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Monitoring Officer
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Agenda

Name of meeting	AUDIT COMMITTEE
Date	MONDAY 17 OCTOBER 2022
Time	10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Members of the committee	CLLrs A Garratt (Chairman), M Lilley (Vice-Chairman), K Lucioni, G Peace, M Price and R Redrup
	Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

1. **Apologies and Changes in Membership (If Any)**

To note any changes in membership of the Committee made in accordance with Part 4B paragraph 5 of the Constitution.

2. **Minutes** (Pages 5 - 10)

To confirm as a true record the Minutes of the meeting held on 25 July 2022.

3. **Declarations of Interest**

To invite Members to declare any interest they might have in the matters on the agenda.

4. **Public Question Time - 15 Minutes Maximum**



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Questions may be asked without notice, but to guarantee a full reply at the meeting a question must be put (including the name and address of the questioner) in writing or by email to democratic.services@iow.gov.uk, no later than two clear working days before the start of the meeting. Therefore, the deadline for written questions will be Wednesday, 12 October 2022.

5. **Internal Audit Progress Report** (Pages 11 - 32)

To consider the report of the Chief Internal Auditor.

6. **The Council's Risk Profile** (Pages 33 - 68)

To consider the report of the interim Chief Executive.

7. **Treasury Management Report** (Pages 69 - 84)

To consider the report of the Director of Finance for Quarter 1 2022-23.

8. **Review of the Constitution**

To consider a verbal progress update from the Monitoring Officer.

9. **Workplan** (Pages 85 - 86)

To consider and note the committee's workplan.

10. **Members' Question Time**

A question must be submitted in writing or by email to democratic.services@iow.gov.uk no later than 10am, Thursday 13 October 2022.

CHRISTOPHER POTTER
Monitoring Officer
Friday, 7 October 2022

Interests

If there is a matter on this agenda which may relate to an interest you or your partner or spouse has or one you have disclosed in your register of interests, you must declare your interest before the matter is discussed or when your interest becomes apparent. If the matter relates to an interest in your register of pecuniary interests then you must take no part in its consideration and you must leave the room for that item. Should you wish to participate as a member of the public to express your views where public speaking is allowed under the Council's normal procedures, then you will need to seek a dispensation to do so. Dispensations are considered by the Monitoring Officer following the submission of a written request. Dispensations may take up to 2 weeks to be granted.

Members are reminded that it is a requirement of the Code of Conduct that they should also keep their written Register of Interests up to date. Any changes to the interests recorded on that form should be made as soon as reasonably practicable, and within 28 days of the change. A change would be necessary if, for example, your employment changes, you move house or acquire any new property or land.

If you require more guidance on the Code of Conduct or are unsure whether you need to record an interest on the written register you should take advice from the Monitoring Officer – Christopher Potter on (01983) 821000, email Christopher.potter@iow.gov.uk, or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email justin.thorne@iow.gov.uk.

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Minutes

Name of meeting	AUDIT COMMITTEE
Date and Time	MONDAY 25 JULY 2022 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Present	Cllrs A Garratt (Chairman), M Lilley (Vice-Chairman), K Lucioni, G Peace and M Price
Also Present	Cllrs C Jarman, J Medland Christopher Ashman, Sharon Betts, Oliver Boulter, Jo Cooke, Debbie Downer, Laura Gaudion, Elizabeth Goodwin, Hayley Holden, Kerry Huddleday, Dawn Lang, David Martin, Geraint Newton, Christopher Potter, Jo Thistlewood and Megan Tuckwell Helen Thompson (Ernst and Young)
Also Present (Virtual)	Wendy Perera

1. **Minutes**

An update was requested in relation to a question asked at the previous meeting regarding rental income and leases, and why the Council was not charging rent on some of its leased land which had value. It was noted that this would be picked up within the workplan.

RESOLVED:

THAT the minutes of the meeting held on 14 March 2022 be confirmed as a true record.

2. **Declarations of Interest**

Cllr Michael Lilley declared an interest as a member of the Corporate Scrutiny Committee.

3. **Public Question Time - 15 Minutes Maximum**

No public questions were received.

4. Reports of the External Auditor, Ernst and Young:

4a Annual Audit Plan 2021-22 – Isle of Wight Council

The External Auditors presented the annual audit plan for the Isle of Wight Council, which summarised the initial assessment of the key risks driving the development of an effective audit for the Council and outlined the planned audit strategy in response to those risks. It was confirmed that due to service-wide pressures the final audit would be completed and reported to the committee in early 2023. Attention was drawn to the increased risk in relation to the value of property, plant and equipment which represented a significant balance in the accounts and was subject to valuation changes, impairment reviews and market fluctuations, in addition to the appointment of a new external valuer. Discussion took place regarding the valuation report for preparation for the draft accounts, and the reduction in investment property risk. Questions were raised in relation to cyber security and the financial data analytics software.

RESOLVED:

THAT the report be received and noted.

4b Annual Audit Plan 2021-22 – Isle of Wight Pension Fund

The External Auditors presented the annual audit plan for the Isle of Wight Pension Fund, which summarised the initial assessment of the key risks driving the development of an effective audit for the Pension Fund and outlined the planned audit strategy in response to those risks. It was confirmed that due to service-wide pressures the final audit would be completed and reported to the committee in early 2023. Questions were raised in relation to benchmarking against other authorities.

Cllr Michael Lilley declared an interest as a member of the Local Pension Board.

RESOLVED:

THAT the report be received and noted.

5. Internal Audit Annual Report (including opinion)

The Chief Internal Auditor presented the annual report and opinion for 2021/22, to provide the committee with the necessary information to satisfy its remit as set out in the committee's terms of reference. Discussion took place regarding the reassurances around governance in relation to processing covid grants and the staff were thanked for their work on this. Comments were made in relation to the audit on deprivation of liberty safeguards (DoLS), and in particular the Council's compliance with policies, laws and regulations, safeguarding of assets, and effectiveness and efficiency of operations.

RESOLVED:

THAT the report be received and noted.

6. **Internal Audit Progress Report**

The Chief Internal Auditor presented the progress report, including the high-risk reports in relation to asbestos and deprivation of liberty safeguards (DoLS). Discussion took place regarding the audit on asbestos and the Council's arrangements in place to ensure the safety of its properties, surveys showing where asbestos was, and how risk was managed. The Director of Regeneration provided assurance that the actions contained within the audit would be completed by their due dates. Concerns were raised regarding dependency on a single long-serving highly experienced member of staff and questions were raised in relation to workforce contingency planning.

RESOLVED:

THAT the report be received and noted.

7. **Annual Governance Statement (Draft)**

Consideration was given to the Annual Governance Statement for 2021-22 and the committee were asked to approve the statement in readiness for signing by the Leader of the Council and the Chief Executive for submission with the annual accounts for 2021-22. It was confirmed that the draft could be signed off in principle but could not be finalised until the completion of the audit in early 2023. Discussion took place regarding the governance framework and clarification was sought with regards to the Mental Health Working Group. In relation to policy development, it was highlighted that the governance framework listed a number of policies which were out of date. Questions were raised in relation to the review and approval process, including a timeframe and whether this was at a councillor or director level. It was recommended that this be reported back to scrutiny in its remit for policy development and review.

RESOLVED:

THAT the content of the draft annual governance statement 2021-22 be agreed, in principle, subject to the completion of the audit opinion.

8. **Property Investment Portfolio Annual Report**

The Cabinet Member for Strategic Finance, Transformational Change and Corporate Resources presented the report which provided the committee with an update on the four mainland property investments that were purchased in 2018 which comprise the commercial property acquisition fund. It was advised that the investment strategy had settled into a management phase. The council was not looking to make more acquisitions. It was highlighted that a change in lending terms relating to the public works loan board (PWLB) meant that no further acquisitions could be made through borrowing from the PWLB. Questions were raised in relation to income the Assistant Director of Finance provided information on the revenue budget.

RESOLVED:

THAT the report be received and noted.

9. Treasury Management Annual Report

The Pension Fund and Treasury Management Accountant presented the annual report on treasury management policies, practices and activities for the year ended 31 March 2022. The committee noted the response to climate change and enhancing the biosphere. Discussion took place regarding comparative benchmarking and the level of detail contained within the report.

RESOLVED:

THAT the report be received noted.

10. Half-Yearly Procurement Report

The Director of Corporate Services presented the report which provided an overview of the council's procurement and contract monitoring activities for the period 1 October 2021 to 31 March 2022. Questions were raised regarding the roll out of the contract management system and the committee noted that this would lead to streamlined and more efficient services. The slow pace of the roll out was highlighted and it was acknowledged that additional resources had been allocated to the project to increase pace. Discussion took place regarding adult social care contract KPIs, waivers, mainland suppliers and local markets, the procurement strategy consultation, and community wealth building. It was noted that the chairman would liaise with the chairman of the Corporate Scrutiny Committee to discuss waivers.

RESOLVED:

THAT the report be received and noted.

11. The Council's Risk Profile

The Transformation Manager presented the Council's Risk Profile and drew attention to the strategic risks in relation to fulfilling the climate agenda, educational attainment, and staffing capacity, recruitment, and retention. Discussion took place regarding how the risk register was used by the corporate management team to improve services and the interim Chief Executive highlighted recruitment and retention measures including apprenticeships, flexible working, succession planning, and development opportunities. It was noted that the chairman would liaise with the chairman of the Corporate Scrutiny Committee to discuss recruitment and retention.

RESOLVED:

THAT the report be noted, and the strategic risks be approved.

12. Review of the Constitution

The chairman presented the report of the Monitoring Officer which advised on the review of the council's constitution (as agreed by the Full Council at its meeting on 18 May 2022). It was advised that a review was to be carried out and the outcome and recommendations would be reported to the Audit Committee and thereafter to the Full Council as soon as practicable after completion of the review. Discussion

took place regarding legal requirements and the recommendations of the LGA peer review of the planning services

RESOLVED:

- i) THAT the review of the current constitution be undertaken within the established remit, to be led by the Monitoring Officer in consultation with the Chairman of the Audit Committee, with engagement of councillors to ensure relevant input.
- ii) THAT a report be brought back to the Audit Committee so that the committee can formally consider and make recommendations to the Full Council on the current constitution.
- iii) THAT the ongoing work of the informal Transformational Change Working Group be noted and that any relevant recommendations from that Group be made to and reported to the Audit Committee at a future date.

13. **Workplan**

Consideration was given to the Committees workplan for 2021-23. It was advised that the workplan would need to be revised to reflect the delays with the audit and opinion to March 2023.

RESOLVED:

THAT the workplan be noted.

14. **Members' Question Time**

No members questions were received.

CHAIRMAN

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Committee report

Committee	AUDIT COMMITTEE
Date	17 OCTOBER 2022
Title	INTERNAL AUDIT PROGRESS REPORT
Report of	CHIEF INTERNAL AUDITOR

EXECUTIVE SUMMARY

1. Internal Audit provide periodic, summary in-year reporting to the Audit Committee regarding progress with the Annual Internal Audit Plan. The purpose of this reporting is to provide the committee with the necessary information to satisfy their remit, as set out in the committee's terms of reference in the constitution.
2. The committee is asked to note the report, seeking any clarifications necessary to satisfy their remit, either with Internal Audit regarding the findings of individual reports, or from line management regarding the progress of remedial action.

RECOMMENDATION

3. The Audit Committee notes the report of Internal Audit.

BACKGROUND

4. The last Internal Audit Progress Report was presented to Audit Committee in July 2022. The report presented to the September 2022 committee meeting summarises the results of audits finalised between July 2022 and September 2022.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

5. Internal Audit is a statutory function, responsible for providing independent assurance over all areas of the council.

Responding to climate change and enhancing the biosphere

There are no direct impacts within this report that will affect this corporate priority.

Economic Recovery and Reducing Poverty

There are no direct impacts within this report that will affect this corporate priority.

Impact on Young People and Future Generations

There are no direct impacts within this report that will affect this corporate priority.

Corporate Aims

6. As above.

CONSULTATION

7. Consultation takes place with the senior management team, both to inform the content of the annual Internal Audit programme of reviews and in year, to ensure that the work of Internal Audit is continuously aligned with the need of the council. Consultation also takes place with relevant managers for individual reviews, both to inform review scope and to confirm the accuracy of audit findings.

FINANCIAL / BUDGET IMPLICATIONS

8. There are no direct financial implications audit are carried out within the approved budget.

LEGAL IMPLICATIONS

9. The council has an obligation under Regulation 5 of the Account and Audit Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

EQUALITY AND DIVERSITY

10. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups.

RISK MANAGEMENT

11. Risks associated with issues identified through the work of Internal Audit are clearly identified in all audit reports, regularly presented in summary form to Audit Committee.

APPENDICES ATTACHED

12. Appendix 1 – Internal Audit Progress Report – September 2022.

Contact Point: Elizabeth Goodwin, Chief Internal Auditor

☎ 821000 e-mail Elizabeth.Goodwin@portsmouthcc.gov.uk

CHRIS WARD
Director of Finance and Section 151 Officer

CLLR ANDREW GARRATT
Chairman of the Audit Committee

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Internal Audit Progress Report 26 September 2022

Elizabeth Goodwin, Chief Internal Auditor



1. Introduction

Internal Audit is a statutory function for all local authorities. The Isle of Wight Council's Internal Audit service has an in-house team and a shared Chief Internal Auditor with Portsmouth City Council (PCC). The in-house audit team is supported by audit and counter fraud staff from PCC under a collaborative working arrangement.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit Regulations 2015 as to:

Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

2. Purpose of report

The purpose of this report is to update the Audit Committee on the progress of the 2022/23 Audit Plan as of 22 August 2022 and to highlight any significant risk exposure and control issues, including fraud and governance risks.



