the key controls in place to ensure the completeness of accruals; and</p> <p>We will perform focused testing in relation to the completeness of accruals through testing of post-year end invoices received and payments made.</p>
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Significant risks

Risk 3 – Valuation of the Council’s share of the Dorset County Pension Fund Net Liability

Risk identified	<p>The net pension liability is a material element of the Council’s balance sheet. The Council is an admitted body of the Dorset County Pension Fund which is administered by Dorset Council. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council’s overall valuation. Furthermore there are financial and demographic assumptions used in the calculation of the Council’s valuation – e.g. the discount rate, inflation rates, and mortality rates. These assumptions should also reflect the profile of the Council’s employees, and should be based on appropriate data.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Council’s pension obligation are not reasonable. This could have a material impact to the net pension liability accounted for in the financial statements.</p>
Our response	<p>We will obtain an understanding of the design, and test the implementation, of the key controls in place in relation to the review of the assumptions by the Council;</p> <p>We will evaluate the competency, objectivity and independence of Barnett Waddingham the actuarial specialist;</p> <p>We will review the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used;</p> <p>We will review the pension related disclosures in respect of actuarial assumptions in the financial accounts for consistency with the Actuary’s Report.</p>

Significant risks

Risk 4 – Management Override of Controls

Risk identified In accordance with ISA 240 (UK and Ireland) management override of controls is a significant risk for all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

The key judgements in the financial statements include those which we have selected to be the significant audit risks, (completeness of accrued expenditure, pension valuations and the Council's property valuations) and any one off and unusual transactions where management could show bias. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

Our response We will test the design and implementation of key controls in place around journal entries and key management estimates;

We will risk assess journals and select items for detailed testing. The journal entries will be selected using computer-assisted profiling based on areas which we consider to be of increased interest;

We will review accounting estimates for biases that could result in material misstatements due to fraud; and,

We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Significant risks

Risk 5 – Value for Money – Children’s Services

Risk identified The Code of Audit Practice requires us to report on the Councils arrangements to secure economy, effectiveness and efficiency in its use of resources.

We arrived at an ‘Except for’ audit opinion in 2019/20 due to improvements still being required in relation to Children’s Services. These weaknesses remained present going in to 2020/21 and continue to remain a significant risk for the current financial year audit where we will look for improvements which have been made.

Our response We will focus on follow up reviews by regulators CQC and Ofsted and progress made by the Council in Children’s Services; and We will liaise with management to discuss progress made in respect of the findings identified.

Value for Money

Areas of focus

Value for Money

There is a new Code of Audit Practice for 2020/21 onwards. The Code is applicable to NHS Trusts and Foundation Trusts, CCGs, and Local Authorities. This introduced significant changes to the requirements around Value for Money (the arrangements to secure economy, efficiency, and effectiveness in the use of resources). The NAO issued Auditor Guidance Note 03 (AGN03), Value for Money, in October 2020 setting out more detailed guidance on how the new requirements should be implemented. Key features of the requirements include:

For all bodies, the auditor will need to provide a public narrative commentary against the Value for Money criteria in a new “Auditor’s Annual Report” (AAR), to be issued alongside the audit opinion for Local Authorities. This commentary will include a summary against each of the reporting criteria, setting out the work undertaken, and judgements and local context relevant to the findings. This commentary needs to be supported by more extensive work to understand the body’s arrangements to secure economy, efficiency and effectiveness, to support this commentary and to identify whether there are risks of significant weaknesses in arrangements.

If a risk of significant weaknesses is identified, additional work is required to determine whether there are significant weaknesses and to make relevant recommendations if this is the case on a timely basis, which will also be explained in the Auditor’s Annual Report. The AAR will also include follow up on previous recommendations in respect of significant weaknesses and whether they’ve been implemented satisfactorily. The audit opinion will continue to include reporting by exception, though now this will be where the auditor has identified a significant weakness in arrangements rather than an overall conclusion on arrangements. The three criteria that would be considered in Value for Money work are be:

Financial sustainability: How the body plans and manages its resources to ensure it can continue to deliver its services;

Governance: How the body ensures that it makes informed decisions and properly manages its risks; and

Improving economy, efficiency and effectiveness: How the body uses information about its costs and performance to improve the way it manages and delivers its services.

The National Audit Office and the audit firms are continuing to discuss the practical implementation of these new requirements and expectations as to the extent of procedures underpinning these requirements. Expectations in this area are likely to continue to evolve as practical issues emerge in implementation.

We will:

- Undertake VfM planning work under the revised procedures.
- As the detailed impact on scope becomes clearer, we will discuss and agree the impact of the required scope changes with management.
- Our year-end reporting will include our draft findings ahead of issue of the Auditor’s Annual Report.

Reporting hot topics

Increased focus on quality reporting

Deloitte view

The expectations of corporate reporting, reflected in the FRC's monitoring and enforcement priorities, are increasing. While the focus is primarily on corporates, we highlight these areas where improved disclosures would help meet stakeholder expectations.



The potential impacts of Brexit

Depending upon events, organisations may be preparing annual reports against the backdrop of continued uncertainty around the UK's future relationship with the EU. Even with a deal, the future basis of UK-EU trade will affect the longer-term viability period of 3-5 years and a longer consideration of prospects.

ACTION: Depending upon events, we would expect to see annual reports reflecting at least:

- relevant risks and uncertainties, and actions taken to manage those risks; and
- consideration whether any impact on critical accounting judgements and areas of estimation uncertainty.

We will discuss with the Council closer to the time areas where disclosures may be appropriate.



Climate-related risks

The report by the Intergovernmental Panel on Climate Change (IPCC) has made it clear that prompt and decisive action on climate change is required from governments, businesses and individuals alike.

The recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) are gaining momentum. The government has proposed mandatory TCFD disclosures by 2022, and the FRC is undertaking a major review of how organisations assess and report the impact of climate change. The FRC expects organisations to disclose how they have taken climate change into account in assessing the resilience of the business model, its risks, uncertainties and viability both in immediate and longer term.

Investors are challenging companies that are not factoring the effects of the Paris Climate Agreement into their critical accounting judgements and are not disclosing comprehensively these judgements, assumptions, sensitivities and uncertainties.

ACTION: Clearly articulate how your organisation is addressing climate change e.g.

- whether this is a principal risk and how it is being managed; and
- its impact on the business model, the viability statement and the key assumptions and projections in impairment reviews and valuations (including in assessing remaining asset lives).

Revisions to auditing standards coming into effect

ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures

Since 2015, the International Auditing and Assurance Standards Board (IAASB) has sought to identify audit issues relating to accounting estimates for financial institutions and other entities. Initially, this focused on the impact of IFRS 9 *Financial Instruments*, because it would fundamentally change the way that banks and other entities account for loan assets and other credit exposures.

However, the IAASB concluded that most, if not all, issues identified for expected credit losses would be equally relevant when auditing other complex accounting estimates. Accordingly, a holistic revision of ISA 540 was undertaken and the new standard takes effect for periods commencing on or after 1 January 2020. For Local Government bodies, this will be March 2021 year ends and later.

We summarise on the next few slides how this will impact our audit.

“There is a clear need to update ISA 540 to support better quality audits of increasingly complex accounting estimates”

FRC letter to the IAASB, July 2017

Area of change

Impact on our audit

Impact on the officers

Assessment of oversight and governance relating to estimates

In connection with our planning work to understand the entity and its environment, including internal control, we will specifically inquire regarding management’s processes, and the oversight and governance of those processes relating to accounting estimates.

You will need to consider the adequacy of your processes and controls over estimates, and documentation thereof.

Revisions to auditing standards coming into effect

ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures

Area of change	Impact on our audit	Impact on the officers
Identification of inherent risk factors; separate assessment of inherent risk and control risk Objectives-based work effort requirements.	Recognising a spectrum of inherent risk, we will assess risks of material misstatement in estimates with reference not only to estimation uncertainty, but also complexity, subjectivity or other inherent risk factors, and the interrelationship among them. We will specifically assess control risk relating to estimates, which may require us to evaluate the design and determine implementation of an increased number of internal controls. Our subsequent audit procedures will be responsive to this assessment, and designed to obtain evidence around the methods, significant assumptions, data and (where applicable) the selection of a point estimate and related disclosures about estimation uncertainty.	You will need to provide clear documented rationale for (a) the selection and application of the method, assumptions and data in making the accounting estimate, including any changes in the current year, and controls relating to those aspects; and/or (b) the selection of a point estimate and related disclosures for inclusion in the financial statements.
Enhanced “stand back” requirement, to evaluate the audit evidence obtained.	We will specifically design our procedures, to enhance our application of professional scepticism, so that they are not biased towards finding corroborative evidence; our overall evaluation of the evidence obtained will weigh both corroborative and contradictory evidence.	You should expect more challenge of the evidence provided in support of accounting estimates, use of external data sources and your consideration of contradictory evidence.

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Revisions to auditing standards coming into effect

ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures

Area of change	Impact on our audit	Impact on the officers
Enhanced requirements about whether disclosures are “reasonable”.	The extant ISA 540 required us to evaluate whether disclosures were “adequate”. The change to “reasonable” will involve greater consideration of the overall meaning conveyed through disclosures. For example, where estimation uncertainty associated with an estimate is multiple times materiality, we will consider whether the disclosures appropriately convey the high degree of estimation uncertainty and the range of possible outcomes.	You should expect more challenge on disclosures relating to estimates, particularly for where you have selected a point estimate from a range and those with high estimation uncertainty.
New requirements when communicating with those charged with governance.	In accordance with ISA (UK) 260 and ISA (UK) 265, our communications from the audit have included significant qualitative aspects of your accounting practices and significant deficiencies in internal control. With the revised ISA (UK) 540, these communications will specifically include matters regarding accounting estimates and take into account whether the reasons for our risk assessment relate to estimation uncertainty, or the effects of complexity, subjectivity or other inherent risk factors.	You should expect increased reporting in relation to accounting estimates.

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Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

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Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Cardiff | September 2021

Appendices

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Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of fraud in relation to the completeness of accrued expenditure and management override of controls as key audit risks for your organisation.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Fraud responsibilities and representations

Inquiries

We will make the following inquiries regarding fraud:



Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of Wiltshire Council and will reconfirm our independence and objectivity to the Audit and Governance Committee for the year ending 31 March 2021 in our final report to the Audit and Governance Committee .

Fees

There are no non-audit fees.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's approach for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with the Council, its officers, senior managers and affiliates, and have not supplied any services to other known connected parties.

Independence and fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2020 to 31 March 2021 are as follows:

	Current year £'000
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	180
Total audit	180
Audit related assurance services	0
Other assurance services	0
Total assurance services	0
Total non-audit services	0
Total fees	180

Our approach to quality

AQR team report and findings

Audit quality remains our number one priority and we have a relentless commitment to it. We continue to invest in and enhance our Audit Quality Monitoring and Measuring programme.

In July 2020 the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2019/20 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

We are pleased with our results for the inspections of FTSE 350 entities achieving 90% assessed as good or needing limited improvement, which included some of our highest risk audits. Our objective is for 100% of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard. We are however, extremely disappointed one engagement received a rating of significant improvements required during the period. This is viewed very seriously within Deloitte and we have worked with the AQR to agree a comprehensive set of swift and significant firm wide actions.

We are also pleased to see the impact of our previous actions on prior year adjustments is reflected in the results of current year inspections with no findings in this areas. In addition the FRC identified good practice examples including in: risk assessment, group oversight, our comprehensive IFRS9 expected credit loss audit programme and our audit committee reporting.

Embedding a culture of challenge in our audit practice underpins the key pillars of our audit strategy. We invest continually in our firm wide

processes and controls, which we seek to develop globally, to underpin consistency in delivering high quality audits whilst ensuring engagement teams exercise professional scepticism through robust challenge.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>



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Audit and Governance Committee 27 September 2021 Risk Management Update

For Review and Consultation

Portfolio Holder: Cllr S Flower, Leader of the Council

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

Report Author: David Trotter
Title: Risk and Resilience Officer
Tel: 01305 228692
Email: david.trotter@dorsetcouncil.gov.uk

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

Report Status: Public

Recommendation: That Audit and Governance Committee note and review the key risks identified in the corporate and service risk registers.

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

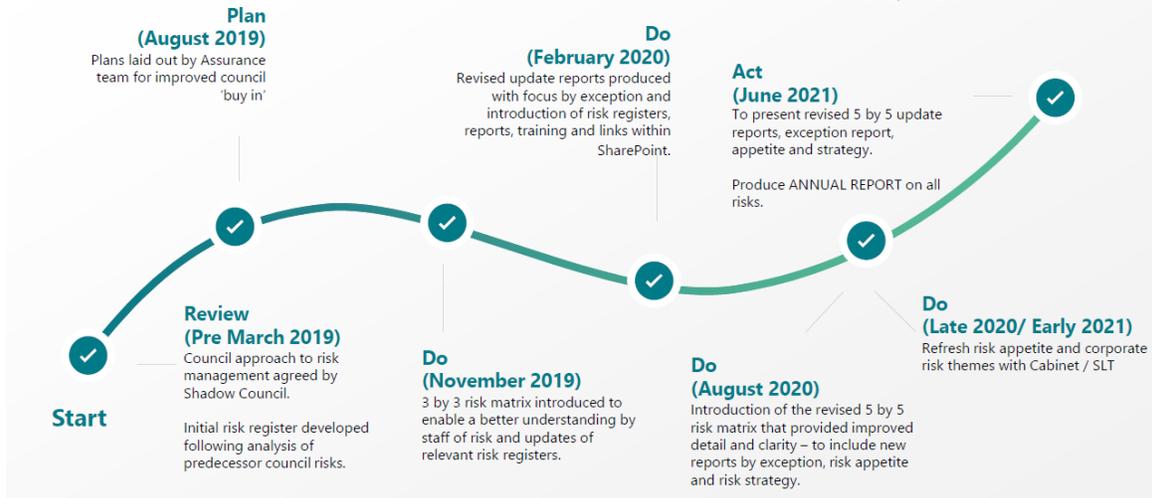
The continual development and promotion of risk management will ensure that Dorset Council remains well placed to demonstrate that objective and informed decisions are taken. The following road map has been established to assist further development of the risk management framework and improve maturity:



Risk Management Road Map

Success and Review

- Introduce remedial risk and mitigation.
- Link to KPIs.
- New risk register for potential EP / BCM issues, events and incidents.



Strategic risk management is owned by the Senior Leadership Team, with an agreed risk management policy statement setting out the Council's commitment. There are currently 21 strategic risk themes informed by operational service level risks owned by Heads of Service and Service Managers. The principles of the Council's strategy is to be "risk aware" and not "risk averse", with our risk management arrangements informing our decision making processes.

Current Risk Themes		
CRR01) Budget	CRR08) Education	CRR15) Commissioning
CRR02) Cyber Attack	CRR09) Transformation	CRR16) Officer / Member Interface
CRR03) Workforce	CRR10) Corporate Knowledge	CRR17) School Transport
CRR04) GDPR	CRR11) Climate Change	CRR18) Evidence Base
CRR05) Emergency Response	CRR12) Breach of Statutory Duty	CRR19) Partnerships
CRR06) EU Exit	CRR13) Health, Safety & Wellbeing	CRR20) Elections
CRR07) Infrastructure	CRR14)	CRR21) Covid 19

Councillors can view the risks by theme from [this link](#).

The Committee were advised at the July meeting that a risk workshop had been scheduled with the Place Management Team for 21st July, and the Executive Director for Place was requested to attend the September Committee meeting to provide an update. A summary of the output of this session will be presented by the Executive Director for Place at the meeting.

A session was also held with the Senior Leadership Team during July during which it was agreed to embed mitigation actions relating to High and Extreme risks into the performance management framework moving forward. To ensure the correct risks are being escalated, similar sessions to the Place workshop are being held with the other Directorates. Once this work has been completed, it is intended to consolidate the risk themes to make them more succinct and Dorset Council specific.

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. Well-being and Health Implications

Health, safety and wellbeing is identified as one of our 21 corporate risk themes.

4. Climate implications

Climate change is identified as one of our 21 corporate risk themes.

5. Other Implications

None

6. Risk Assessment

Having considered the risks associated with this decision, 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

7. Equalities Impact Assessment

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

8. Appendices

Appendix A – Snapshot of Risks

Appendix B – Summary of Extreme and High Risks

9. Background Papers

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.



Risk Management Update Report

Snapshot Summary

People Directorate for Adults and Housing
Children's Services Directorate
Corporate Development Services
Place Directorate

August 2021

Risk Ranking Matrix identifies the level of risk

Severity (Impact)	Catastrophic	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Slight	2	4	6	8	10
	Limited	1	2	3	4	5
		Very Unlikely	Unlikely	Possible	Likely	Certain
Likelihood (Probability)						

Risk Ranking Matrix identifies the level of risk

Severity (Impact)	Description
Catastrophic Score 5	<ul style="list-style-type: none"> Multiple deaths of employees or those in the Council's care Inability to function effectively, Council-wide Will lead to resignation of Chief Executive and/or Leader Corporate Manslaughter charges Service delivery must be taken over by Central Government Front page news story in National Press Financial loss over £10m
Major Score 4	<ul style="list-style-type: none"> Suspicious death in Council's care Major disruption to Council's critical services for more than 48hrs Noticeable impact achieving strategic objectives Will lead to resignation of Senior Officers and/or Cabinet Member Adverse coverage in National press/Front page news locally Financial loss £5m-£10m
Moderate Score 3	<ul style="list-style-type: none"> Serious Injury to employees or those in the Council's care Disruption to one critical Council Service for more than 48hrs Will lead to resignation of Head of Service/Project Manager Adverse coverage in local press Financial loss £1m-£5m
Slight Score 2	<ul style="list-style-type: none"> Minor Injury to employees or those in the Council's care Manageable disruption to services Disciplinary action against employee Financial loss £100k-£1m
Limited Score 1	<ul style="list-style-type: none"> Day-to-day operational problems Financial loss less than £100k

Likelihood (Probability)	Description
Certain Score 5	Reasonable to expect that the event WILL happen, recur, possibly or frequently
Likely Score 4	Event is MORE THAN LIKELY to occur. Will Probably happen, recur, but is not a persisting issue.
Possible Score 3	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.
Unlikely Score 2	Event NOT EXPECTED . Do not expect it to happen or recur, but it is possible that it might do so.
Very Unlikely Score 1	EXCEPTIONAL event. This will probably never happen or recur.