3. Assurance Levels

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives for the area under review.

Assurance Level	Description / Examples
Assurance	<i>No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority</i>
Reasonable Assurance	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
Limited Assurance	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
No Assurance	<i>Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit</i>

Audits rated No Assurance are reported in their entirety to Audit Committee along with Director's comments



4. Exception Risk Ranking

The following table outline the exceptions raised in audit reports, reported in priority order and are broadly equivalent to those previously used.

Priority Level	Description
Low Risk (Improvement)	<i>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</i>
Medium Risk	<i>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</i>
High Risk	<i>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not 'show stopping' but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud</i>
Critical Risk	<i>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the Council's objectives in relation to: The efficient and effective use of resources, The safeguarding of assets, The preparation of reliable financial and operational information, Compliance with laws and regulations and competition needs to be taken immediately</i>

Any critical exceptions found will be reported in their entirety to the Audit Committee along with Director's comments



5. Follow-up Action Categorisation

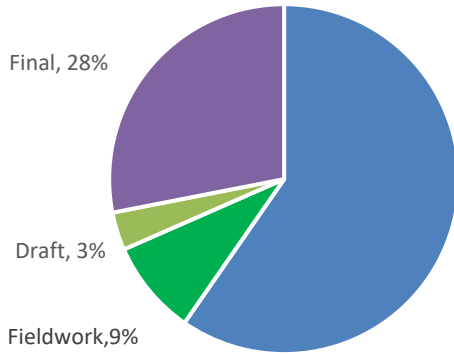
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

Follow Up Categories	Description
Open	<i>No action has been taken on agreed action.</i>
Pending	<i>Actions cannot be taken at the current time but steps have been taken to prepare.</i>
In Progress	<i>Progress has been made on the agreed action however they have not been completed.</i>
Implemented but not Effective	<i>Agreed action implemented but not effective in mitigating the risk.</i>
Closed: Verified	<i>Agreed action implemented and risk mitigated, verified by follow up testing.</i>
Closed: Not Verified	<i>Client has stated action has been completed but unable to verify via testing.</i>
Closed: Management Accepts Risk	<i>Management have accepted the risk highlighted from the exception.</i>
Closed: No Longer Applicable	<i>Risk exposure no longer applicable.</i>



6. Audit Plan Progress

Status Overall



Status (including follow-ups)	Audits
Pending	34
Fieldwork	5
Draft	2
Final	16
TOTAL	57

There were 53 reviews set out in the Audit Plan for 2022/23. There have been a number of changes to the originally proposed plan, primarily related to additional grants requiring certification by Internal Audit and consequent reductions in planned audit activity elsewhere. The current number of planned audits (full, follow-up and grant certification) is 57 more detail is provided in section eight of this report.

In addition to core assurance Internal Audit is providing further, ongoing support to the Council, by utilising IDEA software to highlight potential duplicate invoices.

All reviews currently included in the 2022/23 programme of work are included in summary information on this page. Detail regarding changes to the Audit Plan (not previously reported) is provided in the '**Audit Status**' section, later in this report.

This level of coverage represents an increase from the coverage provided prior to the partnership with Portsmouth City Council (PCC) and is appropriate for the size and range of responsibilities held by the Isle of Wight Council.



7. Audits in Period

Summaries for reports rated 'reasonable assurance' or better are provided below.

Advocacy Contract (Adults)

Exceptions Raised				Overall Assurance Level
Critical	High	Medium	Low	Assurance
0	0	0	0	

Assurance Level by Scope Area

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	NAT

This audit reviewed the contract with the provider, for advocacy services, which was signed in April 2021. No issues were identified, audit testing confirming that the Contract is correctly constituted and overseen, with payments being made, as set out in the Contract.

Oakfield School

Exceptions Raised				Overall Assurance Level
Critical	High	Medium	Low	Reasonable Assurance
0	0	4	1	

Assurance Level by Scope Area

Achievement of strategic objectives	Assurance
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Reasonable Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	Assurance

Management of expenditure, income and inventory need to be more robust. For example, by including date of hire on letting invoices, consistent reconciliation of cash income and annual asset checks. A more minor issue was also identified, with the scheme of delegation needing to be updated, to reflect current governance arrangements.

**School Financial Management Standard (SFVS)****Exceptions Raised**

Critical	High	Medium	Low
0	0	4	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by the 30th September 2022**Assurance Level by Scope Area**

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	NAT
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	Reasonable Assurance

Evidence submitted by eight schools, to support the assertions made in their SFVS returns, was reviewed by Internal Audit. One school was not able to sufficiently evidence governing body financial skills, one school governing body financial interests, one school linking raising standards to financial strategies and one school benchmarking. For context this is an improvement on prior year results.

IT Assets**Exceptions Raised**

Critical	High	Medium	Low
0	0	3	4

Overall Assurance Level

Reasonable Assurance

Assurance Level by Scope Area

Achievement of strategic objectives	Reasonable Assurance
Compliance with Policies, Laws & Regulations	NAT
Safeguarding of Assets	Reasonable Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	NAT

Issues were identified regarding asset discovery (checking the status of in use devices), asset disposals and potential lack of sufficient care towards Council IT equipment by staff. These need to be addressed by ensuring devices regularly report their status/investigating any potential issues, process changes, to ensure hard drives are securely wiped at the earliest opportunity and better capturing potential mistreatment of equipment, to enable management to take action. Minor issues were identified regarding documentation requiring update, ensuring asset status is set correctly and some reliance on spreadsheets to manage assets.



Blue Badges

Exceptions Raised

Critical	High	Medium	Low
0	0	1	2

Overall Assurance Level

Assurance

Assurance Level by Scope Area

Achievement of strategic objectives	Assurance
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	Assurance

Potential enhancements only were identified, regarding monitoring of income and expenditure, fraud prevention and staff training.

Test and Trace £500

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	NAT
Reliability and Integrity of Data	NAT

Testing was performed in accordance with the conditions of the scheme to enable sign off by the Chief Executive Officer and Chief Internal Auditor.



UNESCO and Interreg

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	NAT
Reliability and Integrity of Data	NAT

Testing was performed to provide independent assurance that the return submitted was supported with relevant evidence and could be traced back to original source data.

Local Transport Capital Funding

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	NAT
Reliability and Integrity of Data	NAT

Testing was performed in accordance with the conditions of the funding to enable sign off by the Chief Executive Officer and Chief Internal Auditor.



Public Health Outcomes

Exceptions Raised

Critical	High	Medium	Low
0	0	0	3

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by the 31st April 2023

Assurance Level by Scope Area

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	NAT

No significant issues were identified by Internal Audit. The three contracts reviewed (Smoking Cessation, Substance Misuse and Sexual Health) are correctly constituted, with payments made in line with contract terms. However, there have been delays in fully implementing elements of contracts due to COVID-19, primarily related to how reporting and oversight operate. For clarity the Service plan to fully implement most outstanding contract elements by mid-year.

Contain Outbreak Management Fund (COMF)

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	NAT
Reliability and Integrity of Data	NAT

Testing was performed in accordance with the conditions of the funding to enable sign off by the Chief Executive Officer and Chief Internal Auditor.



Universal Drug Treatment Grant

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

Achievement of strategic objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	NAT
Reliability and Integrity of Data	NAT

Testing was performed in accordance with the conditions of the grant to enable sign off by the Chief Executive Officer and Chief Internal Auditor.



Follow-up Audits in Period

Updates are provided below for follow-up activity, since the start of the 2022/23 financial year.

Technology Forge					
Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Limited Assurance	Reasonable Assurance
0	3	1	0		

Some progress has been made since the time of the original audit. Importantly the planned move to the Cloud based version of Technology Forge has the potential to substantively address most of the issues identified by Internal Audit.

1	Medium	Contract/Vendor Management Initial discussions have been held with the vendor and issues identified (formality and performance management) will be addressed when the Council migrates to the Cloud based version of Technology Forge.	In Progress
2	High	Continuity Draft continuity intentions have been shared with Internal Audit and a continuity exercise is planned for August 2022. As above continuity will be enhanced by moving to the Cloud based version of Technology Forge.	In Progress
3	High	Roles and Responsibilities User management is to continue being managed by operational staff within the service. The risk of not having segregation of duties has been accepted by the Director of Regeneration.	Closed, Management Accept Risk
4	High	Change Management There have been no changes in the 12 months since the original audit and changes up to the implementation of the Cloud based system will be limited to emergency changes. Once migrated to Cloud there will be no ongoing requirement from the Council's IT department to support change management.	No Longer Applicable

Barnardo's Contract (Early Help)					
Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Assurance
0	0	0	2		

All agreed actions now implemented.

1	Low	Management and Oversight of the Contract Evidence provided to Internal Audit, confirming Contract managed in line with terms.	Closed: Verified
2	Low	Monitoring Visits Onsite monitoring visits resumed.	Closed: Verified



8. Audit Status

The table below summarises audit status including detail regarding audits now scheduled, either where the area of focus had not been confirmed at the time the 2022/23 Audit Plan was produced or where changes have been made subsequently, for example to respond to service requirements, in year.

Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Adult Services							
Hospital Team/Discharge Process	■				Fieldwork		
Reablement/Outreach	■				Pending		
Deferred Payments	■				Fieldwork		
Plene Dene	■				Pending		
Deprivation of Liberty (DOLs)		■			Pending		
Children's Services							
Direct Contact & Supervision	■				Pending		
Oakfield School	■				Final	Reasonable	Included in this report.
Brighstone	■				Final	Reasonable	Pending CMT reporting.
Elective Home Education	■				Pending		
St Mary's School	■				Pending		
Children with Disability (to include Transition children's to adults)		■			Pending		
School Condition Funding				■	Pending		
Edge of Care (Barnardo's Contract)			■		Final	Assurance	Included in this report.
Scheduled reduced Follow-up; to cover:		■			Pending		
• Early Years		■			Pending		
• Arreton School		■			Pending		
• Broadlea School		■			Pending		
Troubled Families (Children's)				■	Pending		
School Financial Management Standard (SFVS)	■				Final	Reasonable	Included in this report.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Corporate Services							
Accounts Payable (AP)		■			Pending		Amended to follow-up, from full audit.
Accounts Receivable (AR)	■				Pending		
Bank and Cash	■				Pending		
Council Tax and NNDR	■				Final	Reasonable	Pending CMT reporting.
Housing Benefits	■				Draft		
Payroll		■			Pending		Amended to follow-up, from full audit.
IT Assets (including mobile phones)	■				Final	Reasonable	Included in this report.
Blue Badges	■				Final	Assurance	Included in this report.
Software Development	■				Fieldwork		
Technology Forge (IT System)		■			Final	Reasonable	Included in this report.
Paris (IT System)					Suspended		Delays in Project timeline; to be revisited as part of 23/24 planning.
Fleet/Hire Cars		■			Pending		
Insurance		■			Pending		
Test and Trace £500				■	Final	Assurance	Post payment assurance certification required; included in this report.
Omicron Business Grant				■	Fieldwork		
Scheduled reduced Follow-up; to cover: <ul style="list-style-type: none"> • Modern Slavery • Freedom of Information (FOI)/Subject Access Requests (SARs) • Agency (temporary staff, across Council) • Pension Administration • IT Follow-Up • Workforce Development (including Wellbeing) 		■			Fieldwork		



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Finance							
Capital Accounting	■				Pending		
UNESCO and Interreg				■	Final	Assurance	Included in this report.
Neighbourhoods							
Regulatory Compliance	■				Pending		
Car Parking					Suspended		To accommodate additional grant reviews.
Bereavement	■				Final	Reasonable	Pending CMT reporting.
Disabled Facilities				■	Pending		
Local Transport Capital Funding				■	Final	Assurance	Included in this report.
Green Homes Grant 2					Suspended		No second-year funding received.
Emergency Active Travel				■	Pending		
CCTV		■			Draft		
Scheduled reduced Follow-up; to cover:							
<ul style="list-style-type: none"> Leisure Centres (pending results) Homes in Multiple Occupancy (HMOs) Public Health Funerals (Community) (pending results) 		■			Pending		
Bus Subsidy				■	Pending		
Public Health							
Risk Management	■				Pending		
Public Health Outcomes	■				Final	Reasonable	Included in this report.
Contain Outbreak Management Fund (COMF)				■	Final	Assurance	Included in this report.
Universal Drug Treatment				■	Final	Assurance	New grant; included in this report.
HIV Prep					Suspended		Rolled into main PH grant.
Regeneration							
Building Control	■				Pending		



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Asset Disposals	■				Pending		
Planning and Enforcement	■				Pending		
Section 106		■			Pending		
Asbestos		■			Pending		
Scheduled reduced Follow-up; to cover: <ul style="list-style-type: none"> Asset Management School Landlord Responsibility 		■			Pending		
Strategy & Corporate							
Advocacy Contract (Adults)	■				Final	Assurance	Included in this report.
Gouldings Project	■				Fieldwork		
Annual Governance Statement (AGS)	■				Pending		
Scheduled reduced Follow-up; to cover: <ul style="list-style-type: none"> Risk Management 		■			Pending		

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Purpose: For Decision

Committee report

Committee	AUDIT COMMITTEE
Date	17 OCTOBER 2022
Title	THE COUNCIL'S RISK PROFILE
Report of	INTERIM CHIEF EXECUTIVE

EXECUTIVE SUMMARY

1. The purpose of this report is to give the committee an opportunity to review the current position with regard to the council's strategic risks. The committee's terms of reference include the provision for consideration of "the effectiveness of the council's risk management arrangements".