Level of Risk	How should the risk be managed
EXTREME (20-25)	Risks at this level sit above our tolerance and form the biggest risks.
Risk Rating	Guidance
Risks at this level sit above the tolerance of the Council and are of such magnitude that they form the Council's biggest risks. The Council is not willing to take risks at this level and action should be taken immediately to manage the risk.	Identify the actions and controls necessary to manage the risk down to an acceptable level. Steps will be taken to collectively review the risk and identify any other possible mitigation (such as controls). Risks that remain at this level will be escalated to SLT, who will actively monitor and provide guidance on the ongoing management of risks at this level.
HIGH-LEVEL (12-16)	The Council is not willing to take risks at this level and action should be taken immediately.
Risk Rating	Guidance
These risks are within the upper limit of risk appetite. While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level where possible.	Identify controls to treat the risk impact/likelihood and seek to bring the risk down to a more acceptable level. These risks should be monitored and reviewed monthly. If unsure about ways to manage the risk, consult with the Assurance team. Risks at this level will feature in a monthly risk update to SLT who will provide oversight and support if needed.
MEDIUM (5-10)	While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level.
Risk Rating	Guidance
These risks sit on the borders of the Council's risk appetite and so while they don't pose an immediate threat, they are still risking that should remain under review. If the impact or likelihood increases, then risk owners should seek to manage the increase	Keep these risks on the radar and update as and when changes are made, or if controls are implemented. Movement in risks should be monitored, for instance featuring as part of a standing management meeting agenda. Responsibility for monitoring and managing these risks sit within the service.
LOW (1-5)	These risks sit on the borders of the Council's risk appetite and so while they don't pose an immediate threat, they are still risking that should remain under review.
Risk Rating	Guidance
These are low level risks that could impede or hinder achievement of objectives. Due to the relative low level it is unlikely that additional controls will be identified to respond to the risk.	Keep these risks on your register and formally review at least once a year to make sure that the impact and likelihood continues to pose a low level. No actions required but keep the risk on your risk register and review annually as part of the service planning process.

Minor level risks with little consequence but not to be overlooked completely.

Dorset Council

Risk Register can be viewed from this link [HERE](#)

Training can be found [HERE](#)

248 Risks

Dorset Council Risk Profile						
Impact	C				1	1
	Ma	3	43	26	11	1
	Mod	2	46	60	10	2
	S		29	13	2	2
	L			1	1	
		VU	U	P	L	VH
Likelihood (Probability)						

3 Extreme (1%)
49 High-Level (20%)

Adults and Housing

No. of Risks 35
1 Extreme – 6 High-Level (20%)

Impact (Severity)	C					
	Ma	1	1	3	3	1
	Mod		6	11		
	S		6	2	1	
	L					
		VU	U	P	L	VH
Likelihood (Probability)						

Children's Services

No. of Risks 24
8 High-Level (33%)

Impact (Severity)	C					
	Ma		4	5	2	
	Mod		5	4	1	
	S		1	2		
	L					
		VU	U	P	L	VH
Likelihood (Probability)						

Corporate Development Services

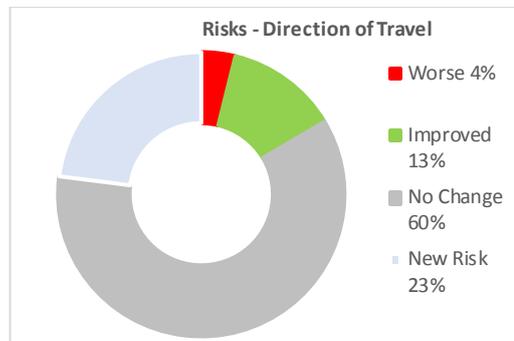
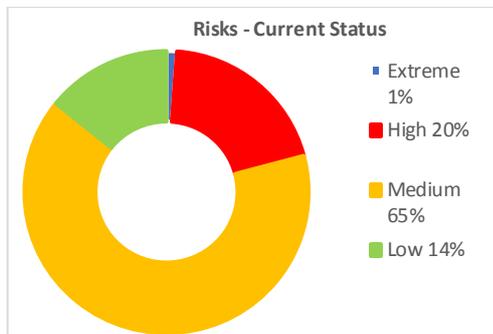
No. of Risks 37
2 Extreme – 13 High-Level (40%)

Impact (Severity)	C				1	1
	Ma	1	10	4	2	
	Mod		4	7	5	2
	S		3	1		1
	L			1		
		VU	U	P	L	VH
Likelihood (Probability)						

Place

No. of Risks 152
22 High-Level (15%)

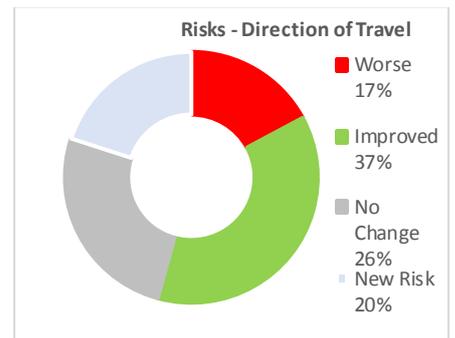
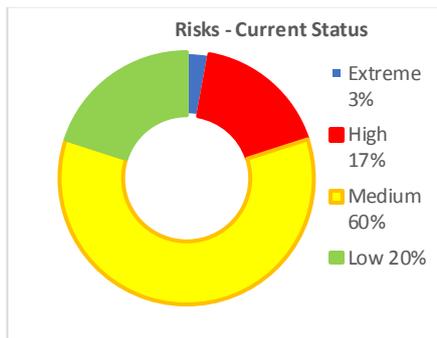
Impact (Severity)	C					
	Ma	1	28	14	4	
	Mod	2	31	38	4	
	S		19	8	1	1
	L				1	
		VU	U	P	L	VH
Likelihood (Probability)						



People Directorate for Adults and Housing

Risk Register can be viewed from this link [HERE](#)
35 Risks - 1 Extreme - 6 High-Level

Impact (Severity)	Likelihood (Probability)				
	VU	U	P	L	C
C					
Ma	1	1	3	3	1
Mod		6	11		
S		6	2	1	
L					



A **SNAPSHOT** of the risks broken down by service are set out below:

A Better Life Transformation Programme

Impact (Severity)	Likelihood (Probability)				
	VU	U	P	L	C
C					
Ma					
Mod					
S		2	1		
L					

Adults & Housing - Adult Care

Impact (Severity)	Likelihood (Probability)				
	VU	U	P	L	C
C					
Ma		1	2	1	
Mod		2	4		
S		2	1	1	
L					

Commissioning

Impact (Severity)	Likelihood (Probability)				
	VU	U	P	L	C
C					
Ma	1		1		1
Mod			2		
S					
L					

Community Safety

Impact (Severity)	Likelihood (Probability)				
	VU	U	P	L	C
C					
Ma					
Mod			3		
S					
L					

Housing

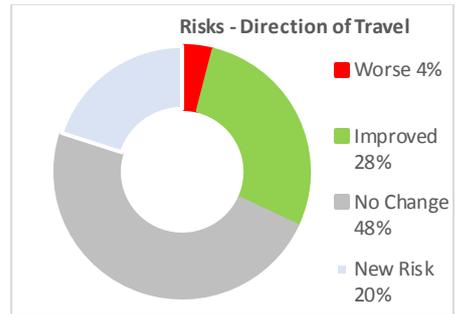
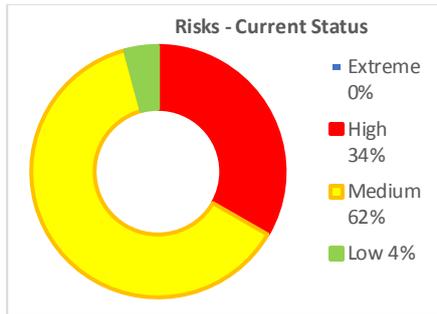
Impact (Severity)	Likelihood (Probability)				
C					

	Ma				2	
	Mod	4	2			
	S	2				
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Children's Services Directorate

Risk Register can be viewed from this link [HERE](#)
24 Risks - 8 High-Level

Risk Profile						
Impact	C					
	Ma		4	5	2	
	Mod		5	4	1	
	S		1	2		
	L					
		VU	U	P	L	C
		Likelihood (Probability)				



A **SNAPSHOT** of the risks broken down by service are set out below:

Children's Care & Protection

Impact (Severity)	C					
	Ma		1	3	1	
	Mod		1	2		
	S			1		
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Commissioning & Partnerships (Children's)

Impact (Severity)	C					
	Ma		1	2		
	Mod		2	1	1	
	S			1		
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

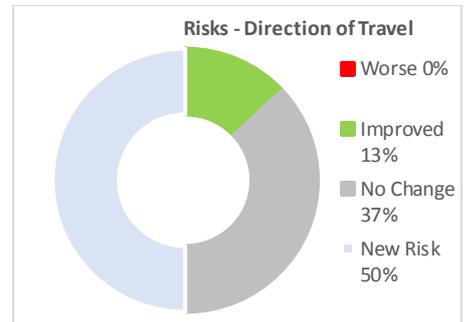
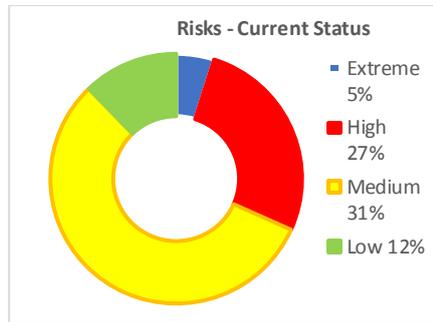
Schools & Learning

Impact (Severity)	C					
	Ma		2		1	
	Mod		2	1		
	S		1			
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Corporate Development Services

Risk Register can be viewed from this link [HERE](#)
40 Risks – 2 Extreme - 13 High-Level

Impact		Risk Profile				
		C	Ma	Mod	S	L
Impact (Severity)	C				1	1
	Ma	1	10	4	2	
	Mod		4	7	5	2
	S		3	1		1
	L			1		
		VU	U	P	L	C
		Likelihood (Probability)				



A **SNAPSHOT** of the risks broken down by service are set out below:

Finance and Commercial

Impact (Severity)		Likelihood (Probability)				
		C	Ma	Mod	S	L
Impact (Severity)	C					
	Ma		4			
	Mod				2	
	S		1			
	L			1		
		VU	U	P	L	C
		Likelihood (Probability)				

HR and OD

Impact (Severity)		Likelihood (Probability)				
		C	Ma	Mod	S	L
Impact (Severity)	C					
	Ma			2	1	
	Mod					1
	S					
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

ICT Operations

Impact (Severity)		Likelihood (Probability)				
		C	Ma	Mod	S	L
Impact (Severity)	C				1	1
	Ma					
	Mod			2		
	S					
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Legal & Democratic Services

Impact (Severity)		Likelihood (Probability)				
		C	Ma	Mod	S	L
Impact (Severity)	C					
	Ma		5	1	1	
	Mod		2	3		1
	S					
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Business Insight & Corporate Communication

Digital & Change

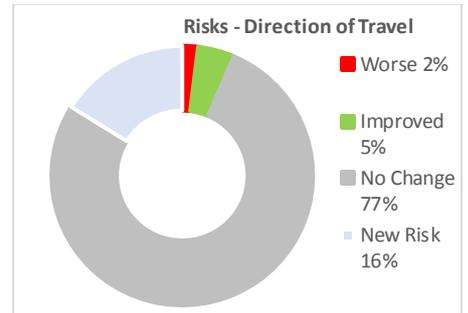
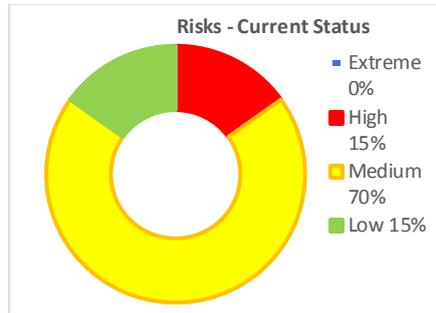
Impact (Severity)	C					
	Ma					
	Mod			1	3	
	S	1				1
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Impact (Severity)	C					
	Ma	1	1	1		
	Mod		2	1		
	S					
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Place Directorate

Risk Register can be viewed from this link [HERE](#)
152 Risks – 22 High-Level

Risk Profile						
Impact	C					
	Ma	1	28	14	4	
	Mod	2	31	38	4	
	S		19	8	1	1
	L				1	
		VU	U	P	L	C
		Likelihood (Probability)				



A **SNAPSHOT** of the risks broken down by service are set out below:

ASSETS & PROPERTY

Impact (Severity)	C					
	Ma			1	1	
	Mod		1	3		
	S			2		
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

CUSTOMER SERVICES, LIBRARIES & ARCHIVES

Impact (Severity)	C					
	Ma		2			
	Mod		4	2		
	S		4	2		
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Economy Infrastructure and Growth – HIGHWAYS

Impact (Severity)	C					
	Ma		5	3	1	
	Mod	1	11	8		
	S			1		1
	L				1	
		VU	U	P	L	C
		Likelihood (Probability)				

Economy Infrastructure and Growth – PLANNING

Impact (Severity)	C					
	Ma		5	1		
	Mod		4	5	1	
	S		7	1		
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Economy Infrastructure and Growth – DORSET TRAVEL

Impact (Severity)	C					
	Ma		1	1		
	Mod		1	6	1	
		VU	U	P	L	C
		Likelihood (Probability)				

GROWTH & ECONOMIC REGENERATION

Impact (Severity)	C					
	Ma		2	1		
	Mod		1	4	1	
		VU	U	P	L	C
		Likelihood (Probability)				

	S			1	1	
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

	S					
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

[Place Based Services – COMMERCIAL WASTE & STRATEGY](#)

[Place Based Services – COMMUNITY & PUBLIC PROTECTION](#)

Impact (Severity)	C					
	Ma	1		3	1	
	Mod			1	1	
	S					
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Impact (Severity)	C					
	Ma		4	3		
	Mod	1	5	8		
	S		7	1		
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

[Place Based Services – ENVIRONMENT & WELLBEING](#)

[Place Based Services – WASTE & OPERATIONS](#)

Impact (Severity)	C					
	Ma		6			
	Mod		2			
	S		1			
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

Impact (Severity)	C					
	Ma		3	1	1	
	Mod		2	1		
	S					
	L					
		VU	U	P	L	C
		Likelihood (Probability)				

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Risk Management Exception

Quarterly Update Report

Extreme and High-Level Risks

August 2021

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.

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Introduction

We recognise that risk management helps us to embed a culture, process and structure that is directed towards the effective management of opportunities and threats to the council. Such effective management will help the council in achieving its priorities and objectives as part of the council’s governance framework.

We acknowledge that the Annual Governance Statement (AGS) highlighted several opportunities to enhance risk management and for example efforts have been made to:

- Increase the level of engagement and ownership.
- Enhance the engagement of Members in the risk management process.
- Refresh and update the Corporate and Directorate Risk Registers.
- Update the risk management training and awareness functionality.

The Accounts and Audit Regulations 2015 require the council to have in place arrangements for the management of risk. These arrangements are reviewed each year and reported as part of the Annual Governance Statement (AGS). The statement must identify any significant governance issues that may have resulted from failures in governance and risk management.

Risk Management

Risk affects all organisations. It can have far-reaching consequences in terms of economic performance, environmental and safety outcomes, and professional reputation. Risk is an important part of doing business – used to identify, assess, prioritise, manage, mitigate, communicate, and report on risk.

Risk is anything and everything that could impact upon the successful achievement of aims and objectives.

Risk management is a process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation’s objectives. Success comes from managing both the positive and the negative aspects of risk effectively. Understand the linkage between risk and controls - Risk drives controls, not the other way round. Internal controls exist for many reasons but one of their prime functions is to manage risk.

Update Statement

We continue to look at what makes sense, to understand where we need the resources and the skill sets, we need. We will be working to support the challenge to make our services as efficient as possible, and that’s a relentless part of our budget setting process. We are all passionate about delivering the best outcomes for Dorset residents. We recognise that Risk Management is an integral part of good governance to which we are all committed.

Risk Management helps us to provide the framework and processes that enables the Council to manage uncertainty in a systematic way.