RECOMMENDATION

2. Option 1 – That the strategic risks of the council as set out in Appendix 1 of the report be approved.

BACKGROUND

3. This is the second update of the Strategic Risk Register within the 2022/23 financial year reporting period.
4. A revision of the Corporate Plan 2021-25 was approved by Full Council on 17 November 2021 and the Strategic Risk Register was reviewed to ensure it remained aligned to the new plan. Of key importance has been improving the way mitigation is presented in the report. Whilst general commentary provided by risk owners is usually detailed and relevant the mitigations need to have clear timescales and lines of responsibility to enable the Audit Committee to track their delivery and be assured that the risks are being sufficiently managed.
5. The application of the Risk Management Framework within the Isle of Wight Council has been subject to an Internal Audit and was granted an outcome of "Reasonable Assurance." The majority of actions identified as a result of that Audit have been completed. Regular meetings to discuss, update and monitor service risks are now being held across the service areas. Improvements to the council's risk management system do still remain outstanding with ICT until they have resources available to make the required changes. This does not affect the material use or functionality of the system for users.

6. Strategic risks are referred to within the Quarterly Performance Management Reports (QPMR) that are presented to Cabinet. The presentation of the Quarter 1 report took place on 8 September 2022. The dates for subsequent reports to be reported to cabinet are shown below:

Quarter 2 -2022/23 (July 22 – September 22) – 10 November 2022

Quarter 3 -2022/23 (October 22 – December 22) – 9 February 2023

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

7. Strategic risks are those that have the potential to prevent the council from achieving its strategic priorities. Senior managers ‘own’ strategic risks according to their particular responsibilities. Strategic risks are brought to the attention of Cabinet in that they are linked to the corporate priorities of the council in the Quarterly Performance Management Report (QPMR). The presentation of the Q1 report took place on 8 September 2022.

Provision of affordable housing for Island Residents

8. Whilst this report has no direct impact on the provision of housing for Island Residents it will play an important part in reporting on the progress towards the delivery of key activities concerned with that outcome. The relevant mitigations around this theme can be viewed in Appendix 1 – Risk 13

Responding to climate change and enhancing the biosphere

9. Whilst this report has no direct impact on the progress toward the delivery of the [Council’s Climate and Environment Strategy](#) or direct impact on the decision on the Island’s designation as a [UNESCO Biosphere](#), it will play an important part in reporting on the progress towards the delivery of key activities from within the Corporate Plan that are being delivered in line with these matters. The relevant mitigations around this theme can be viewed in Appendix 1 – Risk 13

Economic Recovery and Reducing Poverty

10. Progress towards Economic Recovery and the reduction of poverty is a key outcome for the Isle of Wight Council, and this is reflected in the Corporate Plan 2021-25. As such, Strategic Risks 1 and 2 as detailed in Appendix 1 relate to the ability of the Council to meet its statutory financial obligations as a Local Authority.

Impact on Young People and Future Generations

11. The decisions the Council makes now not only affect current residents, but may have long term impacts, both positive and negative, on young people and future generations. These impacts may not immediately be apparent or may not emerge for a number of years or decades. Impacts will be interrelated across the various domains of young people’s lives from housing, employment or training, health and the environment.
12. The United Nations Conventions on the Rights of the Child (UNCRC) in 1989, in particular article 12, places a duty for children and young people to have an active voice in decision making on matters that affect them. We value the views of our young people. Incorporating coproduction and consultation with young people into

our decision making process is a robust way of ensuring young people's views are taken into consideration. Participation workers experienced in coproduction can support engagement with the Youth Council, our Island children, and wider groups of young people to ensure the voice of young people is sought, heard, and acted upon on important matters that will affect them.

13. Appendix 1 - Risks 5 and 6 contain information relating to this priority.

Corporate Aims

14. The Strategic Risk Register is comprised of the key risks to the delivery of the IWC Corporate Plan as identified by the Isle of Wight Council's Corporate Management Team.

REPORTING METHODS AND RISK CHANGES

15. Updates are requested from all mitigation owners at the beginning of each month. These updates are then added to the risk register and included in this report.
16. All risk scoring is decided by Corporate Management Team which reviews the Strategic Risk Register each month as the Chief Executive Officer and the Directors have the statutory responsibility for managing the risks. The risk scoring matrix from which these scores are derived is shown in Appendix 2.
17. Risk owners have been requested to provide timescales for the mitigating actions associated with each risk where it is possible and appropriate to do so.
18. In order to see which information has been updated since the previous report in July, any additional comments are shown in italics in Appendix 1.
19. The register was circulated to Corporate Management Team (CMT) in May, July and September 2022 and all risk owners provided additional content and verified the current risk ratings.

CONSULTATION

20. The review of each strategic risk has been undertaken by senior managers according to their particular responsibilities. Members of the Corporate Management Team have reviewed the strategic risk register, provided additional input and verified the current risk ratings. Cabinet members are also given the opportunity to review risks as part of the QPMR.

FINANCIAL / BUDGET IMPLICATIONS

21. There are no direct financial implications of approving the Strategic Risk Register.

LEGAL IMPLICATIONS

22. The Accounts and Audit Regulations 2015 require that the council reviews its system of internal control including its risk management arrangements. This report is therefore concerned in part with improving the way the council manages risk and also in giving the committee the opportunity to play its part in overseeing risk

management arrangements. These are important features in the council's governance arrangements.

EQUALITY AND DIVERSITY

23. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
24. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups.

OPTIONS

25. Option 1: Audit Committee approves the strategic risks of the council as set out in Appendix 1.
26. Option 2: Audit Committee does not approve the strategic risks of the council as set out in Appendix 1.

RISK MANAGEMENT

27. While this report is concerned with the subject of strategic risk itself, the key risk is that the council fails to recognise the importance of identifying, assessing, and managing strategic risk. The result would mean that risks are more likely to occur or that the council will fail to plan for their impact.
28. This risk is mitigated by a monthly review of the Strategic Risk Register by Corporate Management Team who also formally approve the register before it's submission to the IWC Audit Committee.

EVALUATION

29. Option 1 is recommended in that from the information provided in the report and appendices is based on the views of the IWC Corporate Management Team.

APPENDICES ATTACHED

30. Appendix 1: Full Strategic Risk Register
31. Appendix 2: IWC Risk Scoring Matrix

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WENDY PERERA
Interim Chief Executive

CLLR CHRIS JARMAN
*Cabinet Member for Strategic Finance,
Transformational Change
and Corporate Resources*

<u>STRATEGIC RISK 1</u>		
Lack of financial resource and the ability to deliver the council's in-year budget strategy		
Assigned to: Director of Finance and Section 151 Officer		
Inherent Score	Target Score	Current Score (Proposed)
16 RED	5 GREEN	5 GREEN
Previous scores		
Jul 22	Mar 22	Nov 21
5 GREEN	5 GREEN	9 AMBER
Mitigation	Update on Activity/Status	Pressure Points
<p>Close monitoring of both Capital and Revenue spending (including income and savings targets)</p> <p>Position reviewed at the end of each quarter. Next review will be for the draft outturn position for 2021-22</p> <p>The Council maintains a Corporate Contingency for general and unidentified risk at circa. £3.5m per annum</p>	<p><i>Revenue Position</i></p> <ul style="list-style-type: none"> As at quarter one the council is forecasting a net balanced budget. However, this includes significant pressures forecast in Adults and Children's Social Care which are being offset by savings in Treasury Management costs and the use of contingencies. <p><i>Capital Position</i></p> <ul style="list-style-type: none"> As at quarter one the council's is forecasting expenditure of £38.8m against a budget of £60m. There is slippage in spending forecast at £21.2m from 2022/23 into future years (i.e. simply representing budgeted spending that is forecast not to take place in 2022/23 but will now fall into 2023/24). There is currently a small forecast overspend of £0.8m. 	<p><i>Revenue Position:</i></p> <ul style="list-style-type: none"> The main pressure areas are within Adults and Children's Social Care with net forecast overspend of £1.6m and £1.9m respectively but being offset by Treasury Management and contingencies Income from fees and charges mainly associated with Leisure Services are underachieving mainly as a result of legacy impact from the pandemic. The shortfall will be funded the Covid-19 contingency It should also be noted that there is a considerable risk to this forecast position as the financial year progresses and the impact of further inflationary pressures due to the current economic climate. By way of example, it is expected that the local government pay award and the impact of energy inflation are likely to add circa. £4m to the current forecast outturn. <p><i>Capital Position:</i></p> <ul style="list-style-type: none"> Given the current economic conditions and delays caused to projects during the pandemic there is a significant risk that further cost pressures will become apparent and will be reported in future reports as the impact becomes clearer.
Review of Corporate Finance Risks	<ul style="list-style-type: none"> The Charging of severely disabled people for Social Care (Norfolk decision) remains a key financial risk. 	<ul style="list-style-type: none"> Legal advice secured by the National Association of Financial Assessment Officers indicates that the judgement is flawed and

<p>Next review will be for the draft outturn position for 2021-22</p>	<p>Adult Social Care (ASC) undertake finance and charging assessments to determine individuals' eligibility to contribute towards the cost of their care and support. In line with other local authorities the council takes into account higher rate benefits when undertaking this calculation. This generates approx. £1.2 million per year of additional income for ASC.</p> <ul style="list-style-type: none"> In a recent court decision, it was found that higher rate benefits should be disregarded, and calculations only based on standard or lower rates of benefits. 	<p>advocated for continuing to levy charges in accordance with the regulations and local policy. This creates risk of potential legal challenge for all local authorities. To mitigate the risk, we are seeking advice and recommendations from Legal Services as to the steps we need to take to reduce the risk and potential success of any challenge and are currently reviewing our Finance and Charging policies to afford maximum protection.</p>
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STRATEGIC RISK 2

Lack of financial resource and the ability to deliver the council's medium-term financial strategy

Assigned to: Director of Finance and Section 151 Officer

Inherent Score	Target Score	Current Score (Proposed)
16 RED	9 AMBER	9 AMBER
Previous scores		
Jul 22	Mar 22	Nov 21
9 AMBER	9 AMBER	16 RED
Mitigation	Update on Activity/Status	Pressure Points
<p>A full revision of the budget and future forecast and resulting savings requirements is presented to Full Council each February.</p> <p>Due date 28/2/23</p>	<ul style="list-style-type: none"> The process for setting the budget for 2022-23 was completed and approved by Full Council in February 2022 Full Council approved an indicative savings requirement of £2m for the financial year 2023-24. The process to identify savings and prepare the budget for 2023-24 will commence later in the Summer. The budget and associated indicative savings proposals will be presented to Full 	<ul style="list-style-type: none"> <i>Provisional funding levels from Government are not published until December each year and confirmed in January</i> <i>Savings requirements are currently estimated at £2m per annum for the next three financial years (2023-24, 2024-25, 2025-26)</i> <i>Service Pressures/Demographic. Cost pressures including Inflation can be significant. The key pressures generally relate to Social Care (Adults & Children's) and inflation in</i>

	<p>Council for approval in February 2023</p>	<p><i>particular utility costs and wage costs (including costs passed on from contractors/suppliers)</i></p> <ul style="list-style-type: none"> • <i>Reserves need to be maintained at a level that provides sufficient financial resilience to enable the delivery of the Medium-Term Financial Strategy</i> • <i>Future Local Government funding system – there is still considerable uncertainty relating to planned major changes to the funding formula (Fair Funding Review) and the business rates system, therefore future funding levels remain very uncertain</i> • <i>Island Deal – £1m was awarded for 2022-23 to recognise the additional costs of delivering services on an Island. Future allocations for 2023-24 are still being discussed with Government in the absence of the delivery of the Fair Funding Review</i> • <i>Capital Programme Resources – grant funding is very constrained. There is a reliance on one-off contributions from revenue. Borrowing must be demonstrated to be affordable with a sufficient revenue stream to pay the debt costs. PWLB Borrowing approval is also restricted by regulation and the three-year capital programme is prohibited from including schemes that are primarily for a commercial yield.</i>
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<p>Delivery of: Income generation Efficiencies Services reductions and early identification of unavoidable cost pressures/unachievable income targets to allow effective mitigation planning</p> <p>Review 31/8/22</p>	<ul style="list-style-type: none"> • Commercialisation Board recently set up – to evaluate and progress full cost recovery for chargeable services, income generation and service efficiencies • Regeneration Programme Boards are in operation and aim to deliver an economic benefit to the council including an improved council tax and business rates base • The budget process includes a series of meetings with Directors and Cabinet to explore unavoidable cost pressures & undelivered savings, opportunities for income generation, efficiencies & opportunities for transformation bids 	<ul style="list-style-type: none"> • Ability to fund new initiatives that require an initial subsidy. See note above regarding the conditions for borrowing. • The Transformation Fund is the main source of one-off investment required for new income generating activity. This is a limited fund which has to be prioritised to schemes that deliver the best outcome. Any top-ups required to the fund will be considered as part of the budget setting process and is subject to affordability.
<p>Maintain ultimate Council Tax collection rate at 98.3% & minimise the opportunity for fraud</p> <p>Review date – 31/10/22</p>	<ul style="list-style-type: none"> • Creation of a centralised debt team with enhanced staffing levels to ensure that the payment of debt is maximised and to signpost residents to appropriate support and guidance • Processes in place to review discounts and exemptions to verify reductions being claimed • A robust enforcement approach is in place to maximise collection of council tax, sundry debt, and business rates. To also assist customers to proactively manage debt before recovery becomes a requirement • Working closely with Portsmouth Fraud team to prosecute those who are accessing the public purse fraudulently 	<ul style="list-style-type: none"> • Continued increase in the number of residents contacting the council relating payment concerns due to cost of living increases • Ability to recruit to fixed term roles to create additional resource for the administration of government initiatives to assist residents with financial support • Potential increase in caseload for Local Council Tax Support, reducing Council Tax income levels