Risk Ranking Matrix identifies the level of risk

Severity (Impact)	Catastrophic	5	10	15	20	25
	Major	4	8	12	16	20
	Moderate	3	6	9	12	15
	Slight	2	4	6	8	10
	Limited	1	2	3	4	5
		Very Unlikely	Unlikely	Possible	Likely	Certain
Likelihood (Probability)						

Risk Ranking Matrix identifies the level of risk

Severity (Impact)	Description
Catastrophic Score 5	<ul style="list-style-type: none"> • Multiple deaths of employees or those in the Council's care • Inability to function effectively, Council-wide • Will lead to resignation of Chief Executive and/or Leader • Corporate Manslaughter charges • Service delivery must be taken over by Central Government • Front page news story in National Press • Financial loss over £10m
Major Score 4	<ul style="list-style-type: none"> • Suspicious death in Council's care • Major disruption to Council's critical services for more than 48hrs • Noticeable impact achieving strategic objectives • Will lead to resignation of Senior Officers and/or Cabinet Member • Adverse coverage in National press/Front page news locally • Financial loss £5m-£10m
Moderate Score 3	<ul style="list-style-type: none"> • Serious Injury to employees or those in the Council's care • Disruption to one critical Council Service for more than 48hrs • Will lead to resignation of Head of Service/Project Manager • Adverse coverage in local press • Financial loss £1m-£5m
Slight Score 2	<ul style="list-style-type: none"> • Minor Injury to employees or those in the Council's care • Manageable disruption to services • Disciplinary action against employee • Financial loss £100k-£1m
Limited Score 1	<ul style="list-style-type: none"> • Day-to-day operational problems • Financial loss less than £100k

Likelihood (Probability)	Description
Certain Score 5	Reasonable to expect that the event WILL happen, recur, possibly or frequently
Likely Score 4	Event is MORE THAN LIKELY to occur. Will Probably happen, recur, but is not a persisting issue.
Possible Score 3	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.
Unlikely Score 2	Event NOT EXPECTED . Do not expect it to happen or recur, but it is possible that it might do so.
Very Unlikely Score 1	EXCEPTIONAL event. This will probably never happen or recur.

Level of Risk	How should the risk be managed	
EXTREME (20-25)	Risks at this level sit above our tolerance and form the biggest risks.	
Risk Rating	Guidance	
<p>Risks at this level sit above the tolerance of the Council and are of such magnitude that they form the Council's biggest risks.</p> <p>The Council is not willing to take risks at this level and action should be taken immediately to manage the risk.</p>	<p>Identify the actions and controls necessary to manage the risk down to an acceptable level. Steps will be taken to collectively review the risk and identify any other possible mitigation (such as controls).</p> <p>Risks that remain at this level will be escalated to SLT, who will actively monitor and provide guidance on the ongoing management of risks at this level.</p>	
HIGH - LEVEL (12-16)	The Council is not willing to take risks at this level and action should be taken immediately.	
Risk Rating	Guidance	
<p>These risks are within the upper limit of risk appetite. While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level where possible.</p>	<p>Identify controls to treat the risk impact/likelihood and seek to bring the risk down to a more acceptable level. These risks should be monitored and reviewed monthly.</p> <p>If unsure about ways to manage the risk, consult with the Assurance team. Risks at this level will feature in a monthly risk update to SLT who will provide oversight and support if needed.</p>	
MEDIUM (5-10)	While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level.	
Risk Rating	Guidance	
<p>These risks sit on the borders of the Council's risk appetite and so while they don't pose an immediate threat, they are still risking that should remain under review. If the impact or likelihood increases, then risk owners should seek to manage the increase</p>	<p>Keep these risks on the radar and update as and when changes are made, or if controls are implemented.</p> <p>Movement in risks should be monitored, for instance featuring as part of a standing management meeting agenda. Responsibility for monitoring and managing these risks sit within the service.</p>	
LOW (1-5)	These risks sit on the borders of the Council's risk appetite and so while they don't pose an immediate threat, they are still risking that should remain under review.	
Risk Rating	Guidance	
<p>These are low level risks that could impede or hinder achievement of objectives. Due to the relative low level it is unlikely that additional controls will be identified to respond to the risk.</p> <p>Minor level risks with little consequence but not to be overlooked completely.</p>	<p>Keep these risks on your register and formally review at least once a year to make sure that the impact and likelihood continues to pose a low level. No actions required but keep the risk on your risk register and review annually as part of the service planning process.</p>	

The aim is for all risks to have management actions in place and the risk management process will continue to be subject to a refresh during the coming months during 2021. As with all risks, it is not possible to eliminate the potential of failure entirely without significant financial and social costs. The challenge is to make every reasonable effort to mitigate and manage risks effectively, and where failure occurs, to learn and improve. A **SUMMARY** of the risks for this reporting period are set out below:

The full Services Risk Register can be viewed from this link [HERE](#)

Dorset Council Risk Profile						
Impact	C				1	1
	Ma	3	43	26	11	1
	Mod	2	46	60	10	2
	S		29	13	2	2
	L			1	1	
	VU	U	P	L	VH	
Likelihood (Probability)						

248 Risks

3 Extreme (1%)
49 High-Level (20%)

Adults and Housing

No. of Risks 35

1 Extreme – 6 High-Level (20%)

Impact (Severity)	C					
	Ma	1	1	3	3	1
	Mod		6	11		
	S		6	2	1	
	L					
	VU	U	P	L	VH	
Likelihood (Probability)						

Children's Services

No. of Risks 24

8 High-Level (33%)

Impact (Severity)	C					
	Ma		4	5	2	
	Mod		5	4	1	
	S		1	2		
	L					
	VU	U	P	L	VH	
Likelihood (Probability)						

Corporate Development Services

No. of Risks 37

2 Extreme – 13 High-Level (40%)

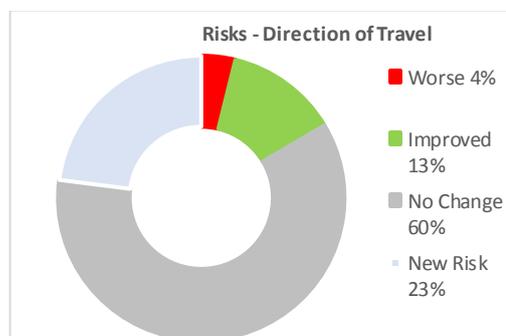
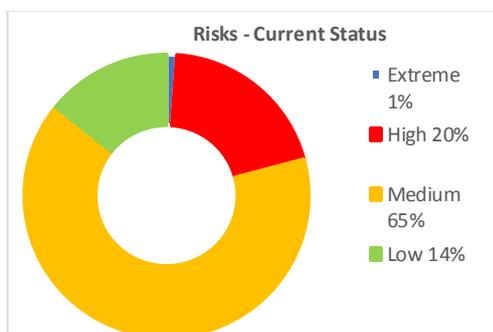
Impact (Severity)	C				1	1
	Ma	1	10	4	2	
	Mod		4	7	5	2
	S		3	1		1
	L			1		
	VU	U	P	L	VH	
Likelihood (Probability)						

Place

No. of Risks 152

22 High-Level (15%)

Impact (Severity)	C					
	Ma	1	28	14	4	
	Mod	2	31	38	4	
	S		19	8	1	1
	L				1	
	VU	U	P	L	VH	
Likelihood (Probability)						



Adults and Housing

EXTREME

Adults & Housing – Commissioning

Risk 343 - Market failure leads to unsafe and unacceptable levels of unmet need for domiciliary care – Accountable Officer - Corporate Director for Commissioning and Interim Corporate Director - Adult Care Operations (Impact 4 Likelihood 5) NEW RISK

HIGH-LEVEL

Adults & Housing - Adult Care

Risk 165 - Capacity, capability and focus within the Adult Social Care workforce is not appropriate to deliver statutory responsibilities and key priorities to an acceptable standard – Accountable Officer - Corporate Director for Adult Care Operations (Impact 4 Likelihood 3) WORSE

Risk 125 - Gap exists between amount of available resource and post-COVID statutory demand - Accountable Officer - Corporate Director for Commissioning and Corporate Director for Adult Care Operations (Impact 4 Likelihood 4) NO CHANGE

Risk 339 - The impact of hospital pressures – Accountable Officer - Corporate Director for Commissioning and Corporate Director for Adult Care Operations (Impact 4 Likelihood 3) WORSE

Adults & Housing - Commissioning

Risk 5 - Failure to manage and shape the provider market results in increases in service costs and poor service – Accountable Officer - Corporate Director for Commissioning (Impact 4 Likelihood 3) NO CHANGE

Housing

Risk 247 - Temporary Accommodation is insufficient to meet community need - Accountable Officer - Service Manager for Housing Solutions (Impact 4 Likelihood 4) IMPROVED

Risk 180 – Increased Homeless Population – Accountable Officer – Corporate Director for Housing and Community Safety (Impact 4 Likelihood 4) WORSE

Children's Services

EXTREME

None

HIGH-LEVEL

Children's Care & Protection

Risk 104 - A lack of sufficiency and resilience (placements/residential/foster care) impacts negatively on the demands led budget for children in care – Accountable Officer - Assistant Director for Care & Protection (Impact 4 Likelihood 4) NO CHANGE

Risk 107 - Inadequate evidence base (including Partnership data) to determine service need for children's care and protection – Accountable Officer - Corporate Director for Care & Protection (Impact 4 Likelihood 3) IMPROVED

Risk 105 - Failure to keep children safe that are known to, or in the care of, Dorset Council – Accountable Officer - Assistant Director for Care & Protection (Impact 4 Likelihood 3) NO CHANGE

Risk 106 - Failure to understand and respond to the changing nature of exploitation results in a safeguarding failure – Accountable Officer - Corporate Director for Care & Protection (Impact 4 Likelihood 3) IMPROVED

Commissioning & Partnerships

Risk 281 - Financial viability of nursery and after school provision unaffordable – Accountable Officer - Corporate Director for Commissioning & Partnerships (Impact 3 Likelihood 4) WORSE

Risk 277 - Insufficient availability of local placements and supported accommodation to meet local needs – Accountable Officer - Corporate Director for Commissioning & Partnerships (Impact 4 Likelihood 3) NO CHANGE

Risk 278 - Major safeguarding failure by placement providers - Accountable Officer - Corporate Director for Commissioning & Partnerships (Impact 4 Likelihood 3) NO CHANGE

Schools & Learning

Risk 272 - Failure to stabilise the budget for the High Needs Block - Accountable Officer - Corporate Director for Schools & Learning (Impact 4 Likelihood 4) NO CHANGE

Corporate Development Services

EXTREME

Risk 286 - Loss of ICT service or data through a cyber-attack - Accountable Officer - Head of ICT Operations (Impact 5 Likelihood 5) NO CHANGE

Risk 348 - There is a business continuity risk from delayed ICT recovery after a disruption such as a power failure - Accountable Officer - Head of ICT Operations (Impact 5 Likelihood 4) NEW

Finance

Risk 345 - There is a risk that DC will not comply with the Procurement Regulations (UK Law) or Contract Procedure Rules if business areas fail to seek advice from, or have early engagement with, the Commercial & Procurement Team – Accountable Officer - Service Manager for Commercial & Procurement (Impact 3 Likelihood 4) NEW

Risk 346 - There is a risk that DC will not attain best value through procurement activity and effective contract management if business areas fail to seek advice from, or have early engagement with, the Commercial & Procurement Team – Accountable Officer - Service Manager for Commercial & Procurement (Impact 3 Likelihood 4) NEW

Human Resources & Organisational Development

Risk 359 - There is a risk that Schools will cease buying DC HR services, leading to a reduction in income into service and associated impact on service delivery from the wider service – Accountable Officer - Service Manager for HR Operations (Impact 4 Likelihood 3) NEW

Risk 358 - There is a risk that the review of terms and conditions may impact on the retention of key skills within the council - Accountable Officer - Corporate Director for Human Resources (Impact 4 Likelihood 3) NEW

Risk 352 – Resource levels including recruitment and retention difficulties in the Organisational Development Team results in a failure to deliver the relevant aspects of the People Strategy – Accountable Officer – Corporate Director of HR and OD (Impact 4 Likelihood 4) NEW

Risk 349 - There is a risk that the HR Manager Self-Service model is inconsistently applied across the council by managers - Accountable Officer - Service Manager for HR Operations (Impact 3 Likelihood 5) NEW

Legal & Democratic Services

Risk 321 - Unable to sustain Assurance service due to prolonged pressures (increasing caseloads; pandemic etc) - Accountable Officer - Service Manager for Assurance (Impact 3 Likelihood 5) NO CHANGE

Risk 59 - Inability to respond to the impacts of concurrent events - Accountable Officer - Service Manager for Assurance (Impact 4 Likelihood 3) IMPROVED

HIGH-LEVEL

Risk 212 - Inadequate information governance culture and framework and culture (policy; training; monitoring etc) results in a significant data breach - Accountable Officer - Service Manager for Assurance (Impact 4 Likelihood 4) NO CHANGE

Business Insight & Corporate Communication

Risk 344 - There is a risk that teams/services/directorates breach the Equality Act 2010 by failing to assess the impact of service changes, new policies, and projects on people with protected characteristics - Accountable Officer – Senior Leadership Team (Impact 3 Likelihood 4) NEW

Risk 316 - Value for money work doesn't progress (Chief Exec's) – Accountable Officer - Head of Chief Exec's Office (Impact 3 Likelihood 4) NEW

Risk 317 - Policy work slower than required (Chief Exec's) - Accountable Officer - Head of Chief Exec's Office (Impact 3 Likelihood 4) NEW

Digital & Change

Risk 326 - Failure to deliver savings from transformation - The efficiency and savings programme and associated the transformation programme are not delivered including the failure to deliver financial savings - Accountable Officer - Corporate Director - Digital & Change (Impact 4 Likelihood 3) NEW

None

ASSETS & PROPERTY

Risk 201 - Climate change effects on sea level rise and uncertainty could lead to low lying areas such as Weymouth being uneconomic to defend – Accountable Officer - Service Manager for Major Projects (Impact 4 Likelihood 4) NO CHANGE

Risk 138 - Breach of health and safety at an occupied premise (Directorate Duty Holder) – Accountable Officer - Head of Assets & Property (Impact 4 Likelihood 3) NO CHANGE

Economy Infrastructure and Growth – HIGHWAYS

Risk 73 - Failure to attract funding for asset maintenance - Accountable Officer - Service Manager for Infrastructure & Assets (Impact 4 Likelihood 3) IMPROVED

Risk 84 - Failure to deliver a safe and suitable alternative to the current arrangements for Wareham Level Crossing - Accountable Officer - Service Manager for Infrastructure & Assets (Impact 4 Likelihood 4) NO CHANGE

Risk 63 - Inability to maintain the highways infrastructure to an acceptable standard in the face of changing circumstances (e.g. budget reductions; climate change) – Accountable Officer - Service Manager for Network Operations (Impact 4 Likelihood 3) NO CHANGE

Risk 292 - Winter Service budget pressures – Accountable Officer - Service Manager for Network Operations (Impact 4 Likelihood 3) NO CHANGE

Economy Infrastructure and Growth – PLANNING

Risk 141 - Changes to national planning policy lead to delays to prep of the Local Plan Review – Accountable Officer - Head of Planning (Impact 4 Likelihood 3) NO CHANGE

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 – Accountable Officer - Service Manager for Spatial Planning (Impact 3 Likelihood 4) NO CHANGE

Economy Infrastructure and Growth – DORSET TRAVEL

Risk 366 - ADULT SAFEGUARDING Major safeguarding incident arises on adult transport due to lack of supervision – Accountable Officer - Service Manager for Fleet Operations (Impact 4 Likelihood 3) NEW

Risk 368 - PSVAR Coaches used on school transport (where there are some paying passengers) will be non-compliant by end of 2021 – Accountable Officer - Service Manager for Travel Operations (Impact 3 Likelihood 4) NEW

GROWTH & ECONOMIC REGENERATION

Risk 228 - Changing funding landscape and ability to secure investment funding for Dorset - Accountable Officer - Service Manager for Growth & Economic Regeneration (Impact 3 Likelihood 4) NO CHANGE

Risk 231 - Securing sufficient and appropriate skills and resources through restructuring of service to deliver DC economic growth strategy - Accountable Officer - Service Manager for Growth & Economic Regeneration (Impact 4 Likelihood 3) NO CHANGE

Commercial Waste & Strategy

Risk 209 - Change of government policy through the new DEFRA national waste strategy could impact what, and how, waste is collected and increasing costs - Accountable Officer - Head of Commercial Waste and Strategy (Impact 4 Likelihood 3) NO CHANGE

Risk 211 - Failure to maintain high recycling and therefore waste diverted to more expensive disposal - Accountable Officer - Head of Commercial Waste and Strategy (Impact 4 Likelihood 3) NO CHANGE

Risk 293 - Failure to secure capital to develop and maintain waste infrastructure - Accountable Officer - Head of Commercial Waste and Strategy (Impact 4 Likelihood 3) NO CHANGE

Risk 294 - Increase in cost of residual waste from HRC's - Accountable Officer - Head of Commercial Waste and Strategy (Impact 3 Likelihood 4) NO CHANGE

Risk 208 - Gaining sites and planning to provide infrastructure leads to failure to deliver service – Accountable Officer - Head of Commercial Waste and Strategy (Impact 4 Likelihood 4) NO CHANGE

Place Based Services – COMMUNITY & PUBLIC PROTECTION

Risk 178 - Failure to issue new Export Health Certificates for fish leading to business block/ failure and /or other service disruption - Accountable Officer - Service Manager for Food, H&S and Port Health (Impact 4 Likelihood 3) NO CHANGE

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 - Accountable Officer - Service Manager for Food, H&S and Port Health (Impact 4 Likelihood 3) NO CHANGE