STRATEGIC RISK 3

Insufficient staffing capacity and skills

Assigned to: Director of Corporate Services

Inherent Score	Target Score	Current Score (Proposed)
16 RED	9 AMBER	10 RED
Previous scores		
Jul 22	Mar 22	Nov 21
10 RED	9 AMBER	9 AMBER
Mitigation	Update on Activity/Status	Pressure Points
<p>Monitoring Staff Capacity</p> <p>Next review due 31/10/22</p>	<ul style="list-style-type: none"> On-going legacy issues emerging as a result of COVID-19 are resulting in increased demand for support being received from residents Continued effort is being given to developing agile working practices, taking learning from the pandemic into consideration as we move towards a new model of hybrid working. Gradually services are now establishing their working models combining agile and office-based working To address sickness levels staff are being signposted to support services such as Remploy and our internal Mental Health Champions network. All managers are being encouraged to complete the Attendance Management training. 	<ul style="list-style-type: none"> The wellbeing of our staff remains a concern and continued efforts are being made to provide access to support and response to any issues of concern. Staff absence levels continue to remain stable but are continually monitored at organisational and directorate level Covid absence levels have reduced, therefore reducing pressures on service areas which would have arisen with usual summer annual leave demands.
<p>Delivery of recruitment and retention strategy and action plan</p> <p>Due date 30/09/22</p>	<ul style="list-style-type: none"> On-line training resources have been developed to support recruiting managers that can be accessed as and when it is required - these remain under review for further improvements to be identified. The project team have progressed several key elements of the strategy including an <ul style="list-style-type: none"> Improved Induction process for new starters that enables 	<ul style="list-style-type: none"> Resourcing has been identified as a key issue for the delivery of the strategy with competing workload priorities and lack of funding placing pressure on the ability to deliver the desired outcomes of the project

	<p><i>feedback regarding the overall recruitment and selection process</i></p> <ul style="list-style-type: none"> ○ <i>Revise existing and transfer process to better understand the reasons for staff leaving their posts</i> ○ <i>Improved Intranet resources for recruiting managers that make the recruitment process clearer and provide them with additional supporting documentation</i> ● <i>Pay benchmarking tool to be rolled out during the summer</i> 	
<p>Regular monitoring, analysis, and review of organisational health indicators</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> ● The reporting dashboard has been refreshed to allow focus to be given to month-by-month changes and comparison with previous year periods to allow for greater scrutiny of issues of concern. ● A refreshed attendance management strategy and action plan and has now been agreed and is underway on delivery. ● <i>Annual staff survey has taken place with initial analysis presented to corporate management team in June 2022. Feedback has also been shared with line managers at the September Managers Big Conversation.</i> 	.
<p>Workforce planning</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> ● A workforce plan is being developed across the Council to identify key roles in service areas and the skills needed for the future so services can plan training and enable succession planning. Workshops have commenced and work force training plans are being developed from the information gathered ● Workforce planning requirements were included as a key section of the directorate plans that have recently been 	<ul style="list-style-type: none"> ● There remains inconsistency in approach across the council to workforce planning within services but which it is anticipated will be improved through the roll out of a programme of learning and toolkit for services.

	<p>produced to support the Corporate Plan</p> <ul style="list-style-type: none"> • An update was provided to senior managers in August which aided discussions on succession planning and building service resilience. This included the hard to recruit positions and future planning for the ageing workforce. 	<ul style="list-style-type: none"> • Formal action plan to address key workforce issues to be presented to CMT on 20 September.
<p>ASC recruitment and retention</p> <p>Next review date 31/10/2022</p>	<ul style="list-style-type: none"> • 4 Trainee Social Workers achieved their qualification in July 2022, 3 Trainees commenced their 2nd year of 2 years training and 4 started their 1st year in September 2022 • 2 more trainees will commence their Approved Mental Health Practitioner qualification in October 2022 • The ASCHN workforce plan has been completed and is now being implemented supporting with all recruitment and retention activity 	

<u>STRATEGIC RISK 4</u>		
<p>A change in organisational culture fails to keep a pace with the speed of organisational change, negatively impacting on the delivery of the required transformation to deliver the corporate plan</p> <p>Assigned to: Director of Corporate Services</p>		
Inherent Score	Target Score	Current Score (proposed)
16 RED	6 GREEN	6 GREEN
Previous scores		
Jul 22	Mar 22	Nov 21
6 GREEN	6 GREEN	6 GREEN
Mitigation	Update on Activity/Status	Pressure Points
Leadership and management development	<ul style="list-style-type: none"> • A programme of manager conferences is taking place quarterly. • A leadership forum is in place for senior managers to share ideas. • A "Growing Leaders" network is also being developed to act as a 	

<p>Due Date 31/10/22</p>	<p><i>think tank for common problems and issues.</i></p> <ul style="list-style-type: none"> The People and Organisational Development strategy has now been approved by the corporate management team and the associated action plan is now in operation. The Strategic Manager for Workforce and Organisational Development is leading this initiative and operating a regular project group with quarterly reports being provided to the Corporate Management Team. 	
<p>Workforce development programmes/ Initiatives</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> The Learning Hub continues to be utilised to support staff with the specific needs presented by the pandemic situation and has also seen the introduction of a wider range of learning activities for staff and managers many of which would have previously only been undertaken utilising face to face learning activities. 	<ul style="list-style-type: none"> A substantial piece of work is to be undertaken this year looking at the future of learning which aims to build staff/manager responsibility for their own learning and that of their teams. <i>This will support directorate workforce plans by identifying career pathways and essential learning to be undertaken.</i>
<p>Delivery of the council's BIG Action Plan</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> Progress against the Big Action Plan which is now integral to the council's organisational development strategy is included in the Strategic Programme Report that is reviewed bi-monthly by Corporate Management Team. Workstreams monitored by the action plan include: - <ul style="list-style-type: none"> Website redevelopment Digital Accessibility Learning Management System Entrepreneurial/Commercial activities Equality, Diversion & Inclusion Attendance Management Workforce Data Agile Working Property Rationalisation 	<ul style="list-style-type: none"> The ambitious agenda set within the BIG Action Plan places pressure on resources as different workstreams often require access to the same support resources in areas such as ICT, HR, Organisational Intelligence, Procurement and Property Services
<p>Maintaining ICT Networks and systems to</p>	<ul style="list-style-type: none"> Business continuity plans continue to be reviewed and monitored to ensure the 	<p>With more staff returning to the workplace on a regular basis there is an increase in requests for adding</p>

<p>facilitate large scale agile working</p>	<p>Information and Communications Technology (ICT) infrastructure, networks and systems remain operational.</p>	<p>replacement equipment to office workspaces where the original supplies remain in use at home to enable flexible working to continue. There is only limited stock available and no additional budget to increase equipment supplies. Departments are being asked to review the working patterns of staff to determine essential equipment requirements to avoid budget pressures emerging.</p>
<p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> The agile change team remain in place to provide assistance to staff and teams in the use and maximisation of the potential of available technology <i>Where there are competing demands for ICT resources priority is given based on the importance of the activity towards delivery of key Corporate Plan outcomes</i> 	

<p><u>STRATEGIC RISK 5</u></p>		
<p>Failure to improve educational attainment</p>		
<p>Assigned to: Director of Children’s Services</p>		
<p>Inherent score</p>	<p>Target score</p>	<p>Current score (proposed)</p>
<p>16 RED</p>	<p>6 GREEN</p>	<p>10 AMBER</p>
<p>Previous Scores</p>		
<p>Jul 22</p>	<p>Mar 22</p>	<p>Nov 21</p>
<p>10 AMBER</p>	<p>10 AMBER</p>	<p>10 AMBER</p>
<p>Mitigation</p>	<p>Update on Activity/Status</p>	<p>Pressure Points</p>
<p>Ensure schools have contingency plans should positive cases rise and meet the criteria for an outbreak i.e., 5 positive cases or 10 percent of the cohort for most schools</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> Schools have updated their own contingency plans accordingly based upon the prevailing DfE guidance. The guidance emphasises the priority that children should be in school and learning. This message is underlined by the school improvement team in their work with schools. 	<ul style="list-style-type: none"> <i>None currently</i>
<p>Building on the improvements in standards</p>	<ul style="list-style-type: none"> The school improvement team’s shift to more traditional school improvement work is being delivered through both remote work and face to face meetings 	<ul style="list-style-type: none"> <i>The work of the school improvement team is now increasingly focused on supporting educational attainment, however, support for schools around aspects of</i>

<p>Next review date Sept 22</p>	<p>in schools, with appropriate risk assessments in place.</p> <ul style="list-style-type: none"> • Both the targeted and professional development offers of school improvement activities have been updated to reflect the changed needs of schools and their leaders as they adapt to the academic, social, and pastoral needs of the children which have in many cases changed over the pandemic. • The school improvement team have continued to work with schools preparing for inspection under the new Ofsted framework that was implemented in September 2019. This has started again this term, with the full schedule of inspections due to resume from February 2022. • <i>Much of the work of the school improvement team has been focused on preparing schools for the reintroduction of examinations. Secondary subject network groups have been meeting across GCSE subject areas where expertise and advice has been shared. These have been well attended.</i> 	<p><i>managing COVID-19 is still prioritised where needed.</i></p>
<p>Ensuring schools are good (as rated by Ofsted) for all children</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> • 79 percent of IW schools are currently rated good or outstanding and signs from inspections undertaken last academic year would suggest that this will improve over the coming months, although this improvement does rely on schools being inspected and the inspection schedule is currently running up to six terms in arrears. 	<p>Some schools have had very tough times over COVID; their improvement trajectories have slowed, and they are now being fully supported to get back on track with the rapid improvements needed by the school improvement team. This adds pressure to the Ofsted judgements improving as swiftly as would have been the case previously.</p>
<p>Leading a cohesive system for children based on effective partnership working</p>	<ul style="list-style-type: none"> • Continued development of strong relationships and synergies between the range of departments and agencies that work with children including social care, health, and the 	<p><i>None currently.</i></p>

Next review date Sept 22	<p>Special Educational Needs (SEN) service.</p> <ul style="list-style-type: none"> Continue the positive work on transition that began between primary and secondary schools during the pandemic, and also between schools and post-16 providers. 	
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<u>STRATEGIC RISK 6</u>		
Failure to identify and effectively manage situations where vulnerable children are subject to abuse		
Assigned to: Director of Children's Services		
Inherent score	Target score	Current score (Proposed)
16 RED	5 GREEN	7 AMBER
Previous scores		
Jul 22	Mar 22	Nov 21
7 AMBER	7 AMBER	7 AMBER
Mitigation	Update on Activity/Status	Pressure Points
<p>COVID-19 Response</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> Service fully operational <i>though demand has increased. Weekly staff roll calls continue to monitor attendance.</i> Family Time (Contact) between looked after children and their parents continues through reaching capacity <i>which is being reviewed to resolve.</i> All meetings with families are now face to face unless a family member has COVID and then this is virtual. Business Continuity Plan updated to include additional actions developed to respond should staff shortages impact on service delivery. 	<ul style="list-style-type: none"> <i>Difficulty around placements & supported accommodation due to increased demand</i> Challenges around COVID-19 concerns affecting ability to make new placements with foster carers/residential providers.
<p>Corporate Parenting Board</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> Corporate parenting board meetings taking place quarterly. Corporate parenting strategy & Action plan agreed by Board in March 2020. 	<ul style="list-style-type: none"> Meetings now take place face to face with hybrid facilities used to enable full participation.
<p>Multi-agency integrated</p>	<ul style="list-style-type: none"> Pathways to Independent Adulthood supported accommodation tender completed. 	<ul style="list-style-type: none"> High demand for this accommodation for children and young people with complex needs and behaviours that challenge.

<p>commissioning board</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> • A new Special Educational Needs or Disability (SEND) strategic board is taking forward the joint commissioning agenda-between Local Authority/Clinical Commissioning Groups addressing recommendations of the recent SEND inspection. 	
<p>Quarterly performance reports to Scrutiny Committee</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> • Performance reports are viewed regularly by the Policy and Scrutiny Committee for Children’s Services, Education and Skills. Meetings held on 3 March 2022 and 9 June 2022 <i>with the next meetings scheduled for September and December 2022.</i> • Weekly performance management data is being considered to support our understanding and response to the impact of COVID-19 and subsequent planning for recovery. 	<ul style="list-style-type: none"> • <i>Staff rota and process in place to manage a return to the office as the number of staff exceeds County Hall capacity.</i>
<p>Regular scrutiny of social work caseloads</p> <p>Next review date Sept 22</p>	<ul style="list-style-type: none"> • Caseloads continue to be scrutinised by senior management on a weekly basis. It is expected that demand will continue at a higher level than normal. 	<ul style="list-style-type: none"> • <i>The average caseloads increased this quarter (to 23 from 21) due to increased demand. Additional investment in social worker capacity has been secured to support the increased demand due to COVID-19. However, there is a national issue on the availability of social workers and agency social workers meaning challenges recruiting to vacancies remains a pressure.</i> • Successful bid to Department of Education has secured significant additional investment in our Family Hubs to respond to meeting the needs of more families impacted by the pandemic.
<p>Quality assurance framework (monthly case audits concentrating</p>	<ul style="list-style-type: none"> • Monthly meetings now take place to review audits and actions and quality of practice. The senior management team also undertake an audit of audits on a quarterly basis to quality assure the auditing process. 	

on quality of practice)		
Annual self-evaluation and annual conversation between Director and Ofsted	<ul style="list-style-type: none"> Ofsted undertook a focussed inspection in July 2021 of the Isle of With Children's Social Care Service. The letter of findings was published early September 2021. 50168714 (ofsted.gov.uk). A new Quality Improvement Plan (QUIP) has been developed. The self-evaluation is being updated covering 2021 ahead of the annual conversation the Director and senior managers had with Ofsted in March 2022. 	