Risk 28 - Loss of pet passport allowing movement of pets may lead to increase pet smuggling / disease. New Pet Passport arrangements take much longer to be able to use and vet examination is needed (Est £100). This may lead to avoidance - Accountable Officer - Service Manager for Trading Standards (Impact 4 Likelihood 3) NO CHANGE

Place Based Services – WASTE & OPERATIONS

Risk 62 - Traffic Commissioner Revoking, Curtailing, Suspending or Restricting DCC's Operators Licence (Goods and/or Passenger Carrying Operators Licence) - Accountable Officer - Head of Waste & Operations (Impact 4 Likelihood 3) WORSE

Risk 83 - PUWER Regulations - non-compliance of PUWER Regulations (H&S Provision and Use of Work Equipment Regulations 1998) - Accountable Officer - Head of Waste & Operations (Impact 4 Likelihood 4) WORSE

Risk Management Update Report

People Directorate for Adults and Housing

Extreme and High-level Risks

August 2021

Adults & Housing - Adult Care

Risk165 - Capacity, capability and focus within the Adult Social Care workforce is not appropriate to deliver statutory responsibilities and key priorities to an acceptable standard				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Corporate Director for Adult Care Operations	Worse	22 June 2021	High-Level	
			Impact	4
<p>Update - Although the impact of the 2nd wave of COVID-19 is easing there is a potential for a third wave peaking later in the year, so preparation will continue to develop the system-wide Hospital Discharge process and resilience in the wider service. Following the easing of the first COVID wave, contacts into a dult social care doubled in the first month and took another quarter to reduce. This pat tern is occurring now, and capacity is being monitored closely. The amount of unused annual leave across the service and the impact on service delivery of spacing requests is being analysed.</p> <p>The significant additional demands resulting from COVID-19, in particular delivering Hospital Discharges, increased safeguarding, Approved Mental Health Professional and Deprivation Of Liberty Safeguards referrals have had significant impact on the capacity within Adult Social Care to deliver business as usual alongside the transformation required to deliver improved outcomes for vulnerable people and savings. The hospital discharge COVID requirements have increased the number of people we are commissioning/contracting for across the system. This has impacted upon commissioning and brokerage functions, business intelligence and the finance teams who are required to recording and track cases to claim COVID funding support. For finance, the increase in workload alongside workforce changes and subsequent gaps may be a significant risk to the Council.</p> <p>There is significant complexity and demand in Learning Disability services, and this is stretching capacity within this specialism especially in relation to level 3 Social Worker and Area Practice Manager capacity. Plans are in place to mitigate this as far as is possible. Work is also progressing on the duties being carried out under Section 117 of the Mental Health Act on behalf of the CCG and Continuing Health Care (CHC) arrangements</p>				

Risk125 - Gap exists between a mount of available resource and post-COVID statutory demand				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Corporate Director for Commissioning and Corporate Director for Adult Care Operations	No change	18 August 2021	High-Level	
			Impact	4
<p>Update - This remains a significant risk. Operational and commissioning action is being taken to mitigate and reduce the financial risk. This is being overseen by a new Savings and Transformation Board which is jointly chaired by Corporate Directors. In addition, Cabinet is considering a request to approve a new Dorset Care Framework in June which when implemented will help shape the market costs. Conversations with the CCG are also taking place as we review and right size funding arrangements for a selection of packages and placements and finally, we are reviewing hospital discharge arrangements. We are working closely with Finance and Procurement colleagues on this matter.</p> <p>The existing controls are summarised as follows:</p> <ul style="list-style-type: none"> - Monthly Savings boards jointly chaired by corporate directors. - Re-establishment of financial control measures, including levels of delegations. - Consistency and proper control of access to council funded services, via hospital and community routes. - Revised peer forum and funding decision process for organisational sign off. <p>The risk mitigation actions are as follows:</p> <ul style="list-style-type: none"> - Closer relationship between commissioning and finance, to give greater visibility on spend and medium to longer term forecasting. - Targeted work with 42 budget holders to support and hold to account in delivery to budget position. - Revision of actions provided to the Our Dorset health and social care system on provision of services for the Hospital Discharge Programme. 				

Risk339 - The impact of hospital pressures				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Corporate Director for Commissioning and Corporate Director for Adult Care Operations	Worse	24 August 2021	High-Level	
			Impact	4
<p>Update - The pressure felt by hospitals across Dorset reflects the wider national crisis. The local authority is holding risk in both unavoidable delays due to the unavailability of home care and the secondary impact of prioritising the available home care for hospital discharge, meaning increasing risks in the community teams. Support is being provided to the hospitals in whatever way is possible, however being mindful of the financial impact on Dorset Council, if the response is not currently system funded. The external system partner has been appointed and started work with the Dorset health and social care system during mid-August. We hope to see immediate improvements because of this.</p>				

Adults & Housing – Commissioning

Risk 343 - Market failure leads to unsafe and unacceptable levels of unmet need for domiciliary care				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Corporate Director for Commissioning and Interim Corporate Director - Adult Care Operations	New Risk	18 August 2021	Extreme	
			Impact	4
<p>Update - A combination of adverse factors has led to a current waiting list of over 300 people for domiciliary care packages that they have been assessed as needing in accordance with Care Act 2014 eligibility criteria and/or the mandated hospital discharge policy.</p> <p>The adverse factors include:</p> <ul style="list-style-type: none"> - Coronavirus hospital discharge requirements that have increased the demand for domiciliary care through more people leaving hospital with higher needs. - The 'summertime economy' which draws a proportion of providers' workforce into the hospitality sector, is particularly buoyant. - Social isolation rules which affect workers returning to Dorset from (often long held-off) trips overseas. - A reduced number of workers from EU countries coming to work in Dorset. - Some normal face-to-face recruitment channels have not been available to providers during the pandemic. <p>This risk has unfortunately crystallised rapidly. It affects even our most reliable providers. Lead commissioners are working with all providers to establish what support the Council can offer them. It is clearly in providers' business interests to address the issue and some are considering significant changes like offering salaried positions instead of hourly pay. Tricuro can offer some capacity in their role as our 'provider of last resort'. However, this impacts on their capacity to provide reablement - itself often a statutory duty. In the last week of August 2021, commissioning managers were successful in a bid to the DH&SC's 'Contain Outbreak Management Fund' (COMF) which provides funding to councils, to help reduce the spread of coronavirus and support local public health. The £200,000 award will be used to boost recruitment to the Dorset domiciliary care workforce.</p> <p>The other mitigating actions we are taking with people include:</p> <ol style="list-style-type: none"> asking whether family members can provide additional support on a temporary basis. asking people to be flexible about the time that the carer(s) visits. asking people to be flexible about who the carer is; and establishing whether the care needs can still be met with a reduced number of care visits, on a temporary basis. 				

Risk 5 - Failure to manage and shape the provider market results in increases in service costs and poor service				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Corporate Director for Commissioning	No change	18 August 2021	High-Level	
			Impact	4
<p>High-quality, personalised care and support can only be achieved where there is a vibrant, responsive market of service providers. The role of the council is critical to achieving this through the actions it takes to commission services directly to meet needs. Section 5 of the Care Act 2014 covers the principles which should underpin our market-shaping and commissioning activity.</p> <p>Our current main approach to this risk is through the new Dorset Care Framework (DCF). A report to Cabinet in June 2021 requesting approval to implement the new DCF, was agreed. A task and finish group now meets weekly to deliver a project implementation plan, including an engagement strategy and a 'fair cost of care' exercise. Two provider events are already confirmed.</p> <p>Discussions are taking place about developing the provider market. The overall timescale for the DCF work has been adjusted but remains challenging in the context of the other pressures that colleagues and providers are facing.</p>				

Housing

Risk247 - Temporary Accommodation is insufficient to meet community need				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for Housing Solutions	Improved	13 August 2021	High-Level	
			Impact	4
<p>Update - The Covid-19 pandemic has seen the Council's dependence on B&B accommodation for homeless households increase by over 50%. As at July 2021 the number of households in temporary accommodation including B & B was 325 of these 85 were in B & B. As at 7 August 2020 the Council had 349 households in temporary accommodation of which 139 households were in B&B accommodation.</p> <p>Emergency and bed & breakfast accommodation is at capacity levels. The service is working hard to secure additional temporary accommodation in the private rented sector which is unresponsive. During the pandemic the number of families with children in B & B for over 6 weeks reduced to 1 but is now at 15 and expected to rise with the lifting of the eviction ban. Currently the top 3 reasons for homelessness for these households at this date are families no longer willing to accommodate: domestic abuse and ending of assured shorthold tenancy. We continue to prioritise these households. Work continues the Next Steps Accommodation Programme (NSAP) 10 new properties have been purchased and we have supported a local housing association to bid for funds that purchased 3 additional properties with support. We have completed placements to all these properties. The relocatable units funded through NSAP are now on site. Occupation is anticipated late August / first week of September 2021.</p> <p>MHCLG announced a second phase of funding – Rough Sleeping Accommodation Programme (RSAP). We have submitted a bid and anticipate the results during June 2021. Funding will be used to continue the provision of additional accommodation and support for this cohort. Despite the challenges faced by developers to complete new affordable homes our target of 300 was surpassed with 301 new affordable becoming homes available in 20/21. Work will start in 21/22 to develop a new Dorset Council Housing Strategy to drive incremental improvements in access and provision of suitable housing for our residents.</p> <p>There is a direct cost to the Council for every household placed in B&B accommodation in housing benefit top up. Additional temporary accommodation takes the pressure off B&B placements and results in a cost avoidance.</p>				

Risk180 - Increased homeless population				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Corporate Director for Housing and Community Safety	Worse	13 August 2021	High-Level	
			Impact	4
<p>Update - Risk of homelessness increasing due to the release of the ban on landlords taking possession proceedings to Court (eviction), income loss due to rises in unemployment and income loss due to the £20 Universal Credit top up being removed. Protections have been in place during the lockdown period, since March 2020, to prevent eviction and to top up income shortfalls through furlough or Universal Credit.</p> <p>New approaches are returning to pre-pandemic levels however, the lifting of the eviction ban and gradual easing of notice periods over the next few months is expected to contribute to an increase in the levels of households approaching the service.</p> <p>Advice and guidance available within the community and via website. Support to complete residency available at Citizens Advice Bureau and Race Equality group. Should additional people then become homeless they are not eligible for service and this should be considered as part of wider community strategy in partnership with all community and voluntary agencies. Clear engagement work required with relevant agencies to support this cohort.</p> <p>New approaches are returning to pre-pandemic levels however, the lifting of the eviction ban and gradual easing of notice periods over the next few months is expected to contribute to an increase in the levels of households approaching the service.</p> <p>Advice and guidance available within the community and via website. Support to complete residency available at Citizens Advice Bureau and Race Equality group. Should additional people then become homeless they are not eligible for service and this should be considered as part of wider community strategy in partnership with all community and voluntary agencies. Clear engagement work required with relevant agencies to support this cohort.</p> <p>Advice and guidance available within the community and via website. Support to complete residency available at CAB and Race Equality group. Should additional people then become homeless they are not eligible for service and this should be considered as part of wider community strategy in partnership with all community and voluntary agencies. Clear engagement work required with relevant agencies to support this cohort.</p> <p>Advice and guidance available within the community and via website. Support to complete residency available at CAB and Race Equality group. Should additional people then become homeless they are not eligible for service and this should be considered as part of wider community strategy in partnership with all community and voluntary agencies. Clear engagement work required with relevant agencies to support this cohort.</p>				

Risk Management Update Report
Children's Services Directorate

Extreme and High-level Risks

August 2021

Children's Care & Protection

Risk104 - A lack of sufficiency and resilience (placements/residential/foster care) impacts negatively on the demands led budget for children in care						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Corporate Director for Care & Protection	No Change	12 August	HIGH-LEVEL			
			Impact	4	Likelihood	4
<p>Update - Response: Ensuring sufficient 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 continuing focused initiatives during Summer and Autumn 2021 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 and a recently formed Foster Carers association who are continually helping us to shape our services and support. We are also continuing to deliver our Looked After Children Reduction Strategy. This strategy explicitly states our commitment to reducing the number of children in our care.</p> <p>Current Controls: Early help strategy; Commissioning strategy for placements; performance management; prevention is a priority within the Children Families & Young Peoples plan ensuring partner engagement; budgetary controls, monthly tracking and performance meetings and continued progress through the Strengthening Services plan.</p> <p>Controls</p> <ul style="list-style-type: none"> - Sufficiency strategy to understand need and identify plans for increasing sufficiency - Fostering service improvement board - Improvements in Care Planning 						

Risk107 - Inadequate evidence base (including Partnership data) to determine service need for children's care and protection						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Corporate Director for Care & Protection	Improved	12 August	HIGH-LEVEL			
			Impact	4	Likelihood	3
<p>Update - 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.</p> <p>Controls</p> <ul style="list-style-type: none"> - Business Intelligence Team is improving the approach to collection and sharing information - Joint Strategic Needs Assessment completed. 						

Risk105 - Failure to keep children safe that are known to, or in the care of, Dorset Council						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Assistant Director for Care & Protection	No Change	12 August	HIGH-LEVEL			
			Impact	4	Likelihood	3
<p>Update - We are continuing work to further strengthen practice and services through our Strengthening Services for Children and Families Programme.</p> <p>Current Controls: Participation in sector improvement programme, self-assessment processes, improvement plans; Supervision processes; case file audits; performance management with report to CSLT/Safeguarding Overview and Scrutiny Committee; policies and process continuous improvement; case audits by peer groups/senior managers.</p>						

Risk106 - Failure to understand and respond to the changing nature of exploitation results in a safeguarding failure						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Corporate Director for Care & Protection	Improved	12 August	HIGH-LEVEL			
			Impact	4	Likelihood	3
<p>Update - 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 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.</p> <p>Multi-agency strategy agreed and tactical group in place to oversee this work. Multi-agency tactical group meeting regularly to understand and share intelligence on exploitation locally</p>						

Commissioning & Partnerships

Risk281 - Financial viability of nursery and after school provision unaffordable						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Corporate Director for Commissioning & Partnerships	Worse	12 August	HIGH-LEVEL			
			Impact	3	Likelihood	4
<p>Update - 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.</p> <p>The financial viability of settings has been further impacted by Covid and there is some uncertainty over demand because of furloughing. There is new support coming from the DfE on Holiday Provision and Wrap around support, so we are undertaking some further analysis of the requirements and impact of this. A review of nursery provision is on the Work Programme for the Commissioning service in 2021.</p> <p>Controls</p> <ul style="list-style-type: none"> - Childcare Sufficiency Strategy has been completed to identify childcare needs - Work is now underway to review the nursery provision - Financial support has been secured through Contain Outbreak Management Fund to offset additional costs associated with Covid 						

Risk277 - Insufficient availability of local placements and supported accommodation to meet local needs.						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Corporate Director for Commissioning & Partnerships	No Change	12 August	HIGH-LEVEL			
			Impact	4	Likelihood	3
<p>Update - Ensuring sufficient local placements for our children in care closer to their families and communities and ensuring sufficient 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.</p> <p>Planning permission has been secured to build additional local residential provision.</p> <ul style="list-style-type: none"> - The placement sufficiency strategy was approved by Cabinet in January 2021 and is a 3-year plan for delivery of additional placements. <p>Although there is increased local investment and plans in place to address long-term sufficiency, there remains several national challenges having an impact on sufficiency. These include quality concerns identified by Ofsted resulting in the restriction of new admissions in multiple settings, lack of sufficient availability of crisis mental health support including Tier 4 mental health beds, lack of secure welfare accommodation.</p> <p>Controls</p> <ul style="list-style-type: none"> - Development of local provision internally through the building of new children's residential provision. - Development of local provision internally through the repurposing of existing council premises for the provision of residential care. - Working with external providers to encourage the opening of new provision locally through offering lease arrangements on DC buildings. - Working with external providers to encourage the opening of new provision locally through sharing local intelligence on needs and supporting registration and consideration of block contracts where appropriate. - Developing our in-house fostering provision - increasing the timeliness of assessment and the quality of support. - Working with health colleagues to implement new models of crisis care for children experiencing poor mental health 						

Risk278 - Major safeguarding failure by placement providers						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Corporate Director for Commissioning & Partnerships	No Change	12 August	HIGH-LEVEL			
			Impact	4	Likelihood	3
<p>Update - Regular contract management is in place as part of regional and local frameworks. Due diligence on providers takes place prior to making a placement through checking of Ofsted reports and location risk assessments. We have appointed a QA officer to work with operational services to identify early warning signs that can be addressed with providers. Ofsted Assurance visits have increased and are identifying poor practice.</p> <p>Controls</p> <ul style="list-style-type: none"> - Due diligence checks prior to making placements - Regular contract review meetings - Visits by social workers, IROs and other professionals - QA of Reg 44 visits - Monitoring of Ofsted assurance visit reports and notifications of restrictions and closures 						

Schools & Learning

Risk272 - Failure to stabilise the budget for the High Needs Block						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Corporate Director for Schools & Learning	No Change	13 August 2021	HIGH			
			Impact	4	Likelihood	4
<p>Update - 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.</p>						

Risk Management Update Report

Corporate Development Services

Extreme and High-level Risks

August 2021

Finance and Commercial

Risk345 - There is a risk that DC will not comply with the Procurement Regulations (UK Law) or Contract Procedure Rules if business areas fail to seek advice from, or have early engagement with, the Commercial & Procurement Team				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for Commercial & Procurement	New Risk	18 July 2021	High-Level	
			Impact	4
			Likelihood	3
Update - May is not compliant with the Procurement Regulations (UK Law) or Contract Procedure Rules.				
Controls - Communication about the role of the commercial and procurement team is in development. Lead and development of the Commercialisation Programme (Being more commercially minded). Procurement Forward Plan. The programme will expand existing training and develop new offers to include on-line modules / resources within the Learning Hub - Commercially Minded.				

Risk346 - There is a risk that DC will not attain best value through procurement activity and effective contract management if business areas fail to seek advice from, or have early engagement with, the Commercial & Procurement Team.				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for Commercial & Procurement	New Risk	19 July 2021	High-Level	
			Impact	4
			Likelihood	3
Controls - Communication about the role of the commercial and procurement team is in development. Lead and development of the Commercialisation Programme (Being more commercially minded). Procurement Forward Plan. The programme will expand existing training and develop new offers to include on-line modules / resources within the Learning Hub - Commercially Minded.				

HR and OD

Risk359 - There is a risk that Schools will cease buying DCHR services, leading to a reduction in income into service and associated impact on service delivery from the wider service.				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for HR Operations	New Risk	27 July 2021	High-Level	
			Impact	4
			Likelihood	3
Will impact on our ability to continue to fund services delivered to DC, due to c£400k of income underpinning costs of resources in teams/roles supporting DC's services. Continued increase in large MAT's, in line with Govt direction, increases likelihood that schools will convert to larger MAT's, where direct employment of HR resources is more viable/common, resulting in schools ceasing to buy into DCHR Services.				
Controls - Continued focus on service improvement and promotion of DCHR Services, including added value offered as being part of LA and specialists in supporting educational settings with people management matters.				

Risk358 - There is a risk that the review of terms and conditions may impact on the retention of key skills within the council.				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Corporate Director for Human Resources	New Risk	27 July 2021	High-Level	
			Impact	4
			Likelihood	3
Without incurring significant additional cost to the council, it will be difficult to introduce a set of terms and conditions for all employees that will not see any reduction in terms in some areas, which may lead to employees deciding to leave the council (i.e. potential reduction in annual leave for Social Workers).				
Controls - Engagement with directorate leads to understand the potential impact of changes to terms and conditions on different elements of the workforce. Early engagement with TUs. Full consideration of different implementation options				

Risk352 - Resource levels including recruitment and retention difficulties in the Organisational Development Team results in a failure to deliver the relevant aspects of the People Strategy				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Corporate Director for Human Resources and OD	New Risk		High-Level	
			Impact	4
			Likelihood	4
Will impact on the impact that the OD team can have on the delivery of the People Strategy and ultimately affect the Council's key priority to be a Band Employer of Choice				
Controls - A discussion is being held at SLT about resourcing of the People Strategy				

Risk349 - There is a risk that the HR Manager Self-Service model is inconsistently applied across the council by managers						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Service Manager for HR Operations	New Risk	17 August 2021	High-Level			
			Impact	3	Likelihood	5
<p>Update - Will impact on individual and collective decision making leading to a range of impacts from administrative errors to lengthy and expensive employee relations disputes - Lack of clarity around role of managers in dealing with people management matters and willingness of managers to engage in this way of working, potentially influenced by experience or lack of confidence in dealing with people management matters</p> <p>Controls – Promotion of self service, development of DES and the intranet, engagement, and communications with Managers. Monitoring of volume of managers working outside of current self-service model, with escalation of any patterns or areas of concern. Work underway to introduce improvements to systems and process (i.e. DES, Recruit) to simplify common tasks performed by managers.</p>						

ICT Operations

Risk286 - Loss of ICT service or data through a cyber-attack						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Head of ICT Operations	No Change	19 July 2021	Extreme			
			Impact	5	Likelihood	5
<p>Update - Countermeasures for this risk can be split into 2 categories, Likelihood reduction and Impact reduction.</p> <p>Likelihood reduction: The most likely risk trigger is a successful phishing attempt that yields user credentials or allows malware to be installed on a device. Current industry data suggests that successful phishing campaigns account for up to 80% of all cyber breaches. LGA grant funding has been secured to provide user awareness training and phishing simulation capabilities for one year. A product has been selected and implementation of this product is expected by June 2020. Phishing simulation will allow the authority to assess the effectiveness of this training providing further assurance to the organisation. The ICT Operations team are working up proposals for how this can be sustained to ensure user awareness and phishing simulation capabilities are maintained.</p> <p>There has been a focus on identity management and protection in the last 3 months, a new password policy has been agreed and is being implemented along with mandatory multifactor authentication and conditional access technologies.</p> <p>Impact Reduction: The Council's overall approach to cyber security management has been under review since the end of Corporate Development Tranche 2 restructuring which confirmed the Cyber Security & ICT Continuity Lead appointment. A new strategy and policy are being drafted. These documents will outline the approach for the Council over the next few years and lay the foundation for comprehensive, interlocking countermeasures for this risk. The planned changes will allow the organisation to reduce its attack surface (Likelihood) and to react quickly to a breach which can drastically reduce the overall impact of the incident.</p> <p>The longer a vulnerability, cyber-attack or breach is left uncontrolled the more damage can be done. Permanent total data loss, Citizen data released on the internet, blackmail. Data gathered can be used by the threat actors to launch social engineering attacks on the residents of Dorset with information stolen from the Council.</p> <p>Controls - Continue to implement and improve the maturity of the vulnerability management and incident detection and response capabilities. These actions will reduce both the likelihood and impact further as stopping a breach quickly can limit the impact. 'Immutable backup' capabilities reduce or stop the total loss of data by providing secure backup copies of council data. Application rationalisation will reduce the total number of vulnerabilities in the infrastructure therefore reducing the attack surface of the council.</p>						

Risk348 - There is a business continuity risk from delayed ICT recovery after a disruption such as a power failure.						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Head of ICT Operations	New Risk	19 July 2021	Extreme			
			Impact	5	Likelihood	4
<p>Update - Inadequate ICT service continuity capabilities, planning, training, and testing results in delayed ability to recover ICT services supporting critical business functions in the event of a disruption.</p> <p>Controls - People - Current counter measures are based on the experience and previous procedures used in the former DCC. Whilst these procedures were effective, they have not been updated for Dorset Council. The principles will work however some of the specific details will be out of date. Current technology convergence makes baselining and testing impractical.</p>						

Legal & Democratic Services

Risk321 - Unable to sustain Assurance service due to prolonged pressures (increasing caseloads; pandemic etc).						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Service Manager for Assurance	No Change	16 August 2021	High-Level			
			Impact	3	Likelihood	5
<p>Update - There are significant pressures across all parts of the Assurance Service. Emergency Planning Team have been focussed on the ongoing Covid response; complaints team have seen a doubling of cases and there are also significant pressures on an already under pressure information compliance team. A business case for additional resourcing in the Complaints and Information Compliance teams was approved by SLT during August 2021, and recruitment will commence shortly. Annual leave and wellbeing more generally are being monitored across the service.</p> <p>Controls - 1 to 1s / My Roadmap; Team meetings; Workstream allocation; Mitigation - Additional resourcing to be recruited, following approval of business case</p>						

Risk59 - Inability to respond to the impacts of concurrent events						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Service Manager for Assurance	Improved	16 August 2021	High-Level			
			Impact	4	Likelihood	3
<p>Update - A contingency group was established during the Covid-19 outbreak at Local Resilience Forum level which looked at response to concurrent events.</p> <p>Throughout the duration of the Covid response, the team have been dealing with concurrent events. The dedicated Covid Silver role has been stepped down, in line with the LRF standing down the Major Incident declaration in April 21 but would be reinstated in the event of a significant surge. The Council has played an active role in the LRF Concurrent Risks Groups (Strategic and Tactical) and onwards into recovery.</p> <p>Controls</p> <ul style="list-style-type: none"> - Command and Control structure (Gold and Silver; Duty EP; LALO). - Multi agency work via Local Resilience Forum. - DC Incident Management Team. - Portfolio of emergency plans. - Safety Advisory Groups. - Work of the LRF Contingency Group (Covid-19) <p>Mitigation - Accepted risk. Should the risk occur, additional resource would be found through prioritisation of services</p>						

Risk212 - Inadequate information governance culture and framework and culture (policy; training; monitoring etc) results in a significant data breach						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Service Manager for Assurance	No Change	16 August 2021	High-Level			
			Impact	4	Likelihood	4
<p>Update - 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. The Information Compliance team are formulating an action plan, which will be owned by the board.</p> <p>A new data protection training module is available and will be a mandatory requirement for all staff. Compliance is monitored by SLT. The Council is currently recording "red" performance for meeting Subject Access Request timescales. Work is underway with Children's Services to identify how this position can be improved. Capacity in the information compliance team has been challenging, with team resources focussed on "fire fighting" Freedom of Information; Subject Access Requests and Data Breaches, leaving limited time to move forward strategic information governance improvements.</p> <p>Controls</p> <ul style="list-style-type: none"> - Portfolio of information governance policies - GDPR training - Information Governance Group - Information Governance Action Plan <p>Mitigation - Additional resourcing to be recruited, following approval of business case</p>						

Business Insight & Corporate Communication

Risk344 - There is a risk that teams/services/directorates breach the Equality Act 2010 by failing to assess the impact of service changes, new policies, and projects on people with protected characteristics						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Senior Leadership Team	New Risk	19 July 2021	High-Level			
			Impact	3	Likelihood	4
Update - This is a risk because a) we are going through a period of significant service change and transformation b) understanding of equality legislation is inconsistent across the workforce and c) we are implementing a new process for assessing equality impacts. The risk is of a successful judicial review resulting in financial penalties and reputational damage Information Governance Action Plan						
Controls - EDI training is mandatory for all employees						
Mitigation - Additional resourcing to be recruited, following approval of business case						

Risk316 - Value for money work doesn't progress (Chief Exec's)						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Head of Chief Exec's Office	New Risk	11 May 2021	High-Level			
			Impact	3	Likelihood	4
Update - Resource issues to deliver the work now. May result in lack of focus on areas where we are not delivering value for money - Currently discussing whether SWAP may be able to provide some resource - Investigate other resourcing options.						

Risk317 - Policy works slower than required (Chief Exec's)						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Head of Chief Exec's Office	New Risk	11 May 2021	High-Level			
			Impact	3	Likelihood	4
Update - Resource issues. Results in lack of corporate oversight of key council policies, horizon scanning and funding opportunities						

Digital & Change

Risk326 - Failure to deliver savings from transformation - The efficiency and savings programme and associated the transformation programme are not delivered including the failure to deliver financial savings.						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Corporate Director - Digital & Change	New Risk	17 May 2021	High-Level			
			Impact	4	Likelihood	3
Update - Transformation Programme in place focussed on delivering agreed financial targets. Financial monitoring arrangements strengthened and integrated into budgetary control. Governance arrangements in place to report and monitor the realisation of savings. Review of financial forecasts at MTFP - effective project management to realise savings and ensure appropriate staffing levels within projects.						
Control - Treat – continue with the activity and bring the risk to an acceptable level						

Risk Management Update Report

Place Directorate

Extreme and High-level Risks

August 2021

ASSETS & PROPERTY

Engineering & Special Projects

Risk201 - Climate change effects on sea level rise and uncertainty could lead to low lying areas such as Weymouth being uneconomic to defend						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Service Manager for Engineering & Special Projects	No Change	18 August 2021	High-Level			
			Impact	4	Likelihood	4
Update - 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 updated spring 2020, potential for increased funding to protect infrastructure and economic activity. Funding currently mainly based on numbers of homes protected						
Controls - Use latest inter-governmental guidance when designing coast defences, design life of 50 years. Shoreline Management plan review						

Risk138 - Breach of health and safety at an occupied premise (Directorate Duty Holder)						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Head of Assets & Property	No Change		High-Level			
			Impact	4	Likelihood	3
Update - Many sites now have a nominated Premises Responsible Person. However, restructuring of services and a 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.						

Economy Infrastructure and Growth – HIGHWAYS

Risk73 - Failure to attract funding for asset maintenance						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Service Manager for Infrastructure & Assets	Improved	25 March 2021	High-Level			
			Impact	4	Likelihood	3
Update - The new HAMP/AMP review 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. Working with WSP and other authorities to share best practice. 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 overspecifying 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 (i.e. so they cannot be moved out of the county, etc).						
Cause: Shortfalls exist in funding for future maintenance of current assets, with no commuted sums for newly constructed assets; Designing features which impact on future maintenance; Central Government focus on walking and cycling leading to construction of new infrastructure is increasing the need for DC to allocate maintenance funds to these assets;						
Consequences: Increased future maintenance liability; Inability to maintain new assets; Adverse publicity and damage to service reputation; Negative impact on budgets; Increase pressure on staff.						
Controls: Commuted sums; Maintenance funds to be directed to footways / cycleways; This is an unknown quantity that comes from the revenue budget. The burden is placed on the capital budget to cover anything over and above the revenue budget.						

Risk84 - Failure to deliver a safe and suitable alternative to the current arrangements for Wareham Level Crossing				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for Infrastructure & Assets	No Change		High-Level	
			Impact	4
			Likelihood	4
<p>Update - Dorset Council assumed responsibility from Dorset County Council (DCC) 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.</p> <p>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, DCC paid for the provision of security guards at the crossing to improve compliance and safety at the crossing.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The crossing continues to be a 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. A parallel footway/cycleway along the A351 is being explored in the area to address an existing network deficiency.</p> <p>There remains commitment from Dorset Council and Network Rail to finding a resolution. Commitment from central government appeared more likely 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.</p> <p>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.</p> <p>Feb 2021 - No definitive permanent plans are proposed, or funding secured for a suitable alternative. Procurement of level crossing security contract is being progressed to make revenue savings for council to continue to deliver service.</p> <p>Controls - This has been an ongoing issue for 25 years. Network Rail have tried twice before to resolve this but failed due to planning issues; Currently costing the authority £120,000 per year for security guards (with costs rising); Introduce ramps, with crossing fenced off, and removal of security guards; Continued lobbying and negotiations with Network Rail; Implement main recommendation of ramped solution; Open public meeting held in the evening chaired by MP.</p> <p>Ramp proposal met with overwhelmingly hostile local reaction; Working to modify Network Rail asset, the existing bridge, has triggered more demanding NR assurance requirements; Introduction of ramps (main recommendation) failed to get planning permission; Access for All funding bid by South West Railways and Network Rail for DfT funding to install lifts failed; The crossing continues to be a high risk for safety, continuing financial commitment and reputational damage. Risk being realised with recent crossing incidents, lack of attendants and crossing closure.</p> <p>Cause: Failure to get planning agreement; Failure to get agreement on funding; Lack of Member/Cabinet support; Opposition from Town Trust, etc.</p> <p>Consequence: Closure of crossing by Office of Road & Rail; Legal action against DC; Death; Serious injury; Reputational damage; Financial impact - either due to incidents or ongoing maintenance/management; Negative publicity; Customer dissatisfaction; Public liability claims.</p> <p>Controls - Security guards in place (at cost to DC); Active programme in place to deliver alternative arrangements;</p>				

Risk63 - Inability to maintain the highways infrastructure to an acceptable standard in the face of changing circumstances (e.g. budget reductions; climate change)				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for Network Operations	No Change	11 August 2021	High-Level	
			Impact	4 Likelihood 3
<p>Update - 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.</p> <p>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.</p> <p>Deliver Action Plan to achieve full available funding from DfT incentivised funding</p> <p>Cause: Adverse weather conditions; Under investment in highways infrastructure from central government and DC funding - now and in the future (future maintenance liabilities); Incentivised element of maintenance black funning from DfT has been increased by another year, uncertainty of funding mechanism from April 2022 onward; Lack of political support for local funding allocation; Lack of capacity to respond to necessary repair work at times of crisis/peak work periods; Reduction in funding without changes in ways of working; Increase in weight, size & volume of traffic; Lack of development of systems/evidence tools; Lack of staff motivation impacts adversely on the work undertaken; Lack of staff capacity to manage insurance claim administration within desired timescales; Unable to adapt to climate change;</p> <p>Consequence: Negative impact on the council's reputation; Inability to rely on Section 58 defence; Potential increase in claims costs; Road network not fit for purpose; Negative economic impact on the area; Negative impact on self-insurance arrangements; Negative impact on staffing capacity to respond to complaints/FOI requests, etc (failure demand); Customer dissatisfaction; Higher cost of reactive maintenance, rather than long term repairs; Challenges under S56 of Highways Act (noticed served to maintain a area of highway); Increasing needs based budget; Potential increase to safety risk;</p> <p>Controls - Highways Climate Change Risk Register; Structural maintenance programme; Amended inspection processes; Risk based inspection regime; Use of innovative repair techniques; Compiled asset management strategy Highways Asset Management Plans Volume One & Volume Two; Highway Maintenance Policy; Achieved 'Band 3' status in DfT incentive fund giving us 100% of a available funding from 2017 until 2021; Executive Advisory Panel set-up to seek additional capital and revenue funding with drainage and proactive maintenance;</p>				

Risk292 - Winter Service budget pressures				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for Network Operations	No Change	11 August 2021	High-Level	
			Impact	4 Likelihood 3
<p>Update - 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 the service to cover the cost of snow clearance beyond this point.</p> <p>Clarity has been requested from the Corporate Director for Economic Growth and Infrastructure that the required budget provision will be provided or that any operational costs will be met corporately should they be realised. It has been confirmed that this provision would be made from the Server Weather Fund held outside of the service.</p> <p>Controls - 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. Seasonal variations have led to up to 5 days of snow clearance over the winter period in recent years.</p>				

Economy Infrastructure and Growth – PLANNING

Risk141 - Changes to national planning policy lead to delays to prep of the Local Plan Review			
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating
Head of Planning	No Change		High-Level
			Impact 4 Likelihood 3
Update -			

Risk194 - 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			
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating
Service Manager for Spatial Planning	No Change	25 March 2021	High-Level
			Impact 3 Likelihood 4
Update - 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.			
Controls - Adopted local plans across area, though not all up to date; Five-year land supply carefully monitored across all plan areas. Proactive approach working with developers to try to bring sites forward (though needs significant resource); External funding e.g. for Gillingham site; Giving appropriate weight to housing land supply in decisions on applications, allowing more where it is appropriate; Ensuring that we make sufficient development land allocations in new local plan, and that they are deliverable and viable sites.			