<u>STRATEGIC RISK 7</u>		
Failure to recruit acceptable quality of professional practice across Adult Social Care (ASC) and Housing Needs		
Assigned to: Director of Adult Social Care		
Inherent score	Target score	Current score (proposed)
14 RED	6 GREEN	6 GREEN
Previous scores		
Jul 22	Mar 22	Nov 21
8 AMBER	8 AMBER	8 AMBER
Mitigation	Update on Activity/Status	Pressure Points
Pride in Practice – growing our own social work workforce COMPLETE	<ul style="list-style-type: none"> The Pride in Practice Strategy was launched across the department on 14 April 2021 increasing the focus on quality standards needed across the department – and how we will support and encourage staff to meet those standards. It includes “growing our own” social work and other specialist staff and we now have 9 staff undertaking the apprenticeship Social Work programme. 	
Addressing especially hard to recruit roles	<ul style="list-style-type: none"> Focus is also on the recruitment to specialist roles (Approved Mental Health Practitioners) in 	<ul style="list-style-type: none"> Against a backdrop of a national skills shortage in this area, the service still has vacancies in this

<p>Next review date 31/08/2022</p>	<p>the Mental Health Social Work team.</p> <ul style="list-style-type: none"> • <i>3 Trainees AMHPs have been appointed who will be trained and will gain experience in the role and over time reduce the reliance on more expensive agency staff</i> 	<p>specialist role but is continuing to advertise and promote the roles whilst also training existing staff to undertake these duties.</p>
<p>ASC recruitment and retention</p> <p>Next review date 31/08/2022</p>	<ul style="list-style-type: none"> • Vacancy monitoring is reviewed on a monthly basis. • <i>The effort and investment into “Growing our own” Social Workers has resulted in 4 trainees scheduled to become qualified SWs in July. In September 2022 3 more trainees will be starting their 2nd of 2 years training and 4 more trainees will start their 1st year</i> • <i>The ASCHN workforce plan has been completed and is now being implemented supporting with all recruitment and retention activity.</i> 	<ul style="list-style-type: none"> • <i>As above. The IWC is not only in competition with other local authorities for but also with other industries where pay rates have increased post pandemic (e.g., hospitality)</i>
<p>ASC Learning and Development Plan</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> • Close working with Human Resources and Learning and Development has ensured that staff have access to training appropriate to their roles and are supported in their professional development. 	
<p>New person-centred, strengths-based assessment forms</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> • Improvement plans have been developed and implemented across the department following analysis and scrutiny of audit findings. This is now business as usual. 	
<p>Maintain staffing levels during COVID-19 response</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> • We continue assessing availability of our staffing levels on a daily basis as we did throughout the pandemic. <i>The staffing position has greatly improved with no teams reporting staff shortages due to COVID-19 since 13 April 2021.</i> 	
<p>Agile working</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> • <i>All staff in ASC continue to work in an agile way, working from where they need to be.</i> 	

STRATEGIC RISK 8

Failure to identify and effectively manage situations where vulnerable adults are subject to abuse

Assigned to: Director of Adult Social Care and Assistant Director of Operations

Inherent score	Target score	Current score (proposed)
16 RED	6 GREEN	11 AMBER
Previous scores		
Jul 22	Mar 22	Nov 21
11 AMBER	10 AMBER	10 AMBER
Mitigation	Update on Activity/Status	Pressure Points
Protecting Vulnerable Adults Next review date 31/10/2022	<ul style="list-style-type: none">Review of IW Independent Living Strategy – (to be completed in January 2023)Focus on improving mental health and wellbeing is incorporated into all activities (including strategies, commissioning decisions and directly provided services) across Adult Social CareThe review and refresh of the Carers Strategy continues to progress.The support available for informal carers has been recommissioned and includes a requirement for the provider, Carers IW to ensure that they are actively promoting assessments for carers. Quarterly reporting is in place to evidence the number of carers receiving support.<i>Plan being implemented to reduce the number of outstanding care support reviews by 50% by January 2023</i>	<ul style="list-style-type: none">The number of outstanding reviews has increased over the 12 months up to the end of May 2022 when 807 were outstanding compared with 572 a year ago. <i>An action plan is now in place to reduce the number of outstanding reviews by 50% within the next 6 months. The action plan has been implemented.</i>Safeguarding continues to be a key area of focus and May 2022 saw the highest number of safeguarding referrals for 12 months with 367 being received compared with an average of 310 per month. <i>Work is underway to review safeguarding activity and levels</i>
ASC Programme Board COMPLETE	<ul style="list-style-type: none">All ASC projects are reviewed monthly by the ASC Programme Board with any exceptions being escalated to the ASC Service Board. Highlight report reflects the corporate standard.	

<p>'Deprivation of Liberty Safeguards' (DoLS) backlog clearance programme</p> <p>Next review date 31/10/2022</p>	<ul style="list-style-type: none"> The number of applications awaiting assessment has fallen steadily over the last 12 months to 377 compared with 520 a year ago. 	
<p>Mental Health Action Plan</p> <p>Next review 31/10/2022</p>	<ul style="list-style-type: none"> An action plan has been produced in response to the independent review of mental health social work practice – its development and delivery continues to be on target. 	
<p>Safeguarding Action Plan</p> <p>Due date - TBC</p>	<ul style="list-style-type: none"> Review of the practice guidance is complete. Making Safeguarding Personal (MSP) toolkit for ASC practitioners in place. 	<ul style="list-style-type: none"> MSP audit initially due at the end of 2020 was delayed as a result of the pandemic <i>and is now complete with the report being prepared</i>
<p>Learning Disability (LD) Homes Service improvement plans</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> We retain 2 residential care homes supporting people with learning disabilities and Westminster House which is a respite centre. All of these services are rated as Good by Care Quality Commission (CQC). Each service now has a bespoke Service Improvement Plan which is being regularly and routinely monitored. 	
<p>Centralisation of outreach teams</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> The service is fully operational. 	

STRATEGIC RISK 9

Failure to secure the required outcomes from the integration of adult social care and health

Assigned to: Director of Adult Social Care

Inherent score	Target score	Current score (proposed)
16 RED	6 GREEN	10 AMBER
Previous scores		
Jul 22	Mar 22	Nov 21
10 AMBER	10 AMBER	10 AMBER

Mitigation	Update on Activity/Status	Pressure Points
<p>COVID-19 Response</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> The national scheme to provide additional funding to Health partners to support with Hospital Discharge (HDS1 and HDS2) will now continue to 30/06/2022 	<ul style="list-style-type: none"> We have seen an increase in financial liability for care and support as a result of the Discharge to Assess policy implementation and continue to review on a monthly basis the impact of these arrangement to mitigate so far as is possible long-term effect.
<p>ASC Programme Board</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> All ASC projects are reviewed monthly by the ASC Programme Board with any exceptions being escalated to the ASC Service Board. Highlight report reflects the corporate standard. 	
<p>Transformation programme and operational integration</p> <p>Next review date 31/10/2022</p>	<ul style="list-style-type: none"> The Better Care Fund for 2022-23 is in development to align the delivery of integrated community commissioning arrangements. The full review of the Regaining Independence Service is underway with a focus on greater levels of rehabilitation and reablement services being provided in peoples own homes ASC continues to engage with the development of the Well-being strategy and with the Islands Health and Care Plan 	
<p>Responsiveness to hospital escalations</p> <p>Next review date 31/10/2022</p>	<ul style="list-style-type: none"> The System Resilience Board, chaired by the Director of Adult Social Care and Housing Needs, engaging all system partners including representatives from the Independent Sector, takes ownership of the programmes of work arising from escalation and monitors the delivery of actions in a timely way. 	<ul style="list-style-type: none"> The key challenge in relation to responsiveness to hospital escalation continues to be the fragility in the workforce across the Island <i>and the impact this has on community capacity.</i>

STRATEGIC RISK 10**Independent Social Care Sector Sustainability (Care Homes and Home Care)****Assigned to: Director of Adult Social Care**

Inherent score	Target score	Current score (proposed)
16 RED	6 GREEN	12 RED
Previous scores		
Jul 22	Mar 22	Nov 21
12 RED	12 RED	12 RED
Mitigation	Update on Activity/Status	Pressure Points
IW Market Position Statement Due date 31/12/22	<ul style="list-style-type: none"> <i>Fair cost of care exercise and Market Sustainability Plan have been prioritised as both required submission to central government mid-October. This work will contribute towards the Market Position Statement refresh</i> 	
Occupancy Levels COMPLETE	<ul style="list-style-type: none"> We continue to monitor, on a daily basis, through the National Capacity Tracker, occupancy levels across all CQC registered Care Homes and have now developed a weekly ratification process with providers to ensure that vacancy data is accurate. – This process is now considered as Business as Usual 	
Levels of Fees Due date 31/10/22	<ul style="list-style-type: none"> In line with requirements from the DHSC the IWC is undertaking the Fair Cost of Care exercise and producing a Market Sustainability Plan for submission to DHSC by mid-October 2022 Local providers are being involved fully in this work It is anticipated that the DHSC will use these results to inform future fair funding settlement results potentially relieving financial pressure on the IWC in years to come. This process is likely to supersede the more traditional annual fee 	<ul style="list-style-type: none"> <i>Limited returns have been made by local providers. Work continues to maximise returns at this time.</i>

	<p>review as the mechanism for agreeing prices with providers but this is being kept under review.</p>	
<p>Workforce pressures</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> The lack of local workforce in the delivery of social care activity has been escalated as an area of concern to both national ADASS and the LGA. The Isle of Wight Health and Care Partnership Board continue to develop and implement a range of activity and strategies to support both recruitment and retention to key care roles on the Island. 	<ul style="list-style-type: none"> There are significant challenges in relation to sufficiency of workforce across all health and social care sectors, including in the delivery of frontline care and support services. Workforce has been affected as a result of an increase in vacancy levels and higher staff turnover. We continue to monitor the situation and to work with providers around business continuity plans and safe staffing levels.
<p>Market Capacity – Homecare</p> <p>Next review date 31/10/2022</p>	<ul style="list-style-type: none"> Business Continuity Plans are being reviewed with local providers to ensure continuity of care where there may be workforce challenges and where necessary the council is using its own workforce to provide emergency care and support. 	<ul style="list-style-type: none"> The workforce pressures highlighted have impacted on care homes and home care providers over the past five months <i>resulting in limited capacity. We continue to balance need to support hospital discharge (which accounts for approximately 12% of the Adult Social Care workload) with supporting vulnerable people in their own homes and in the community.</i>
<p>Capacity Tracker</p> <p>COMPLETE</p>	<ul style="list-style-type: none"> The development of the national capacity tracker has provided a level of oversight for commissioners of adult social care services that previously wasn't available. This is assisting in understanding not only available capacity and staffing levels but also provides some early warning signs where provider fragility or failure is likely to become a concern. – <i>This process is now considered as Business as Usual</i> 	

STRATEGIC RISK 11

Failure of the Highways PFI contract resulting in significant financial and operational disruption for the council and its residents

Assigned to: Director of Neighbourhoods

Inherent score	Target score	Current score (proposed)
16 RED	5 GREEN	7 AMBER
Previous scores		
Jul 22	Mar 22	Nov21
7 AMBER	8 AMBER	8 AMBER
Mitigation	Update on Activity/Status	Pressure Points
PFI – Establish and deliver available savings Next Review Due 31/10/22	<ul style="list-style-type: none">• Most of the requirements for the Core Investment Period (CIP) have been satisfied and the contractor is now moving into the Routine Maintenance and Life Cycle Investment period for the remainder of the contract.• We continue to effectively monitor and manage the Highways Private Finance Initiative contract following the completion of the core investment period, and the Milestone 14 programme is progressing as planned.• The majority of the first two phases of the programme of contract savings have been agreed and Island Roads have agreed to forward fund the savings amounts in the budget by end of March 2022 to meet the £1.5 m pa savings target.• The third phase of savings are to be agreed and completed by September 2023.	<ul style="list-style-type: none">• Milestone14 programme on schedule.• Phase 3 savings discussions taking place with Island Roads in addition to the £1.5m pa.
PFI - Successfully resolve anomalies in the contract specification Due date 31/03/23	<ul style="list-style-type: none">• Ongoing discussions are taking place to resolve other outstanding contract issues by end March 2023.	

STRATEGIC RISK 12**Failure of the Waste contract resulting in significant financial and operational disruption for the council and its residents**

Assigned to: Director of Neighbourhoods

Inherent score	Target score	Current score (proposed)
16 RED	5 GREEN	8 AMBER
Previous scores		
Jul 22	Mar 22	Nov 21
8 AMBER	8 AMBER	8 AMBER
Mitigation	Update on Activity/Status	Pressure Points
<p>Ensure the delivery of Key Facilities through robust contract management</p> <p>Due Date 5/09/22</p>	<ul style="list-style-type: none"> The Energy from Waste Plant passed its Readiness Tests and has been issued a certificate of Readiness by the Independent Certifier, thus successfully ending cold commissioning. Hot Commissioning and preparation for the acceptance tests commenced in <i>January 2022 with final acceptance tests scheduled be completed in September 2022 which if successful will result in the Acceptance Test Certificate being issued</i> All and any costs incurred by the delay will not be at the council's cost. All construction delay and associated additional costs of treating waste and recycling is entirely at the financial risk of the service provider and does not affect the diversion of waste from landfill or the recycle rates being achieved on the island. 	<ul style="list-style-type: none"> Construction risk and cost of residual waste above agreed contract rates sits with Amey. The council has maintained the service charge step down from August 2018 when the plant was originally due to be completed (prior Energos failure) meaning that Amey have to cover the treatment cost gap for sending waste to a mainland Energy Recovery Facility (ERF). Hot Commissioning has identified some faults which have required an iterative process of repairing and restarting which has been impacted by visa issues for contractors entering the UK.
<p>Regular monitoring of performance of the contract</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> All household collections have continued during the COVID-19 restrictions. Recycling rates and service satisfaction levels have remained high. Performance <i>remains</i> good with almost 100 percent of municipal waste now being diverted from landfill and over 58 percent of household waste being recycled or composted. 	