Economy Infrastructure and Growth – DORSET TRAVEL

Risk366 - ADULT SAFEGUARDING Major safeguarding incident arises on adult transport due to lack of supervision			
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating
Service Manager for Fleet Operations	New Risk	9 August 2021	High-Level
			Impact 4 Likelihood 3
Update - At present passenger assistants are not routinely provided on adult social care transport (unlike transport for children with SEND). This increases the risk of a passenger with dementia acting in a way that could jeopardise themselves or other passengers whilst the driver is away from the vehicle (e.g. taking another passenger to their front door)			
Impact - Death or serious injury			
Mitigation - Provide passenger assistants on selected adult social care transport Include a review of risks for all passengers travelling on adult social care transport as part of a commissioning strategy and put appropriate measures in place			
We are still awaiting a decision on whether Dorset Travel will continue to provide transport for day care centres			

Risk368 - PSVAR Coaches used on school transport (where there are some paying passengers) will be non-compliant by end of 2021			
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating
Service Manager for Travel Operations	New Risk	9 August 2021	High-Level
			Impact 3 Likelihood 4
Update - There has been an agreement to delay enforcement until the end of 2021. In addition, there is a further option to allow 50% of services to be non-compliant for another 2 years after that. Letter from DfT on 6th July indicated that the deadline for compliance will be March 2022			
Some school transport operators will no longer be able to operate school services; DC may be forced to change policy around charging for surplus seats - which would affect both DC and operator finances; Other associated challenges and issues could arise from any changes to policy			
Mitigation Actions - Ensure that all transport operators affected by this have suitable contingency plans in place by end of 2021. Create options report to help with decision making			

GROWTH & ECONOMIC REGENERATION

Risk228 - Changing funding landscape and a ability to secure investment funding for Dorset				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for Growth & Economic Regeneration	No Change		High-Level	
			Impact	3 Likelihood 4
Update - Further actions - Collation and evaluation of evidence and preparation of schemes and business cases				
Control - Establish economic growth strategy and priorities for Dorset, aligned with Dorset LEP and BCP				

Risk231 - Securing sufficient and appropriate skills and resources through restructuring of service to deliver DC economic growth strategy				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for Growth & Economic Regeneration	No Change		High-Level	
			Impact	4 Likelihood 3
Update - Further actions - Informed restructuring process				
Control - Informed restructuring process				

Place Based Services – COMMERCIAL WASTE & STRATEGY

Risk209 - Change of government policy through the new DEFRA national waste strategy could impact what, and how, waste is collected and increasing costs				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Head of Commercial Waste and Strategy	No Change	18 August 2021	High-Level	
			Impact	4 Likelihood 3
Update - Extended Producer Responsibility for Packaging (EPR) in the UK consultation, A Deposit Return Scheme (DRS) for drinks containers in England, Wales and Northern Ireland consultation and The Consistency of materials collected for recycling for households and businesses in England consultation. There will be further consultations around minimum collection standards released later this year which will be enforced nationally. The key areas of concern for these consultations are: <ul style="list-style-type: none"> - How Dorset will receive the income from the producers through the EPR reform - what do they deem to be an efficient and effective service. It's not currently clear whether we will get full net cost recovery for packaging waste. Furthermore, it's likely Government be looking to remove the level of funding DC receives from EPR in the next spending review - so this isn't new money to the Council and creates lots of uncertainty around budgeting. - Free garden waste collections - we strongly oppose this position as it will be a significant cost to Dorset council that we don't believe will be fully covered under new burdens, and it will also increase our environmental impact. 				
Controls - Active engagement through consultation responses. Involvement with national bodies.				

Risk211 - Failure to maintain high recycling and therefore waste diverted to more expensive disposal				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Head of Commercial Waste and Strategy	No Change	18 August 2021	High-Level	
			Impact	4 Likelihood 3
Update - Ensure continued investment in communication and educational resources. Waste growth has increased at the kerbside as a direct result of Covid-19. More residents have been working from home and as such Dorset, together with all other local authorities, has seen an increase in waste arisings at the kerbside. This year we are forecasting a £500k overspend on our disposal budget because of this additional waste. Move ahead with the development of a central strategic waste transfer station and a new HRC in the East of the county to promote support wider reuse opportunities.				
Controls - Extensive communication and education plan. Replacement vehicle programme to ensure waste is collected and public continue to support service				
Mitigation: Continue to promote educational campaigns focusing on waste reduction and reuse, such as home composting, using real nappies etc. Also, we will continue to promote the 'Right Stuff, Right Bin' campaign 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).				

Risk293 - Failure to secure capital to develop and maintain waste infrastructure						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Head of Commercial Waste and Strategy	No Change	18 August 2021	High-Level			
			Impact	4	Likelihood	3
<p>Update - We have submitted planning for Blandford waste management centre (HRC and transfer facility) and have secured capital for a new HRC in the East of the County so are now actively looking for a site in the East. Improvements and general maintenance of depot and HRC infrastructure is an ongoing challenge with a limited R&M budget. Wider Council infrastructure requirements need to be incorporated into this work, such as the recent property infrastructure review for DC.</p> <p>With property growth increasing, and trade and garden waste services increasing there is a need for larger depots and infrastructure to facilitate this growth and to capitalise on future income generation opportunities.</p>						

Risk294 - Increase in cost of residual waste from HRC's						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Head of Commercial Waste and Strategy	No Change	18 August 2021	High-Level			
			Impact	3	Likelihood	4
<p>Update - 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. There is a short-term risk of increased costs within existing contract period. The significant risk is the increase in cost to the Council when we renew the contract. Our current contract ends August 2024.</p>						

Risk208 - Gaining sites and planning to provide infrastructure leads to failure to deliver service.						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Head of Commercial Waste and Strategy	No Change	18 August 2021	High-Level			
			Impact	4	Likelihood	4
<p>Update - Two major projects are currently ongoing. A central waste management centre in Blandford, where planning permission has been submitted. A site search in the East of the county has been completed for a new HRC and the long list of sites is being reviewed to generate a short list of sites. A waste infrastructure review has been completed to provide a baseline of requirements. This fed into the recent property review of depots across Dorset, however more work is required in this area across the Council.</p> <p>Controls - Worked with waste planning authority to identify and safeguard sites to meet our needs through the Waste Local Plan. Working with neighbouring authorities for continued use of facilities. Contingency plans identified in all waste contracts.</p>						

Place Based Services – COMMUNITY & PUBLIC PROTECTION

Risk178 - Failure to issue new Export Health Certificates for fish leading to business block/failure and/or other service disruption						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Service Manager for Food, H&S and Port Health	No Change	9 August 2021	High-Level			
			Impact	4	Likelihood	3
<p>Update - DEFRA grant secured for £25k and second grant of £30K and being used to provide backfilling.</p> <p>Eight officers now authorised as Certifying Officers (CO) and access to the APHA system for the Export Certificates in place. Visits made to businesses intending to export fish to the EU by CO's.</p> <p>Controls - New requirement. Impact being assessed.</p> <p>Mitigation Actions - Added to the Corporate Indemnity Insurance 2021</p>						

Risk190 - Significant Health and Safety incident / a 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.						
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating			
Service Manager for Food, H&S and Port Health	No Change	9 August 2021	High-Level			
			Impact	4	Likelihood	3
<p>Update - 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.</p> <p>Further Action - Ensure that staffing numbers and capacity is sufficient to carry out significant investigation work without impacting on other statutory work. Working with Trading Standards on proceeds of crime action. Ensure sufficient resource for legal support as appropriate.</p> <p>Controls - Work prioritisation</p>						

Risk28 - Loss of pet passport allowing movement of pets may lead to increase pet smuggling / disease. New Pet Passport arrangements take much longer to be able to use and vet examination is needed (Est £100). This may lead to avoidance.				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Service Manager for Trading Standards	No Change	2 July 2021	High-Level	
			Impact	4
			Likelihood	3
Update - Communication to educate the public on pet passport rules. Alternative measures in place and are on Gov website. Previously pet owners could move their animals within Europe. With a slower more costly facility there could be an increased risk of pet owners attempting to 'smuggle' their animals into the UK without rabies vaccinations. This could increase the risk of the disease being introduced into the UK (rabies is endemic in a few Eastern European countries). Also, there may be disruption from suspected illegal landings. There is no evidence of this to date, but holiday travel is limited by Covid.				
Controls - Communication and publicising by various bodies of current rules at key entry points. Liaison with Harbour Masters.				

Place Based Services – WASTE & OPERATIONS

Risk62 - Traffic Commissioner Revoking, Curtailing, Suspending or Restricting DCC's Operators Licence (Goods and/or Passenger Carrying Operators Licence)				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Head of Waste & Operations	Worse	13 July 2021	High-Level	
			Impact	4
			Likelihood	3
Update - 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. Controls - Planned inspection & maintenance regime; Quality Assurance system for all statutory MOT tests; Drivers issued with DCC Drivers Code of Practice; Daily Defect Reporting System; Drivers issued with Drivers Hours Books and Tachograph cards; Training, guidance, tools to ensure compliance for drivers operating under EU Drivers Hours Regulations; Provide education & driver training where applicable; Evidence of non-compliance reported to Senior Managers; Monitoring driver hours and rest periods; Fleet Compliance Officers audits				

Risk83 - PUWER Regulations - non-compliance of PUWER Regulations (H&S Provision and Use of Work Equipment Regulations 1998)				
Accountable Officer	Direction of Travel	Last Reviewed	Risk Rating	
Head of Waste Operations	Worse	13 July 2021	High-Level	
			Impact	4
			Likelihood	4
Update - 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 are currently in operation and will report on outstanding items not actioned next month.				
Cause: Failure to follow inspection schedule; Users using items out of schedule inspection date; No precise inventory of items available. Consequence: Reputational damage; Financial penalties; Increased visits from H&S Executive; Serious injury; Legal actions taken against DCC. Negative publicity; Negative impact on staff morale.				
Current Controls: Use Fleet wave system to record information; PUWER checks carried out by trained members of staff close to the location of the items; Network of external maintenance providers supporting Fleet Services; Any plant not fitted with current in-date PUWER label will be removed by the H&S team; 5 year schedule for recorded items of plant, with notifications sent to manager/site agent and the person identified to carry out the inspection; Precise inventory of items available - always updating, with managers to ensure staff supply the required information; Automated email informing manager of scheduled PUWER inspection now operating; Storeman in highways has been assessed to carry out PUWER inspections, with access given to Fleet wave and training to enable them to update PUWER data at source; Completed PUWER sheets scanned into Fleet wave attached to relevant job card, removing requirement to hold a paper copy; New plant items are being added to the system by all service reflecting that the system is working as expected;				

Audit and Governance Committee Monday, 27 September 2021 Treasury Management Annual Report

For Decision

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

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

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

Report Status: Public

Recommendation:

That the Committee note and comment upon the report.

Reason for Recommendation:

To better inform members of 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 2021.

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

Covid-19 had a huge impact in many ways on treasury management activity in 2020-21. The Treasury and Investments team (in common with many other Council services) had to adapt processes quickly for home-working, and to manage the dramatic changes in cashflows in and out of the Council, whilst continuing to be aware of the impact of volatility in financial markets on borrowing and investment decisions.

The Council's Capital Financing Requirement (CFR) (or borrowing need) at 31 March 2021 was £335m, compared to £320m at the start of the year and an estimated closing position of £361m when the treasury management strategy was approved in February 2020. The borrowing need has not increased as much as was expected due to slippage in the capital programme.

Total actual external borrowing and other capital financing liabilities of the Council at 31 March 2021 was £245m and the total interest paid servicing external debt for the year was £7.7m.

The difference between the CFR and actual borrowing was approximately £90m, financed temporarily by 'internal borrowing' – using reserves and working capital that could otherwise have been invested to offset the need to borrow externally.

As at 31 March 2021 the Council held cash and cash equivalents of £84m and treasury investments valued at £85m – in total £169m. The total interest and investment income for the Council for the year was approximately £3.5m.

2. Financial Implications

This report summarises the performance of the Council's treasury management activity in 2020/21. There are no other financial implications arising from this report.

3. Well being and health implications

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

4. Climate implications

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

5. Other Implications

There are no other implications arising from this report.

6. Risk Assessment

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

Current Risk: HIGH

Residual Risk: Medium

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

7. Equalities Impact Assessment

There are no equalities implications arising from this report.

8. Appendices

Appendix 1: Economic Background Commentary (Arlingclose)

Appendix 2: Outstanding Borrowing 31 March 2021

9. Background Papers

10. Introduction

- 10.1 The Council's treasury management strategy for 2020/21 was approved by a meeting of Dorset Council on 18 February 2020.
- 10.2 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
- 10.3 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year and, as a

minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

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

11. External Context

- 11.1 Treasury management decisions made by the Council must take into consideration external factors, particularly the wider economic backdrop and the outlook for financial markets and interest rates.
- 11.2 The coronavirus pandemic dominated the external (and local) context for the financial year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to reduce dramatically. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures of a size unprecedented in peacetime.
- 11.3 This monetary and fiscal stimulus helped provide support for financial markets which rose over the period, reversing the sharp falls seen in March and April 2020. Markets also received a boost when a trade deal between the UK and the European Union was agreed just days before the year-end deadline.
- 11.4 Very low interest rates prevailed throughout most of the year, with bond yields generally falling between April and December 2020, keeping the cost of borrowing very low. From early in 2021 the improved economic outlook and higher inflation expectations pushed bond yields (i.e. the cost of borrowing) higher more quickly than had been anticipated - but still low by historic standards.

11.5 A detailed commentary on the external context provided by Arlingclose is included in Appendix 1.

12. Local Context

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

Table 1: Balance Sheet Summary

	31-Mar 2020 Actual £m	31-Mar 2021 Budget £m	31-Mar 2021 Actual £m	31-Mar 2022 Budget £m	31-Mar 2023 Budget £m
Capital Financing Requirement	320	361	335	369	368
External Debt (incl. PFI & leases):					
External borrowing	216	240	221	240	240
Long Term PFI Liabilities	24	25	22	25	25
Obligations under Finance Leases	3	5	3	5	5
Total External Debt	243	270	246	270	270
Internal Borrowing	77	91	89	99	98
Cash and Investments	108	100	169	100	100

12.2 The treasury management position at 31 March 2021 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.20 Balance £m	Net Movement £m	31.03.21 Balance £m
Long-term borrowing	180.0	-1.0	179.0
Short-term borrowing	36.0	5.0	41.0
Total Borrowing	216.0	4.0	220.0
Investments	76.1	9.2	85.3
Cash and cash equivalents	31.5	52.1	83.6
Total Cash and Investments	107.6	61.3	168.9
Net Borrowing	108.4	-57.3	51.1

12.3 During the year the Council received from government more than £300m in Covid-19 grant funding which was distributed to local businesses and

individuals through more than fifty different schemes, including various business grants schemes and business rates reliefs.

13. Borrowing

13.1 At 31 March 2021 the Council held £220m of loans, (a net increase of £4m from 31 March 2020), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans as at 31 March 2021 are summarised in Table 3 below.

Table 3: Borrowing Position

	31.03.20 Balance £m	Net Movement £m	31.03.21 Balance £m	31.03.21 Average Rate %
Public Works Loan Board	84.9	-1.1	83.9	3.9
Banks (fixed-term)	25.6	0.0	25.6	4.7
Banks (LOBO)	11.0	0.0	11.0	4.6
Local authorities (long-term)	15.0	0.0	15.0	4.4
Local authorities (short-term)	15.0	-5.0	10.0	0.5
Other lenders (fixed-term)	45.0	10.0	55.0	3.2
Other lenders (LOBO)	19.5	0.0	19.5	2.6
Total Borrowing	216.0	4.0	220.0	3.6

13.2 The chief objective of Dorset 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.

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

13.4 The Council holds £30.5m of Lender's Option Borrower's Option (LOBO) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to

either accept the new rate or to repay the loan at no additional cost. No banks exercised their options during the year.

- 13.6 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.

14. Investments

- 14.1 The Council holds significant levels of invested funds, representing income received in advance of expenditure plus balances and reserves held and money borrowed in advance of need.
- 14.2 During 2020-21 the Council received central government funding of over £300m largely to support small and medium businesses during the coronavirus pandemic through grant schemes. Monies received were temporarily invested in short-dated, liquid instruments such as call accounts and Money Market Funds prior to distribution.
- 14.3 Cash, cash equivalents and treasury investments held on 31 March 2021 are summarised in Table 4 below.