<u>STRATEGIC RISK 13</u>		
Achieving the vision for the Island		
Assigned to: Chief Executive		
Inherent score	Target score	Current score (proposed)
14 RED	6 GREEN	12 RED
Previous scores		
Jul 22	Mar 22	Nov 21
12 RED	12 RED	12 RED
Mitigation	Update on Activity/Status	Pressure Points
Isle of Wight Corporate Plan 2021-25 Next review date 31/10/22	<ul style="list-style-type: none"> Progress against Corporate Plan is reporting in the Quarterly Performance Management Report to Cabinet 	<p>There are pressures related to strategic capacity and within some of the regeneration programme that will impact on some areas of delivery against the corporate plan.</p>
Quarterly Performance Management Report (QPMR) updates Next review date 31/10/22	<ul style="list-style-type: none"> Regular reporting of finance and performance set against the corporate plan activities and metrics is made to the Cabinet and various committees with a scrutiny function. The new Corporate Plan is aligned to the council's vision for the Island and all of the council's key activities and performance metrics derive from it. <i>Directorate Plans have also been produced and provide a framework for team and individual performance management</i> 	
Strategic capacity and interventions Next review date 31/10/22	<ul style="list-style-type: none"> Additional capacity in the senior management team has been secured and is being used to address gaps in strategy and policy issues which will align to the corporate plan. Key current themes are affordable housing, biosphere, and net zero; economic regeneration and reducing poverty. <i>The process for the recruitment of a permanent Chief Executive Officer has commenced</i> 	<ul style="list-style-type: none"> A key challenge is in maintaining a planned proactive approach to the delivery of corporate objectives

<p>Robust Programme Management</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> • The programme management framework is becoming embedded throughout the organisation, aided by the oversight of the Strategic Programme Board and the Councillor review board chaired by the Leader. • <i>A comprehensive Project Management training pathway is in place including online, internal, and external courses</i> 	<ul style="list-style-type: none"> • A greater degree of challenge is now being applied to the council's core programmes of work to ensure their timely delivery and impact on the Island's vision. This challenge includes periodic health checks on the programmes and projects that are reported to the Strategic Programme Board.
<p>Regeneration programme</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> • The Regeneration Programme is a significant element of the work that is monitored closely by the Strategic Programme Board and the Councillor review board that is chaired by the Leader of the Council • Newport Harbour Masterplan Phase 1 <i>will complete in August 2022 and the Supplementary Planning Document will be submitted to Cabinet in September 2022</i> • Venture Quays site development progressing well following the award of £5.8m from the government's levelling up fund. Work is scheduled to commence in Autumn 2022 and complete by March 2024 • The project to bring the current road, adjacent land and infrastructure on the Camp Hill estate is scheduled to commence in September 2022 and be completed in July 2023 	<ul style="list-style-type: none"> • Increasing costs for both labour and materials due to inflation could potentially mean that the scope of projects needs to be reviewed and or projects paused or deleted from the programme to ensure that critical priority projects are delivered
<p>Strategic risk register</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> • A full review of the IWC Risk Management Strategy including a review of both the format of the Strategic Risk Register and Risks that are considered to be part of it. was completed by December 2021 • An information session for members of the IWC Audit Committee was held in March 2022 and further sessions will take place throughout the year 	<ul style="list-style-type: none"> • <i>The level to which Directorates engage with Risk Management reporting is variable. Additional support is in place to provide ongoing assistance to services in identifying, assessing, and managing their risks.</i>

<p>Increase in levels of unmet Housing Needs</p> <p>Next review 31/10/22</p>	<ul style="list-style-type: none"> • Following the onset of COVID 19, the housing market on the IOW has fundamentally changed, resulting in few if any properties being available to rent on the open market. • Data indicates there has been an 82 percent reduction in available private rented properties reducing from an average of 350 homes per month being available up until December 2019, to around 60 homes per month by October 2021. 	<ul style="list-style-type: none"> • Traditionally we know the Private Rented Sector accommodates around 19 percent of IOW households equating to around 15,000 families. However, with demand for rented properties reported to be 376 percent higher than pre COVID levels, house prices increasing by 25 percent and people repurposing their properties for short term lets in response to the staycation market it has triggered a significant housing market failure and has driven increasing numbers of displaced families to approach the council for social or “affordable” rented housing. • Numbers of households being accommodated in temporary accommodation continues to rise and is 25 percent higher than at the same point 2 years ago
<p>Increase in levels of unmet Housing Needs – Prevention</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> • We have triggered a one-year extension of community support service contracts delivered by Citizens Advice Bureau, The Law Centre, and Wight Dash. 	<ul style="list-style-type: none"> • <i>As Above.</i>
<p>Increase in levels of unmet Housing Needs - Intervention</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> • On the 17th January it was agreed to lease 10 units of bespoke accommodation from a local organisation to help the IWC meet the emergency accommodation needs of families during the period between April 2022- March 2023. • As part of the Rough Sleeping Accommodation Project the Council has purchased 5 properties and engaged a partner to manage them and provide support services to the residents. 	<ul style="list-style-type: none"> • <i>Limited officer resource to manage further bids to Homes England for additional properties. Delivery of the properties takes a lot more managing than was anticipated and puts a lot of strain on the teams involved. All match funding 106 monies have been used in the first round of properties. An “Acquisition Strategy” is being developed’ and will be presented at cabinet for approval.</i>

<p>Increase in levels of unmet Housing Needs - Recovery</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> • On the 14th January at cabinet, it was agreed to proceed with a modular relocatable housing development to help meet the needs of homeless families subject to approval of the annual budget by Full Council in February and approval of a Full Business Case by Cabinet. • A 20-unit site in Newport Harbour for modular relocatable housing was scheduled to begin construction in November 2022 subject to planning approval being in place with occupation scheduled from June 2023 • 3 sites will be developed for housing as part of the Brownfield Land Release Fund (Berry Hill in Lake, former Weston Primary School site in Totland and Thompson House near Newport). 	<ul style="list-style-type: none"> • <i>As Above.</i>
<p>Delivery of the Climate Change and Environment Strategy</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> • Following on from the Council declaring a Climate Emergency in 2019 a comprehensive Climate Change and Environment Strategy has been published with the main aims to achieve net-carbon zero status by 2030 for the Council, by 2035 for all school estates and for the Island as a whole by 2040 • As part of the “Green Corridor” the council is bidding for £14 million from the governments next round of levelling up funding. This funding is proposed to be use on a “green link corridor” between Ryde and Yarmouth which will include a number of projects aimed at reducing car journeys and making routes both in town and between town more easily navigable for cyclist and walkers. Another aim will be to improvements to the bus infrastructure along the routes between Ryde and Yarmouth • <i>A new Procurement Strategy that ensures that goods and services procured are done so in a way that supports progress of the Climate Change and Environment Strategy</i> 	<ul style="list-style-type: none"> • All decisions taken by the Council need to take into account their contribution towards achieving the aims of the Climate Change and Environment Strategy

	<p><i>was presented to Cabinet in September 2022</i></p> <ul style="list-style-type: none"> <i>All performance and activity information within the Quarterly Performance Management Report is linked to the most appropriate United Nations Sustainability Goal</i> 	
<p>Address Cost of Living pressures both internally and externally</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> <i>Full risk analysis to take place assessing the likelihood and potential severity of the impact of cost-of-living pressures on both residents and service delivery. This will form a new Strategic Risk that will be reported to CMT and Audit Committee in December 2022</i> 	<ul style="list-style-type: none"> <i>Short and medium forecasts for inflation remain high</i> <i>Energy and fuel price increases</i> <i>Lack of affordable property for Island residents (for sale or rent)</i>

<u>STRATEGIC RISK 14</u>		
Additional demands placed upon the Isle of Wight Council and partners owing to a pandemic or similar large-scale outbreak		
Assigned to: Director of Public Health		
Inherent score	Target score	Current score
16 RED	12 RED	12 RED
Previous scores		
Jul 22	Mar 22	Nov 21
12 RED	16 RED	16 RED
Mitigation	Update on Activity/Status	Pressure Points
<p>Preparedness for other novel infectious disease (including COVID-19)</p> <p>Next review date 31/10/22</p>	<ul style="list-style-type: none"> <i>The Isle of Wight Council Public Health team works closely with the United Kingdom Health Security Agency on all infectious disease outbreaks on the Isle of Wight.</i> <i>The IWC Pandemic Influenza Plan will be reviewed with lessons learnt from the COVID-19 pandemic response with consideration to broadening to a broader pandemic response plan.</i> <i>The Public Health team works closely with the Isle of Wight Council's Emergency Management Team to ensure that Outbreak and Pandemic Influenza Plans are linked into other Council and Multi-agency Emergency Response Plans.</i> 	<ul style="list-style-type: none"> <i>With regards to COVID-19, the Isle of Wight Council Public Health team continues to carefully monitor and respond the situation but is now placing an emphasis on advising the public on how to live safely with respiratory infections, including Covid 19.</i> <i>An Incident Response Plan specifically produced to work across both Public Health Teams, combined with staff receiving specific training set to role allocations will enhance the team's overall response</i>

		capability. This plan is linked to the authority's own response arrangements and those of the Local Resilience Forums (LRF) to allow greater prominence within the command-and-control structures that are established.
Partner Organisations Next review 31/10/22	<ul style="list-style-type: none"> • Communication with partners to establish pressures, including: <ul style="list-style-type: none"> - <i>United Kingdom Health Security Agency (UKHSA)</i> - NHS – Trust and CCG - Multi-agency representative on the Island Resilience Forum - HIOW Integrated Care System - IOW Integrated Care Partnership - Local Resilience Forums (LRF) - Other Local Authorities 	
Internal arrangements Next review 31/10/22	<ul style="list-style-type: none"> • An Incident Response Plan specifically produced for the joint public health team, combined with staff receiving specific training set to role allocations will enhance the team's overall response capability. This plan is linked to the authority's own response arrangements and those of the LRF to allow greater prominence within the command-and-control structures that are established. 	
External arrangements Next review 31/10/22	<ul style="list-style-type: none"> • A COVID-19 working group brings together system-wide representatives to discuss the COVID-19 situation on the Island and escalate concerns which are then fed into the COVID-19 Health Protection Board chaired by the DPH. Tabletop exercises have been held at working group and health protection board level to test the plan. • An Island Tactical Co-ordination Group (ITCG) convenes at a multi-agency level, including police, fire, NHS Trust, ambulance, council, public health, CCG, Military, ferry companies, utilities, and prisons in case of a multiagency response. 	

<p>Provision of up-to-date information</p> <p>Next review due COMPLETE</p>	<ul style="list-style-type: none"> <i>The Council is no longer producing statistics regarding Covid infection rates or vaccination take up. Instead, in line with central government policy, the council is tailoring its messages around living safely with Covid 19</i> 	
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<u>STRATEGIC RISK 15</u>		
Dealing with threats to business continuity (including cyber incidents)		
Assigned to: Assistant Chief Executive and Director of Strategy		
Inherent score	Target score	Current score (proposed)
12 RED	6 LOW	9 AMBER
Previous scores		
Jul 22	Mar 22	Nov 21
9 AMBER	9 AMBER	9 AMBER
Mitigation	Update on Activity/Status	Pressure Points
<p>Revised Business Continuity Plans completed</p> <p>Review date 31/10/22</p>	<ul style="list-style-type: none"> Emergency Management will issue a revised template to include the listing of all ICT systems, consequence of failure and the continuity arrangements. These will be issued to all service managers requiring a new version of their Business Continuity Plan (BCP) be registered with Emergency Management within four weeks of receiving the revised template. <i>Plan reviews to be undertaken every 12 months.</i> 	<ul style="list-style-type: none"> <i>Two BC Plans remain outstanding:</i> <i>Highways PFI and Waste & Coastal (due to ongoing restructure) due completion 16th September</i> <i>Reviews of all current BC Plans are taking place throughout the year, including walkthroughs of Plans with Managers and Staff</i>
<p>Secure paper copies of Revised Business Continuity Plans</p> <p>Review date 31/10/22</p>	<ul style="list-style-type: none"> All services must ensure that there is a paper copy of their current BCP that is copied and circulated to key staff so that the plan can be enacted in the event of significant loss of ICT systems. All service areas have been reminded of this requirement. 	<p><i>This is reinforced during the review process</i></p>

<p>Revised Business Continuity Plans distributed, and staff trained</p> <p>Review date 31/08/22</p>	<ul style="list-style-type: none"> • Service Managers will ensure appropriate awareness training is in place for the staff to know what actions they should all take in the event of loss or disruption to services. • All services have been advised of this requirement. 	<p><i>This is reinforced during the review process</i></p>
<p>IWC - Cyber Incident Response Plan <i>(developed and maintained by ICT)</i></p> <p>Review date 31/10/22</p>	<ul style="list-style-type: none"> • A Cyber Incident Response Plan has been drafted to provide a structured and systematic incident response process for all cyber security incidents that affect any of the Isle of Wight Council's information technology (IT) systems, network, data, and information assets, including the council's data held or IT services provided by third-party vendors or other service providers. 	
<p>Hampshire, Isle of Wight Local Resilience Forum Cyber Resilience Framework</p> <p>COMPLETE - Next review March 2023</p>	<ul style="list-style-type: none"> • This Framework ensures a co-ordinated multi-agency approach to a cyber incident within an agency, that may impact on other agencies through interdependencies between systems. 	