Table 4: Cash and Treasury Investments Position

	Balance £m	Movement £m	Balance £m
Cash and Cash Equivalents:			
Banks & Building Societies (unsecured)	13.1	0.9	14.0
Money Market Funds	47.4	39.5	86.9
Less Dorset LEP Balances*	-29.0	11.7	-17.3
Total Cash and Cash Equivalents	31.5	52.1	83.6
Investments:			
Short-dated bond funds	2.8	0.2	3.0
Strategic bond funds	9.9	1.3	11.2
Equity income funds	36.8	7.6	44.4
Property funds	20.4	0.0	20.4
Multi asset income funds	5.7	0.6	6.3
Total Investments	75.6	9.7	85.3
Total Cash and Investments	107.1	61.8	168.9

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

- 14.4 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 14.5 The net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March 2020, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns. Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.
- 14.6 The Council has investments in bond, equity, multi-asset and property funds valued at £85.3m in total as at 31 March 2021, compared to £76.1m as at 31 March 2020. During the initial phase of the pandemic in March 2020, the sharp falls corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings reflected in the 31 March 2020 fund valuations with all funds registering negative capital returns over a 12-month period. Since March 2020 there has been improvement in market sentiment which is reflected in an increase in capital values of these short-dated, strategic bond, equity and multi-asset income funds in the Authority's portfolio. The recovery in UK equities has lagged those of US and European markets.
- 14.7 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. Treasury Performance

- 15.1 The Council measures the financial performance of its treasury management as shown in table 5 below.

Table 5: Treasury Performance

	Budget £m	Actual £m	Variance £m	
Interest Payable	9.5	7.7	1.8	F
Interest and Investment Income	-4.0	-3.5	-0.5	A
Net Payable / (Receivable)	5.5	4.2	1.3	F
Unrealised (Gains) / Losses in Fair Value	0.0	-9.2	9.2	A
Net (Surplus) / Deficit	5.5	-5.0	10.5	A

15.2 The unrealised gains of £9.2m in the fair value of investments relate to the Council's investments in strategic pooled investment vehicles. (In 2019-20 there were unrealised losses of £8.8m.) 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.

16. Compliance

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

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

Table 6: Debt Limits

	Maximum 2020-21 £m	31.03.21 Actual £m	Operational Boundary £m	Authorised Limit £m	Complied Yes/No
Borrowing	220.0	220.0	380.0	400.0	Yes
PFI & Finance Leases	27.0	25.0	35.0	40.0	Yes
Total Capital Financing	247.0	245.0	415.0	440.0	

17. Treasury Management Indicators

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

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

Table 7: Security

	31.03.21 Actual	2020/21 Target	Complied Yes/No
Portfolio average credit rating or score	4.0	6.0	Yes

17.3 Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period without additional borrowing. In addition, the Council aims to hold a minimum of £10m readily available in same day access bank accounts and Money Market Funds.

Table 8: Liquidity

	31.03.21 Actual	2020/21 Target	Complied Yes/No
Total cash available within 3 months	85%	30%	Yes

17.4 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

	31.03.21 Actual £000s	2020/21 Target £000s	Complied Yes/No
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-165	500	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	165	500	Yes

17.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced. It assumes that there will be a 1% change in the interest payable rate on short term

borrowing as at 31 March 2021, and a 1% change in interest receivable rate on average cash balances for the year.

- 17.6 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

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

- 17.7 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

	31.03.21 Actual £m	% of Total Borrowing	Upper Limit	Lower Limit	Complied Yes/No
Under 12 months	41.0	18.6%	25%	0%	Yes
12 Months to 2 Years	1.1	0.5%	25%	0%	Yes
2 Years to 5 Years	10.0	4.5%	25%	0%	Yes
5 Years to 10 Years	10.0	4.5%	35%	0%	Yes
10 Years to 15 Years	20.0	9.1%	35%	0%	Yes
15 Years to 20 Years	0.0	0.0%	35%	0%	Yes
20 Years to 25 Years	0.0	0.0%	45%	0%	Yes
25 Years to 30 Years	8.9	4.0%	45%	0%	Yes
30 Years to 35 Years	33.0	15.0%	45%	0%	Yes
35 Years to 40 Years	15.0	6.8%	45%	0%	Yes
40 Years to 45 Years	25.0	11.4%	45%	0%	Yes
45 Years and above	56.0	25.5%	75%	0%	Yes
Total	220.0	100.0%			

Footnote:

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

Appendix 1: External Context (Arlingclose April 2021)

Economic background:

The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have helped protect more than 11 million jobs.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9%

in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Financial markets:

Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages

(particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

Credit review:

After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the

economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Borrowing Update

In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Authority unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

Municipal Bonds Agency (MBA): The MBA revised its standard loan terms and framework agreement. Guarantees for the debt of other borrowers are now proportional and limited and a requirement to make contribution loans in the event of a default by a borrower has been introduced. The agency has issued 5-year floating rate and 40-year fixed rate bonds in 2020, in both instances Lancashire County Council is the sole borrower and guarantor. A planned third bond issuance by Warrington Borough Council was withdrawn in early December after the reduction in PWLB borrowing rates.

If the Authority intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them.

UK Infrastructure Bank: In his March 2021 budget the Chancellor confirmed that a UK Infrastructure Bank will be set up with £4bn in lending earmarked for local authorities from the summer of 2021. Loans will be available at gilt yield plus 0.60%, 0.20% lower than the PWLB certainty rate. A bidding process to access these loans is likely with a preference to projects likely to help the government meet its Net Zero emissions target. However other “high value and complex economic infrastructure projects” may also be considered.

Appendix 2: Borrowing as at 31 March 2021

Ref	Lender	Loan Type	Draw down Date	Next Option	Date Matures	Years Remaining	Amount O/S £000s	Rate %
Loan 2	PWLB	Annuity	25/07/2003	n/a	25/03/2023	2.0	2,080	4.70
Loan 3	PWLB	Annuity	21/12/2004	n/a	25/03/2023	2.0	37	4.65
Loan 10	PWLB	Maturity	01/03/2006	n/a	25/03/2051	30.0	8,816	3.95
Loan 11	PWLB	Maturity	09/10/2006	n/a	25/03/2052	31.0	15,000	4.10
Loan 12	PWLB	Maturity	02/08/2007	n/a	25/09/2052	31.5	8,000	4.55
Loan 14	PWLB	Maturity	23/08/2007	n/a	25/09/2053	32.5	10,000	4.45
Loan 28	PWLB	Maturity	07/09/2010	n/a	25/02/2025	3.5	10,000	3.74
Loan 29	PWLB	Maturity	07/09/2010	n/a	25/03/2030	9.0	10,000	3.98
Loan 30	PWLB	Maturity	03/11/2011	n/a	25/09/2021	0.5	20,000	3.30
Loan 13	Barclays Bank	Maturity	30/07/2007	n/a	30/07/2077	56.3	15,600	4.625
Loan 61	Barclays Bank	Maturity	14/11/2006	n/a	16/11/2076	55.6	10,000	4.79
Loan 62	KBC Bank N.V.	LOBO	14/11/2006	14/11/2021	16/11/2076	55.6	11,000	4.59
Loan 24	Lancashire CC	Maturity	25/09/2011	n/a	25/11/2059	38.7	15,000	4.39
Loan 65	Wandsworth Borough Council	Maturity	03/09/2020	n/a	03/06/2021	0.2	10,000	0.50
Loan 47	BAE Systems	LALN	07/11/2019	07/11/2042	07/11/2067	46.6	20,000	3.90
Loan 48	BAE Systems	LALN	11/12/2017	11/12/2035	11/12/2065	44.7	25,000	3.90
Loan 66	Dorset LEP	Maturity	26/03/2021	n/a	01/04/2021	0.0	10,000	0.00
Loan 31	Siemens	LOBO	25/09/2012	25/09/2022	25/09/2032	11.5	10,000	2.60
Loan 32	Siemens	LOBO	16/11/2011	21/12/2022	21/12/2032	11.7	9,500	2.53
Total / Weighted Average						28.9	220,033	3.62

PWLB - Public Works Loan Board
LALN - Local Authority Loan Note
LOBO - Lender Option Borrower Option

Audit and Governance Committee 27 September 2021 Value for Money

For Decision

Portfolio Holder: Cllr P Wharf, Corporate Development and Change

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Becky Forrester

Title: Business Partner

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Report Status: Public

Recommendation: That the Audit and Governance Committee:

- i. Note developments with the Value for Money (VfM) work in the last 12 months
- ii. Agree five pilot VfM reviews to be undertaken with:
 - a. Waste services
 - b. Highways
 - c. Adults' brokerage
 - d. Children's commissioning
 - e. ICT Operations

Reason for Recommendation: To ensure the council embeds Value for Money in all its services.

1. Executive Summary

In October 2020 the Cabinet agreed a framework and timescale for undertaking fundamental value for money (VfM) reviews of all the council's services. Delivery of this work has been slower than anticipated because of the resurgence of the pandemic in the winter of 2020-2021, and capacity constraints. In August 2020, the Southwest Audit Partnership (SWAP) agreed to provide additional capacity to support the work, after it was given greater

urgency following a Local Government Association Peer Challenge of finance services (which will be reported to Cabinet in October) that recommended we put VfM at the heart of everything we do.

This report provides an update on progress and requests approval for the pilot reviews identified in section 12.10 to be developed.

2. Financial Implications

The recent finance Peer Review reiterated that, with increasingly scarce resources, it is essential that the council secures best value for all its expenditure and puts VfM at the heart of everything we do.

3. Well-being and Health Implications

None.

4. Climate implications

No specific implications from this report although value for money reviews will need to take account of climate impacts.

5. Other Implications

None.

6. Risk Assessment

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

Current Risk: Medium

Residual Risk: Medium

7. Equalities Impact Assessment

The fundamental service reviews will need to include equalities impact assessments where changes to services are proposed as a result.

8. Appendices

9. Background Papers

Approach to Value for Money, Cabinet report, 6 October 2020

10. Background

- 10.1 In October 2020 the Cabinet received a report on VfM and the key features of a new fundamental service review framework, to include both VfM and benchmarking considerations. The report outlined that the fundamental service reviews would need to include:
- Comparing ourselves to the best authorities and/or other organisations in terms of both performance, cost and VfM;
 - Challenging whether the council is best placed to provide the service and the best way to provide the service, including alternative ways of working, diverse service delivery options and exploring commercial market options (which could also include reviewing any currently outsourced services)
 - Consulting our customers (be they internal or external) to find out what they want from the service.
- 10.2 Systematic benchmarking was identified as a key piece of work across all services to identify strong and weak areas of performance and cost. The intention was that this would enable a prioritisation exercise for reviews.
- 10.3 VfM was defined as the relationship between economy, efficiency and effectiveness:
- Economy means minimising the cost of resources used or required (inputs) – i.e., *spending less*
 - Efficiency means the relationship between the output from goods or services and the resources taken to produce them – i.e., *spending well*
 - Effectiveness means the relationship between the intended and actual results of public spending (outcomes) – or *spending wisely*.
- 10.4 In addition to the traditional three “E”s, a fourth “E” is applied in some places, which is:
- Equity, or the extent to which services are available to and reach all people that they are intended to (*spending fairly*). Some people may receive differing levels of service for reasons other than differences in their levels of need.

11. Progress Since October 2020: Prototype Development

- 11.1 An initial approach was developed comprising a Service Function (low level) VfM scorecard table, and a Service Area (higher Level) VfM heat-map (see below). The scorecard lists metrics from the National Audit Office’s four E’s VfM model. When populated, this would provide Dorset Council’s actual outturn values for those metrics, alongside benchmarked data from the relevant benchmarking group (which differs for each service). This allows for a comparison of each council value with the mean for the group and a council benchmark group ranking to be provided for each metric.

11.2 Two values can then be ascertained from this, which are:

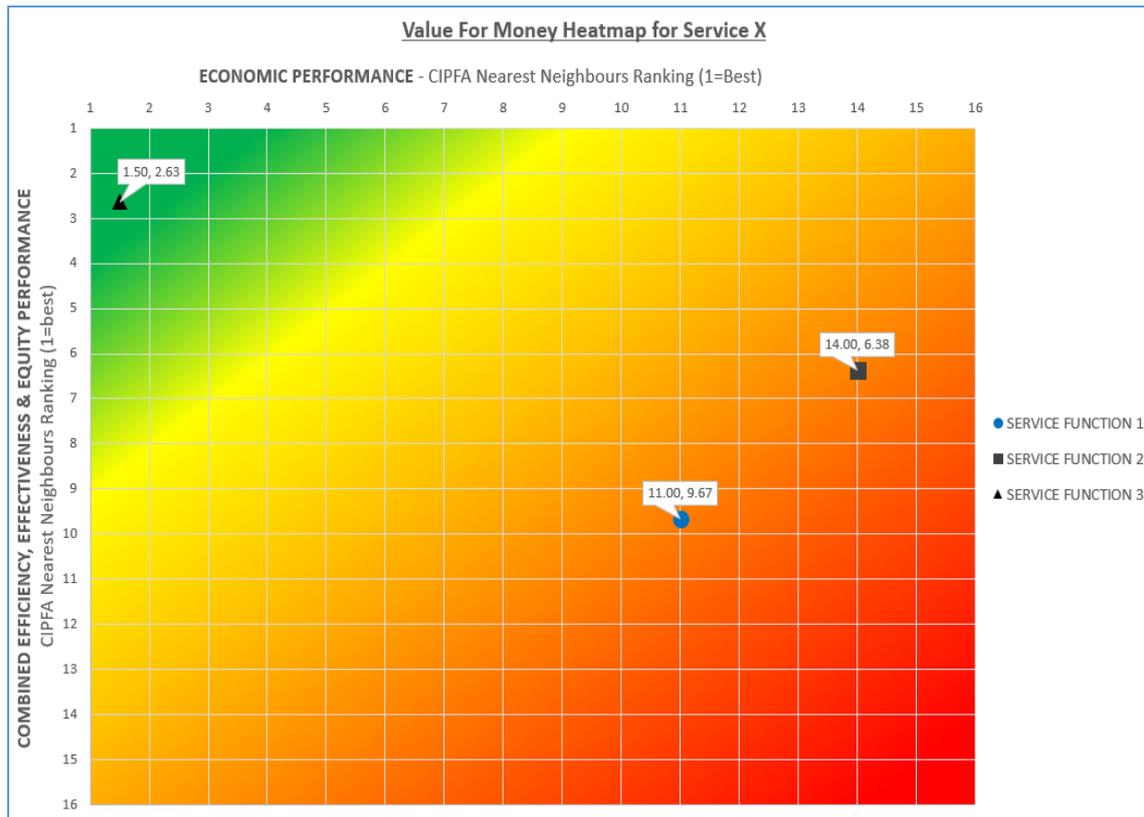
- The average rank that the council achieved for economic performance metrics; and
- The average rank we achieve for the efficiency and effectiveness performance metrics (and equity performance metrics where relevant). A pragmatic approach to weighting the most relevant metrics in a VfM scorecard would need to be agreed and developed with services for this to work (which is quite a sizeable piece of work given the options and variables available).

11.3 It is envisaged that a service function's VfM scorecard would include both nationally collected metrics that could be benchmarked, and locally relevant measures of the VfM four E's. There may be Equity measures relevant to a service in Dorset that are highly relevant to VfM in terms of positive service outcomes in Dorset for example, but which are not collected nationally. In those instances, a benchmark group rank value would not be available and so the VfM would be indicated by progress against the local target and reflected as 'Better' or 'Worse' in the scorecard.

11.4 This would look like the table below – **please note this is test data for representative purposes only:**

Service	SERVICE FUNCTION 1						
Data Period	Financial Year 2018/19						
METRICS	Polarity / Aim of Metric	DC Actual (000)	CIPFA Nearest Neighbours (NN) Minimum	NN Mean (or target if local metric)	NN Maximum	DC Expenditure or Performance Compared to NN Mean (or compared to target if local metric)	DC NN Group Ranking (of 16 LA)
Economic Metrics							
Expenditure (£ 000)	N/A	7500	708	5005	7420	Higher	16
Expenditure (£ per head of population)	N/A	450	500	600	700	Lower	6
Efficiency Performance Metrics							
Transactions on time (%)	Maximise	47	52	85	100	Worse	13
Right first time (%)	Maximise	63	62	72	83	Worse	15
Apps. On time (%)	Maximise	75	55	68	95	Better	6
Effectiveness Performance Metrics							
Effectiveness 1 (%)	Maximise	47	52	85	100	Worse	13
Effectiveness 2 (%) Local Metric	Maximise	63	NOT AVAILABLE	50	NOT AVAILABLE	Better	NOT AVAILABLE
Effectiveness 3 (%) Local Metric	Minimise	60	NOT AVAILABLE	40	NOT AVAILABLE	Worse	NOT AVAILABLE
Equity Performance Metrics							
Equity 1 (%)	Maximise	66	45	67	93	Worse	9
Equity 2 (population 000)	Maximise	800	501	750	900	Better	2
Expenditure Metrics NN Rank Average							11.00
Performance Metrics NN Rank Average							9.67
NOTE: TEST DATA ONLY - NOT ACTUAL DATA							

11.5 The findings can then be used to map the position of that service function on a higher-level Service Area VfM heatmap, illustrated below:



11.6 Officers also undertook initial work to try to identify areas where focussing VfM analysis might reveal the greatest potential for improving net expenditure by reducing costs and/or increasing income. A combination of limitations with benchmarking data, and changes brought about through local government reorganisation meant that this exercise was inconclusive.

12. Engagement with Services: Summer 2021

12.1 As an alternative to the benchmarking exercise, a survey was undertaken with senior managers to understand what existing VfM and benchmarking information services are already using.