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Risk Prioritisation Matrix

Likelihood/Probability	4 V. Likely	7 Medium	11 Medium	14 High	16 <u>VERY HIGH</u>
	3 Likely	4 Low	8 Medium	12 High	15 <u>VERY HIGH</u>
	2 Unlikely	2 Low	5 Low	9 Medium	13 High
	1 Remote	1 Low	3 Low	6 Low	10 Medium
	Scale	1 Low	2 Medium	3 High	4 Major
Impact/Severity					

15 - 16	Red	V. high risk
12 - 14	Red	High risk
7 - 11	Amber	Medium risk
1 - 6	Green	Low risk

Likelihood/Probability Criteria

FACTOR	SCALE	THREATS - DESCRIPTION	INDICATORS
Very likely	4	More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered - daily/weekly/monthly
Likely	3	40% - 75% chance of occurrence	Likely to happen at some point within the next 1-2 years Circumstances occasionally encountered (few times a year)
Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
Remote	1	Less than 10% chance of occurrence	Has happened rarely/never before

Impact/Severity Criteria

Factor	Scale	Effect on Service	Embarrassment/reputation	Personal Safety	Personal privacy infringement	Failure to provide statutory duties/meet legal obligations	Financial	Effect on Project Objectives/Schedule Deadlines
Major	4	Major loss of service, including several important areas of service and /or protracted period. Service Disruption 5+ Days	Adverse and persistent national media coverage Adverse central government response, involving (threat of) removal of delegated powers Officer(s) and/or Members forced to resign	Death of an individual or several people	All personal details compromised/revealed	Litigation/claims/fines from Departmental £250k + Corporate £500k +	Costing over £500,000	Complete failure of project/ extreme delay – 3 months or more
High	3	Complete loss of an important service area for a short period Major effect to services in one or more areas for a period of weeks Service Disruption 3-5 Days	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community Adverse local publicity of a major and persistent nature	Major injury to an individual or several people	Many individual details compromised/revealed	Litigation/claims/fines from Departmental £50k to £125k Corporate £100k to £250k	Costing between £50,000 and £500,000	Significant impact on project or most of expected benefits fail/ major delay – 2-3 months
Medium	2	Major effect to an important service area for a short period Adverse effect to services in one or more areas for a period of weeks Service Disruption 2-3 Days	Adverse local publicity /local public opinion aware Statutory prosecution of a non-serious nature	Severe injury to an individual or several people	Some individual details compromised/revealed	Litigation/claims/fines from Departmental £25k to £50k Corporate £50k to £100k	Costing between £5,000 and £50,000	Adverse effect on project/ significant slippage – 3 weeks–2 months
Low	1	Brief disruption of important service area Significant effect to non-crucial service area Service Disruption 1Day	Contained within section/Unit or Directorate Complaint from individual/small group, of arguable merit	Minor injury or discomfort to an individual or several people	Isolated individual detail compromised/revealed	Litigation/claims/fines from Departmental £12k to £25k Corporate £25k to £50k	Costing less than £5,000	Minimal impact to project/ slight delay less than 2 weeks



Committee report

Committee	AUDIT COMMITTEE
Date	17 OCTOBER 2022
Title	TREASURY MANAGEMENT REPORT 2022-23 Q1
Report of	PENSION FUND & TREASURY MANAGEMENT ACCOUNTANT

EXECUTIVE SUMMARY

1. In accordance with the council's Treasury Management Strategy 2022-23, this report presents a report on treasury management policies, practices and activities for the quarter ended 30 June 2022.
2. In March 2022, the committee approved the Treasury Management Strategy for 2022-23 and this is the first of the quarterly progress reports on treasury management activities.
3. The council's activities have fallen within the boundaries of the prudential indicators set for the year.
4. The committee is asked to note this report and highlight any areas which may need to be addressed in the forthcoming year.

RECOMMENDATION

5. That the committee notes the performance for the quarter ended 30 June 2022 against the treasury management indicators.

BACKGROUND

6. The council's treasury management activity is underpinned by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the code), which requires authorities annually to produce prudential indicators and a treasury management strategy statement on the likely financing and investment activity. The code also requires that councillors are informed of treasury management activities on a quarterly basis.

7. The report in Appendix 1, has been produced from a template provided by the council's treasury management advisor, Arlingclose Limited. It sets out a summary of the council's treasury management activities during the quarter ended 30 June 2022, and its performance against the prudential indicators that were approved as part of the Treasury Management Strategy.
8. The code of practice defines treasury management as follows:
"The management of the council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
9. The code of practice requires that a report be provided on the actual performance of the council against the following prudential indicators at the end of each financial year and that it encompasses:
 - the revenue effect of transactions executed.
 - the risk implications for decisions made.
 - compliance on agreed policies / practices and statutory / regulatory requirements.
 - performance report.
 - compliance with the CIPFA code recommendations.
 - monitoring of treasury management indicators.
10. Detailed information on the council's performance in respect of these items is set out in Appendix 1 to this report.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

11. The council's arrangements for treasury management support effective service and project delivery across the authority, in turn supporting the key priorities set out in the [Corporate Plan 2021 – 2025](#).
12. There is a need for regular review of the Treasury Management Strategy, in line with the Corporate Plan and Medium-Term Financial Strategy, to ensure the key priorities of the council continue to be deliverable within the reduced resources available to the council.
13. The Treasury Management Strategy is reviewed and updated annually in March and approved by the Audit Committee.

Responding to climate change and enhancing the biosphere
14. The council has published a [Climate and Environment Strategy](#) and the Island has been designated as a [UNESCO Biosphere](#).
15. In addition, the council has set a target to achieve net zero emissions:
 - in its business and delivery of services by 2030;
 - across the school estate by 2035; and
 - as an island by 2040.

16. Through its treasury management activity, the council invests in a combination of money market funds, call accounts maintained by banks and in other local authorities. The council needs to review these investments in relation to their impact on the council's Climate and Environment Strategy.
17. As a result, each of the financial institutions that the council invests in has been asked to provide access to their Environmental, Social and Governance statements, and any specific statements relating to climate change.
18. The council is aiming to include all scope 1 and 3 emissions created directly by itself or indirectly (for example emissions made by our contractors, investments, or travel) in our annual carbon footprint from financial year 2021-22 onwards.
19. Investments count towards downstream scope 3 emissions which contribute towards the Council's overall carbon footprint.

Economic Recovery and Reducing Poverty

20. Although there is no direct impact within the report at Appendix 1 relating to this corporate priority, the Treasury Management Strategy and the prudential indicators that are set, enable the council to contribute towards reducing the numbers of residents, and especially children, who are living in poverty.

Impact on Young People and Future Generations

21. Although there is no direct impact within the report at Appendix 1 relating to this corporate priority, the Treasury Management Strategy and the prudential indicators that are set, enable the council to contribute towards the future sustainability of the council.

CONSULTATION

22. The treasury management report for quarter ending 30 June 2022, has been considered by senior accountants within the Financial Management team, including the Director of Finance and the Assistant Director of Finance.
23. No external consultation has been undertaken.

FINANCIAL / BUDGET IMPLICATIONS

24. The council's current treasury management arrangements are conducted by council staff, with support from an external treasury management advisor, Arlingclose Limited, within existing budgets.
25. The Treasury Management Strategy includes the overall management of the council's cash flow and borrowing strategy. With interest rates having been low, it was decided to take a combination of short-term and long-term borrowing in order to balance the requirement for low interest costs and achieving cost certainty
26. Although interest rates are starting to increase, due to current low levels of short-term borrowing the council is forecasting lower than budgeted costs of borrowing for the first quarter, this has resulted in a net saving of £0.9m which has contributed towards the overall financial result of the council as at the end of the first quarter.

LEGAL IMPLICATIONS

27. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 explicitly require English authorities to “have regard” to the CIPFA Code of Practice for Treasury Management.
28. Should the council not receive this report, it is in breach of the requirements set out in the code and the council’s approved Treasury Management Strategy 2022-23.

EQUALITY AND DIVERSITY

29. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
30. The annual treasury management report has no implications for any of the protected characteristics.

RISK MANAGEMENT

31. Treasury management activities have a high level of risk in that they relate to transactions that can amount to several million pounds which are undertaken with external bodies. When the council has surplus monies to invest, there are risks if those organisations to whom it lends default on repayment (counterparty risk). The costs to the council of its treasury management activities are dependent on fluctuating interest rates.
32. The overall strategy of borrowing short-term and avoiding long-term debt carries the risk that, if interest rates suddenly rise, when longer term debt is eventually required, it will cost more (refinancing risk).
33. The council manages the counterparty risk by adopting a treasury management strategy which includes maintaining a limited list of organisations to which it is authorised to lend and restricting the maximum amount to be invested with each organisation, based on advice obtained from its external treasury management advisor, Arlingclose Limited.
34. The refinancing risk is mitigated by maintaining a combination of both short-term and long-term borrowing, which is regularly reviewed, based on interest rate projections provided by Arlingclose Limited.
35. It also operates protocols for maintaining financial controls. The treasury management function is reviewed by the council’s internal auditors on a regular basis. The most recent review which was based on the 2019-20 transactions provided the highest level of assurance on the operation of these controls.
36. The council is obliged under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. Failure to comply with the code could result in adverse comments being raised by the council’s external auditors.

37. The committee's overview of the council's treasury management arrangements plays an important part in the council's overall governance regime. It has an important role to play in the monitoring of treasury management activities, including overview of the risks faced by this function both internally, which are directly controllable through segregation of duties and reporting arrangements, and externally, controllable through the monitoring of counterparties and lending limits, and also regular monitoring of general economic factors.

EVALUATION

38. The council's treasury management activities for the quarter ended 30 June 2022 have fallen within the boundaries of the agreed strategy for 2022-23.

APPENDICES ATTACHED

39. Appendix 1 – Treasury Management 2022/23 Quarter 1 Report

BACKGROUND PAPERS

40. Treasury Management Strategy 2022-23 (Audit Committee 14 March 2022, Item 9) [\(Public Pack\)Agenda Document for Audit Committee, 14/03/2022 10:00 \(moderngov.co.uk\)](#)

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CHRIS WARD
*Director of Finance
and Section 151 Officer*

CLLR CHRIS JARMAN
*Cabinet Member for Strategic Finance, Corporate
Resources and Transformational Change*

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Treasury Management Quarter 1 2022/23**1. Introduction**

2. In February 2011 the council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the council to approve, as a minimum, treasury management semi-annual and annual outturn reports.
3. The council's Treasury Management Strategy for 2022/23 was approved at a meeting on 14 March 2022. 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.
4. CIPFA published its revised Treasury Management Code of Practice (the TM Code) and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments. The principles within the two Codes took immediate effect although local authorities could defer introducing the revised reporting requirements, within the revised Codes, until the 2023/24 financial year if they wish, which the council has elected to do.
5. Treasury risk management at the council is conducted within the framework of the TM Code. This Code now also includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.
6. **External Context (provided by Arlingclose Limited) (produced 07 July 2022)**
7. **Economic background:** Following Russia's invasion of Ukraine in February, global inflationary pressures have intensified sharply, leading to a sizeable deterioration in the outlook for world and UK growth.
8. The economic backdrop in the April to June quarter was characterised by higher oil, gas and commodity prices, fears of rising and persistent inflation and its damaging impact on consumers' cost of living. In addition, there was little indication of an imminent end to Russia-Ukraine hostilities and supply chain bottlenecks were exacerbated by both the war in Ukraine and also lockdowns in China.
9. Added to this was tough rhetoric and action by central bankers globally on fighting inflation through higher interest rates and quantitative tightening, even as financial conditions became increasingly difficult for consumers, especially for those whose wages have not kept pace with inflation.
10. In the UK, inflation remained elevated. Ofgem, the energy regulator, increased the energy price cap by 54% in April, equivalent to around £700 for a household

with average energy consumption (the cap had already increased 12% back in October 2021). May data showed CPI edging higher to 9.1% while the core CPI rate, which removes energy, fuel and food was 5.9%. RPI rose to 11.7%.

11. The labour market continued to show signs of tightness as employers struggled to fill vacancies with workers with the required skill sets. The unemployment rate 3m-on-year for April fell to 3.8% and is now below pre-pandemic levels. Pay growth was 6.8% for total pay (including bonuses) and 4.2% for regular pay; however, adjusted for inflation, growth in total pay was just 0.4%, whilst regular pay fell 2.2%.
12. Unsurprisingly, with disposable income squeezed, and another energy cap increase due in October, consumer confidence plummeted to the level last seen during the 2008/09 financial crisis. Quarterly GDP growth was 0.8% in the January to March quarter and the Bank of England now expects a decline of 0.3% in quarter 2 2022.
13. Having increased interest rates by 0.25% in April, the Bank of England's Monetary Policy Committee on the 15th of June 2022 voted 6-3 to increase the official Bank Rate by 0.25% to 1.25%. Those members in the minority preferred to increase Bank Rate by 0.5%. Increases in the input and output producer price measures suggest further inflationary pressure is in the pipeline. The Bank of England is therefore unlikely to become complacent, so further rate rises look likely in the near term.
14. Annual inflation in the US rose to 8.6% in May, the highest in nearly 40 years. The Federal Reserve also stepped up its fight against inflation with a 0.5% hike in rates in May followed by a further increase of 0.75% in June. The latter was its most aggressive hike since 1994 and was higher than markets expected, taking policy rates to a range of 1.5% to 1.75%.
15. Inflation in the Eurozone also pushed higher to 8.1%, with energy price pressures a major contributor. Europe is heavily impacted by the energy crisis following the Russian invasion of Ukraine, but concerns about the Eurozone's peripheral members and highly indebted members states complicates the European Central Bank's response as it seeks to normalise monetary policy. The ECB stated it would end quantitative easing at the beginning of July and then increase interest rates by 0.25% later in the month, the first hike since 2011. The central bank's Governing Council also convened an emergency meeting in June to address 'fragmentation' risks.
16. **Financial markets:** Heightened uncertainty characterised financial market sentiment and bond yields were similarly volatile but with a general upward trend as concern over higher inflation and higher interest rates dominated.
17. Over the quarter the 5-year UK benchmark gilt yield rose from 1.41% to 1.89%, the 10-year gilt yield rose from 1.61% to 2.35% and the 20-year yield from 1.82% to 2.60%. The Sterling Overnight Rate (SONIA) averaged 0.89% over the period.