12.2 The work was given greater urgency by a Peer Challenge of finance services, which was undertaken in July and will be reported to Cabinet in October 2021, which found that, while we have some good practice when it comes to benchmarking and VfM, we are not applying this across the board. We are also required to demonstrate commitment to delivering VfM to External Auditors, who need to be satisfied that proper arrangements are in place for securing VfM.

12.3 16 responses were received to the survey. Overall the responses received were thoughtful and engaging and demonstrate the commitment across the council to striving to deliver quality services in an economical, effective and efficient manner. Over half the

respondents volunteered their service area for a more in depth and targeted review of their VfM arrangements, which shows a willingness to engage which will further help the council in understanding and improving from a VfM perspective.

- 12.4 The responses show that there are different interpretations of exactly what VfM means across the council and therefore it would be useful to develop a definition and shared understanding of this to improve clarity and focus going forward.
- 12.5 The responses have helped to highlight where gaps exist, with a quarter of respondents stating no or unsure as to whether they had performance indicators in their service area that linked to the areas commonly associated with VfM (efficiency, effectiveness, economy, equity). Furthermore, a small number of respondents, when asked what data they use to help them understand the extent to which their service achieves VfM, stated there was nothing currently, or that this was in development.
- 12.6 Over half the respondents stated they submit data for local or national benchmarking, which is positive for those service areas in being more easily able to compare themselves with different authorities. The details provided by respondents regarding the relevant benchmarking groups will also be a valuable addition in helping to build a central repository of such information.
- 12.7 When asked about ways certain parts of their service could improve with regard to VfM, several common themes emerged. Increasing the use of technology to move away from manual processes to more digital or automated solutions was a common theme, as was increasing the quality and use of data to inform decision making. Another common theme mentioned was the review of team structures to increase capacity and resources. It is therefore apparent that service areas have firm ideas about what would make them more effective, efficient and economical which is a positive and demonstrates the willingness to engage and improve.
- 12.8 When asked if their service was achieving value for money, three quarters of respondents rated their service area 4 out of 5, with 5 being high, with the remaining quarter split between 2 and 3. Reasons for the scores given provide further insight into the service areas. For example, comments include managers recognising the huge volume of work that teams undertake with limited resources; where a service is operating in a complex marketplace with limited control; or where more work is needed for the service to understand and evidence their VfM arrangements.
- 12.9 Overall, the survey has generated engagement from across the authority, upon which more detailed and focussed work can build to improve the council's ability to achieve and demonstrate VfM. Nine

services agreed to be involved in further in-depth work to develop the model. They are:

- Communications & Engagement
- ICT Operations
- Waste
- Highways
- Finance
- Democratic & Electoral Services
- Adults Brokerage
- Commercial & Procurement
- Children's Commissioning

12.10 To get a good spread of services for further work, it is recommended that pilots be established in:

- Highways
- Waste
- Adults brokerage
- Children's commissioning
- ICT operations

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.

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Audit & Governance Committee 27 September 2021 Review of Agency & Consultancy Spend

For Review and Consultation

Portfolio Holder: Cllr P Wharf, Corporate Development and Change

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Chris Matthews

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Report Status: Public

Recommendation:

It is recommended that the Committee note the current levels of use and spend on agency workers and consultants and the work being undertaken to improve the visibility and governance around their use.

Reason for Recommendation:

To provide assurance that sufficient measures are in place to manage the use and spend on agency workers and consultants.

1. Executive Summary

- 1.1 Spend on agency workers and consultants continues to be in the region of £11.5m per annum, making up around 8% of all workforce spend, providing just under 5% of the total council workforce.
- 1.2 Action continues to be taken to improve our understanding of agency and consultancy spend and to ensure greater consistency across services.
- 1.3 Spend across individual directorates varies in terms of volumes and necessity, influenced by operational requirements and skills shortages.

- 1.4 This paper provides an overview of the current position regarding use and spend.

2. Financial Implications

- 2.1 The current spend on agency workers and consultants is included within the report.

3. Well-being and Health Implications

- 3.1 Agency workers are commonly used to cover the absence of employees on long-term sick or to cover vacant posts where it has not been possible to recruit on a permanent basis. The use of agency workers to fill these posts is critical to lessen the burden on other employees, ensuring their mental and physical wellbeing is supported in the workplace.

4. Climate implications

- 4.1 None identified

5. Other Implications

- 5.1 None identified

6. Risk Assessment

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

Current Risk: Low

Residual Risk: Low

7. Equalities Impact Assessment

- 7.1 No equality issues have been identified in relation to the content of this report.

8. Appendices

- 8.1 Appendix 1 – Directorate Commentary

9. Background

- 9.1 Agency workers and consultants are typically used to cover existing posts when a permanent solution has not been found, provide temporary additional capacity when having to respond to a short-term increase in work

within a team or to bring specific skills and experience into the council on a short term basis. The engagement of agency workers has been key during the pandemic, to mitigate the impact of staff shortages through absence. Engaging agency workers has also enabled the council to continue to deliver services in areas where there are challenges in recruiting into hard to fill roles, where national skills shortages exist, for example, Planning.

- 9.2 Council has a corporate contract in place with Comensura in respect of engaging agency workers and this has recently been extended to include the engagement of Consultants. This provides the council with a legally compliant single route to engaging agency workers and consultants without the need for competition or tendering.
- 9.3 Following a review of agency and consultancy spend in the Summer of 2020, work has continued to be progressed to ensure a more consistent approach to engaging workers through these routes is in place and to improve the understanding of levels of spend across the Council.

10. Improvements Introduced

- 10.1 A new guide for managers has been produced and launched to help them understand the most effective way to engage an agency worker or consultant and ensure that their use is only being used when absolutely necessary. The launch of the new guide coincided with the promotion of the new contract arrangement with Comensura, which brought together agency and consultancy spend within a single contract.
- 10.2 Oversight of agency spend is now incorporated into the SLT Performance Reporting Scorecard. Monthly updates are provided on spend by directorate through the Comensura contract. Information is also provided on spend outside of this contract, where it has not been possible to secure the skills or capacity required through the Comensura route. Information is provided quarterly on the number of assignments in each directorate and the percentage of those that exceed three months.
- 10.3 HR&OD Business Partners have worked with their respective directorates to understand the key factors influencing spend on agency workers and consultants within each directorate, to better understand the appropriateness and effectiveness of engaging workers through these routes and to consider their alignment with service-specific workforce strategies. Specific feedback from each directorate is attached as Appendix 1.

11. Spend Analysis

11.1 Spend by directorate within the Comensura contract since 1 April 2020 is set out below:

	Corporate Services	Place	People – Children’s	People – Adults	Public Health	Total Spend
20/21 – Q1	99,628.62	897,161.14	718,532.17	417,931.82	55,265.93	2,188,519.68
20/21 – Q2	97,991.91	794,053.21	765,719.44	468,487.08	70,690.99	2,196,942.63
20/21 – Q3	97,930.67	618,219.23	969,673.64	701,456.09	38,145.99	2,425,425.62
20/21 – Q4	73,034.96	518,496.38	782,402.29	708,251.22	26,447.37	2,108,632.22
21/22 – Q1	25,052.88	586,236.94	858,049.79	636,399.66	23,952.16	2,129,691.43
Total	393,639.04	3,414,166.90	4,094,377.33	2,932,525.87	214,502.44	11,049,211.58

11.2 In addition to the above, the following spend has also been incurred outside of the Comensura contract:

	Corporate Services	Place	People – Children’s	People – Adults	Public Health	Total Spend
20/21 – Q1	53,207.50	31,917.14	439,099.91	78,600.00	0	602,824.55
20/21 – Q2	0	6,690.00	455,158.01	44,071.42	0	505,919.43
20/21 – Q3	0	61,344.73	581,615.58	42,250.00	0	685,210.31
20/21 – Q4	22,690.66	115,595.37	622,541.11	34,902.82	0	795,729.96
21/22 – Q1	2,677.50	72,901.92	285,715.85	108,645.26	0	492,428.13
Total	78,575.66	288,449.16	2,384,130.46	308,469.50	0	3,059,624.78

11.3 To provide a degree of context, agency and consultancy spend for each directorate is shown below as a percentage of the overall staffing budget for the directorate:

Directorate	Staffing Budget	Agency/Consultancy Spend (2020/21)	Agency/Consultancy spend as a % of staffing budget
Corporate Services	£26,268,366	£444,484	1.69%
Place	£52,761,495	£3,043,477	5.77%
People – Children’s	£38,014,045	£5,334,742	14.03%
People – Adults	£22,638,129	£2,495,950	11.02%
Public Health	£3,360,552	£190,550	5.76%
Total	£143,042,587	£11,509,203	8.04%

11.4 At the end of June 2021 there were 224 continuing assignments through Comensura, the equivalent of 4.89% of the council's total workforce. Of these assignments, 65% have been in place for over three months, a reduction from nearly 75% at the end of December 2020. This is a result of active work taken forward within directorates to review all assignments and consider alternative resourcing options.

Active Bookings

Directorate	0-3 months	4-6 months	7-9 months	10-12 months	13-18 months	19-24 months	25+ months	Total
Corporate Services	1	0	0	1	1	0	1	4
Place	53	35	11	11	5	7	18	140
People – Children's	15	8	5	9	2	1	6	46
People – Adults	8	5	7	4	2	2	3	31
Public Health	1	1	0	0	0	0	0	2
Total	78	49	23	25	10	11	28	224

12. Conclusions

- 12.1 Work continues to introduce improvements and develop our approach to engaging agency workers or consultants, through better contract management, oversight of spend and more useful guidance for managers.
- 12.2 It is important that all areas of the council continue to regularly and routinely review their agency and consultancy arrangements to ensure that engaging workers through this means continues to be the most effective way of delivering the work and continues to offer the council the best value for money.

Directorate Commentary

Corporate Services

- Consultant and agency reports are considered by Corporate Services Executive Director and Corporate Directors on a quarterly basis.
- Most recent spend on agency has been to cover vacancies in Revenues & Benefits. The Head of Service is now proceeding with recruiting to these vacancies due to the needs of the service. Other longer-term agency spend has been within legal services and difficulty to recruit to a specialist lawyer position. We are continuing to explore different approaches to recruitment to address this issue.
- Previous spend due to sourcing cover for difficult to fill vacancies in legal which has largely been resolved following a successful recruitment campaign and a shift in the market caused by the pandemic. Higher use of agency/consultants in previous quarters to support wider partnerships such as Dorset Care Record which is a recharge amongst all partnership organisations.
- Non-compliant issues within directorate are monitored by the HRBP who works with the service to ensure future engagements are through agreed provider including getting agencies/consultants registered with Comensura.

People – Children

Agency commentary:

- Agency reports are considered by Children's Corporate Directors and Executives Directors on a monthly basis.
- Majority of agency workers are Social Workers covering absence or vacant positions which are difficult to recruit. A successful recruitment campaign for Social Workers has taken place and we predict the agency spend will decrease considerably between September and November when new joiners start. We have also had some success transferring long term agency workers to permanent.
- The engagement of agency Social Workers is in line with a Memorandum of Understanding in place across all councils within the South West. This

MOU aims to cap the hourly rate payable to agency social workers, ensuring the costs of agency workers is managed and to avoid individual local authorities trying to outbid others, therefore driving up costs.

- Longer term agency workers may continue in role in exceptional circumstances, i.e. where there have been repeated attempts to recruit or where they possess specific and niche skills set.
- Agency usage increased during the Q3/Q4 20/21, due to the pandemic.
- Non-compliant placements are monitored monthly by the HR Business Partner to ensure they are IR35 compliant and to work through with the Managers to bring them into compliance swiftly.
- The process for compliance has been communicated at the directorate Leadership Team and in communications to Managers to avoid the need for non-compliant spend in the future.

Consultancy commentary:

- Considerable work has taken place to reduce consultancy spend outside Comensura. This includes signing up agencies with Comensura to continue to do business with them. Also, ongoing communications with managers reminding them of the process for engaging consultants.
- Children's have engaged consultants to support the ongoing improvement work and embedding the new business model.
- All consultants have an IR35 assessment to ensure compliance with the HMRC regulations, a copy of which is kept in the Directorate. – training has taken place with PA's to support Executive Directors and Corporate Directors with compliance.

People – Adults

Agency commentary:

- Agency reports are considered by Adults Corporate Directors and Executives Directors on a monthly basis.
- Medium and longer-term agency spend must be approved by a Corporate Director. As a result, some agency workers have now become direct employees of Dorset Council.

- Longer term agency workers may continue in role in exceptional circumstances, i.e. where there have been repeated attempts to recruit or where they possess a skill set needed for strategic work.
- Agency usage increased during the Q3/Q4 20/21, as Adults responded to the pandemic. We engaged extra capacity to manage a high number of assessments and to provide additional Approved Mental Health Practitioner capacity.

Consultancy commentary:

- Considerable work has taken place to reduce consultancy spend outside Comensura. This includes signing up agencies with Comensura to continue to do business with them. Also, ongoing communications with managers reminding them of the process for engaging consultants.
- Adults have engaged consultants to update skills and knowledge and systems to support a strengths-based approach to person care.
- Each consultant will have an IR35 assessment to ensure compliance with the HMRC regulations, a copy of which is kept in the Directorate.
- Non-compliance is investigated promptly, and all assignments are IR35 compliant, with IR35 reviews happening each year.

Place

Agency commentary:

- Focus on Agency spend in Place has increased in the last 18 months with monthly reviews at SLT and Head of Service level.
- Spend has decreased by around 35% since Q1 2020. This can be attributed to closer monitoring and targeted recruitment campaigns for areas with higher agency usage (e.g. Planning & Waste)
- Quarterly agency reviews with the service have been introduced enabling better understanding of agency usage, opportunities for reduction of use of agency and engagement on DC terms and conditions where appropriate as well as understanding of seasonal trends for agency used (e.g. harbours.)
- Main reasons for agency usage in Place are to cover absence, to bring in expertise not found within the council needed on an ad hoc basis, to cover vacancies, to cover seasonal work.
- The recent quarterly increase in agency spend can be attributed to seasonal requirements and cover for hard to recruit positions in Planning and Waste.
- The majority of agency workers have been engaged for in excess of the 8 week period recommended to cover short term assignments.

Consultancy commentary Place:

- Over recent months The Place Directorate has increased its focus on monitoring of consultancy spend
- Initial focus has been to improve management understanding of the process to follow when engaging a consultant as well as the IR 35 implications to increase compliance and understand reasons for usage.
- The Place HR Business Partners have developed a standard process to follow each month when non-compliance is highlighted ensuring swift evaluation of this.

Public Health

Agency Commentary – Public Health

- Agency spend remains low in Public Health, all are engaged via Comensura therefore compliant with procurement regulations
- The majority of spend has been to provide additional project and programme resilience during the COVID period, which is funded by the Dept of Health not Dorset Council.
- A medium-term agency worker is now directly employed by Public Health.
- There are currently no agency workers funded by DC only Dept of Health funded.
- All agency spend is monitored by the Public Health Programme Manager, who is a member of the Senior Leadership Team.

Consultancy Spend – Public health

- There is no consultancy spend for Public Health for the reporting period

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Audit and Governance Committee Forward Plan 2021

27 September 2021			
	Quarterly Risk Management Update	Update Report	Portfolio Holder – Cllr Spencer Flower Officer contact – Marc Eyre
	Internal Audit Progress Report	Progress report	Portfolio Holder – Cllr Spencer Flower Officer contact- Sally White - SWAP
	Deloitte 2020/21 Audit Plan	To be presented by Ian Howse	Portfolio Holder – Cllr Spencer Flower Officer contact- Heather Lappin
	Value for Money Report	Update report	Portfolio Holder – Cllr Peter Wharf Officer contact – Bridget Downton & Rebecca Forrester
	Agency Spending	Update report	Portfolio Holder – Cllr Peter Wharf Officer contact – David Macintosh
	Treasury Management Annual Review 2020/22	Annual Report	Portfolio Holder – Cllr Gary Suttle Officer contact – David Wilkes

Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead Councillor and Officer
15 November 2021			
	Treasury Management Mid-Year Review 2021/22	Mid-Year Review	Portfolio Holder – Cllr Gary Suttle Officer contact – David Wilkes
	Constitution Changes – Notices of Motion	Recommendation to Council	Portfolio Holder – Cllr Spencer Flower Officer contact – Jonathan Mair
	Dorset Council Statement of Accounts		External Auditor – Deloitte Officer contact – Aidan Dunn
Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead Councillor and Officer
17 January 2022			
	Quarterly Risk Management Update	Update Report	Portfolio Holder – Cllr Spencer Flower Officer contact – Marc Eyre
	Internal Audit Progress Report	Progress report	Portfolio Holder – Cllr Spencer Flower Officer contact- Rupert Bamberger – SWAP Sally White - SWAP
Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead Councillor and Officer
21 February 2022			

Date of Meeting	Item	Purpose / Key lines of Enquiry	Lead Councillor and Officer
11 April 2022			
	Quarterly Risk Management Update	Update Report	Portfolio Holder – Cllr Spencer Flower Officer contact – Marc Eyre
	Internal Audit Annual Report & Internal Audit Planning Report	Annual Report	Portfolio Holder – Cllr Spencer Flower Officer contact- Rupert Bamberger – SWAP Sally White - SWAP
	Annual Governance Statement	Annual Report	Portfolio Holder – Cllr Spencer Flower Officer contact – Marc Eyre

Other items raised by Audit and Governance Committee requiring further consideration

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

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