18. **Credit review:** In May, Moody's affirmed the long-term rating of Guildford Borough Council at Aa3, a reflection of the council's solid track record of budgetary performance and high level of usable reserves but changed the 'outlook' (the longer-term direction of travel) to negative. The agency downgraded the long-term rating of Warrington Borough Council from A2 to A3 and that of Transport for London (TfL) from A3 to Baa1.
19. Having completed its full review of its credit advice on unsecured deposits at UK and non-UK banks in May, Arlingclose extended the maximum duration limit for five UK banks, four Canadian banks and four German banks to six months. The maximum duration for unsecured deposits with other UK and non-UK banks on Arlingclose's recommended list is 100 days.
20. Arlingclose continued to monitor and assess credit default swap levels for signs of credit stress but made no changes to the counterparty list or recommended durations. Nevertheless, increased market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the council's counterparty list recommended by Arlingclose remains under constant review.

21. Local Context

22. On 31 March 2022, the council had net borrowing of £145.5m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

23. Table 1: Balance Sheet Summary

	31.03.2022
	Actual
	£m
Total CFR **	404.3
Less Other Debt Liabilities *	(97.1)
Borrowing CFR	307.2
External Borrowing	(200.8)
Internal borrowing	106.4
Less Usable Reserves **	(132.8)
Less Working Capital **	(24.1)
Net Investments	(50.5)

* finance leases, PFI liabilities and transferred debt that form part of the council's total debt

** These figures are slightly different to those included in the 2021/22 end of year report as the final year end draft position was not available when the report was being prepared.

24. The treasury management position as at 30 June and the change over the quarter is shown in Table 2 below.

25. Table 2: Treasury Management Summary

	31.03.2022 Balance £m	Movement £m	30.06.2022 Balance £m	30.06.2022 Average Rate %
Long-term borrowing	185.8	(2.3)	183.5	3.14%
Short-term borrowing	15.0	(5.0)	10.0	12.00%
Total borrowing	200.8	(7.3)	193.5	3.09%
Short term Investments	(50.5)	6.5	(44.0)	0.36%
Total investments	(50.5)	6.5	(44.0)	0.36%
Net borrowing	150.3	(0.8)	149.5	3.89%

26. The small reduction in net borrowing during the quarter has arisen due to general cashflow fluctuations.

27. Borrowing

28. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the council intends to avoid this activity in order to retain its access to PWLB loans.

29. The council currently holds £41.35m in commercial investments that were purchased prior to the change in the CIPFA Prudential Code

30. Borrowing strategy and activity

31. As outlined in the treasury strategy, the council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the council's long-term plans change being a secondary objective. The council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

32. Over the April to June quarter, short-term rates rose between 0.5% and 0.9% and long-term rates rose between 0.6% and 0.8%.

33. In keeping with the council's objectives, no new borrowing was undertaken, while £5m of existing loans were allowed to mature without replacement. This strategy enabled the council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

34. On 30 June the council held £193.5m of loans, a decrease of £7.3m from 31 March 2022, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30 June are summarised in Table 3 below.

35. Table 3: Borrowing Position

	31.03.22 Balance £m	Net Movement £m	30.06.22 Balance £m	30.06.22 Weighted Average Rate %	30.06.2022 Weighted Average Maturity (years)
Public Works Loan Board	180.8	(2.3)	178.5	3.22%	14.84
Banks (LOBO)	5.0	-	5.0	4.27%	19.42
Banks (fixed term)	-	-	-		
Local authorities (long-term)	-	-	-		
Local authorities (short-term)	15.0	(5.0)	10.0	0.12%	0.62
Total borrowing	200.8	(7.3)	193.5	3.09%	14.22

36. Forward starting loans: To enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the council arranged £5m of forward starting loans with fixed interest rates of 2.37% for the delivery of cash in 8 months' time, details of which are below. This is to replace an existing short-term loan which is due to mature in February 2023.

Forward Starting Loans	Amount £m	Rate %	Loan Period (Days)	Forward Period (Months)
West Midlands Combined Authority	5	2.37%	364	8
Total borrowing	5	2.37%	364	8

37. There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
38. LOBO loans: The council continues to hold £5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the council has the option to either accept the new rate or to repay the loan at no additional cost. The set dates are the 23 May and 23 November of each year. No banks exercised their option during the quarter.
39. **Treasury Investment Activity**
40. CIPFA revised TM Code defines treasury management investments as those which arise from the council's cash flows or treasury risk management activity that ultimately represents balances which need to be invested until the cash is required for use in the course of business.

41. The council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the council's investment balances ranged between £39 and £44 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

42. Table 4: Treasury Investment Position

	31.03.2022 Balance £m	Net Movement £m	30.06.2022 Balance £m	30.06.2022 Income Return %	30.06.2022 Weighted Average Maturity days
Banks & Building societies (unsecured)	(1.0)	(8.0)	(9.0)	0.14%	1
Covered bonds (secured)	-	-	-		
Govt (incl local authorities)	(40.5)	15.5	(25.0)	0.12%	97
Isle of Wight Council Pension Fund	-	-	-		
Corporate bonds and loans	-	-	-		
Money Market Funds	(9.0)	(1.0)	(10.0)	1.06%	1
Other Pooled Funds	-	-	-		
Total Investments	(50.5)	6.5	(44.0)	0.36%	72

43. 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.

44. The 0.25% increases in Bank Rate at the MPC's meetings in May and June and with the prospect of more increases to come, short-dated cash rates, which had ranged between 0.7% to 1.5% at the end of March, rose on average by 0.65% over the quarter.

45. At the end of June, the rates on Debt Management Account Deposit Facility (DMADF) deposits ranged between 1.00% and 1.78% and the return on sterling low volatility net asset value (LVNAV) Money Market Funds ranged between 0.42% - 0.58% p.a. The council did not use the DMADF facility during this quarter.

46. Given the risk and low returns from short-term unsecured bank investments, the council has continued in the more secure investment of lending to other local authorities as shown in table 4 above. As a result, investment risk was diversified.

47. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

48. Table 5: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in exposure %	Weighted Average Maturity days	Rate of Return %
30.06.2021	4.74	A+	52%	101	0.09%
30.09.2021	4.76	A+	61%	98	0.06%
31.12.2021	4.71	A+	39%	134	0.11%
31.03.2022	4.62	A+	20%	123	0.20%
30.06.2022	4.67	A+	43%	72	0.46%
Similar LAs	4.45	AA-	64%	36	3.05%
All LAs	4.46	AA-	64%	16	1.76%

*Weighted average maturity

49. Non-Treasury Investments

50. The definition of investments in CIPFA’s revised 2021 Treasury Management Code covers all the financial assets of the council as well as other non-financial assets which the council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

51. Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

52. The council also held £46.6m of such investments in

- directly owned property £41.4m
- shared ownership housing £4.0m
- loans to local businesses £1.3m

53. A full list of the council’s non-treasury investments is available in the Isle of Wight Council’s Statement of Accounts 2021-22 which can be accessed via the website.

54. These investments generated £0.8m of investment income for the council after taking account of direct costs, representing a rate of return of 1.95%.

55. Treasury Performance

56. The council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

57. Table 6: Performance

	Forecast £m	Budget £m	Over / Under £m	Forecast %	Benchmark %	Over / Under %
Total Investment Income	(0.1)	(0.2)	0.1	0.34%	1.76%	-1.42%
Total Cost of Borrowing	8.7	9.7	(1.0)	2.54%	-	-
GRAND TOTAL	8.6	9.5	(0.9)	n/a	n/a	n/a

58. **Compliance**

59. The Director of Finance and Section 151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the TM Code and the council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

60. Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 7 below.

61. Table 7: Debt Limits

	2022/23 Maximum £m	30.6.2022 Actual £m	2022/23 Operational Boundary £m	2022/23 Authorised Limit £m	Complied?
Borrowing	194.3	193.5	354.0	440.0	✓
PFI and Finance Leases	97.1	97.1	111.0	140.0	✓
Total Debt	291.4	290.6	465.0	580.0	✓

62. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

63. Table 8: Investment Limits

	2022/23 Maximum £m	30.06.2022 Actual £m	2022/23 Limit £m	Complied?
Any single organisation, except the UK Government	5.0	4.0	12.0	✓
Any group of organisations under the same ownership	3.0	2.0	12.0	✓
Money Market Funds	17.0	10.0	Unlimited	

64. **Treasury Management Indicators**

65. The council measures and manages its exposures to treasury management risks using the following indicators.

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

	30.6.22 Actual Average Score	2022/23 Maximum Average Target	Complied?
Portfolio average credit score	4.67	5.0	ü

67. The council measures the security of its investments using data provided by Arlingclose. The target figure is equivalent to an average rating for the investment portfolio of A+. In the Treasury Management Strategy, it is stated that treasury investments will only be made with entities with a long-term credit rating of A- and above. By imposing a target of 5 (A+) the council is aiming to ensure that the investments held are of a lower risk (higher rating) than this minimum level.

68. **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

	30.6.22 Actual £m	2022/23 Target £m	Complied?
Total cash available within 3 months	37.0	21.0	ü

69. **Interest Rate Exposures:** 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:

Interest rate risk indicator	30.6.22 Actual	2022/23 Target	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-0.2	-0.4	ü
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	0.2	0.4	ü

70. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current market rates.
71. **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 all borrowing were:

Refinancing rate risk indicator	30.6.22 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	9%	50%	0%	ü
12 months and within 24 months	3%	30%	0%	ü
24 months and within 5 years	12%	30%	0%	ü
5 years and within 10 years	16%	75%	0%	ü
10 years and above	60%	95%	0%	ü

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

73. **Principal 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:

	2022/23 £m	2023/24 £m	2024/25 £m
Actual principal invested beyond year end	-	-	-
Limit on principal invested beyond year end	40	35	30
Complied?	ü	ü	ü

AUDIT COMMITTEE WORKPLAN 2022-2024

EXTERNAL AUDIT	Responsibility	17 Oct 2022	28 Nov 2022	20 Mar 2023	July 2023	Sept 2023	Dec 2023	Mar 2024	July 2024
Auditors Annual Report	Ernst & Young			✓				✓	
Audit Plan – Isle of Wight Council	Ernst & Young				✓				✓
Audit Plan – Isle of Wight Pension Fund	Ernst & Young				✓				✓
Letter of Representation - Isle of Wight Council	Ernst & Young			✓ <small>2021-22 Slipped Sept 2022</small>		✓ <small>2022-23</small>			
Letter of Representation - Isle of Wight Pension Fund	Ernst & Young			✓ <small>2021-22 Slipped Sept 2022</small>		✓ <small>2022-23</small>			
Audit Results Report - Isle of Wight Council	Ernst & Young			✓ <small>2021-22 Slipped Sept 2022</small>		✓ <small>2022-23</small>			
Audit Results Report - Isle of Wight Pension Fund	Ernst & Young			✓ <small>2021-22 Slipped Sept 2022</small>		✓ <small>2022-23</small>			
ACCOUNTS	Responsibility	17 Oct 2022	28 Nov 2022	20 Mar 2023	July 2023	Sept 2023	Dec 2023	Mar 2022	July 2024
Approval of the Final Accounts	Chris Ward			✓ <small>2021-22 Slipped Sept 2022</small>		✓ <small>2022-23</small>			
INTERNAL AUDIT	Responsibility	17 Oct 2022	28 Nov 2022	20 Mar 2023	July 2023	Sept 2023	Dec 2023	Mar 2022	July 2024
Internal Audit Progress Report (inc. high risk reports in full if necessary)	Lizzi Goodwin	✓	✓	✓	✓	✓	✓	✓	✓
Internal Audit Annual Report (inc. Opinion)	Lizzi Goodwin				✓				✓
Chairman’s Annual Report	Lizzi Goodwin		✓				✓		
Fraud & Irregularity Annual Report (inc. Whistleblowing)	Lizzi Goodwin		✓				✓		
Annual Approval of Internal Audit Plan	Lizzi Goodwin			✓				✓	
GOVERNANCE FRAMEWORK	Responsibility	17 Oct 2022	28 Nov 2022	20 Mar 2023	July 2023	Sept 2023	Dec 2023	Mar 2022	July 2024
Annual Governance Statement	Debbie Downer			✓ <small>FINAL Slipped Sept 2022</small>	✓ <small>DRAFT</small>	✓ <small>FINAL</small>			✓ <small>DRAFT</small>
Property Investment Portfolio Annual Report	Graeme Haigh				✓				✓
Procurement Half-Yearly Report	Hayley Holden		✓		✓		✓		✓
Annual Approval of Treasury Management Strategy	Jo Cooke			✓				✓	
Treasury Management Report	Jo Cooke	✓ <small>Q1</small>	✓ <small>HALF YR</small>	✓ <small>Q3</small>	✓ <small>ANNUAL</small>	✓ <small>Q1</small>	✓ <small>HALF YR</small>	✓ <small>Q3</small>	✓ <small>ANNUAL</small>
The Council’s Risk Profile	Dave Martin	✓	✓	✓	✓	✓	✓	✓	✓
Review of the Constitution	Chris Potter	✓	✓	✓	✓	✓	✓	✓	✓

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