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Monitoring Officer
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Agenda

Name of meeting	AUDIT AND GOVERNANCE COMMITTEE
Date	MONDAY 25 SEPTEMBER 2023
Time	10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Members of the committee	Cllrs A Garratt (Chairman), V Churchman (Vice-Chairman), C Critchison, C Jarman, K Lucioni, G Peace 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 31 July 2023.

3. **Declarations of Interest**

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

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

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, 20 September 2023.



Details of committee meetings can be viewed on the Council's [website](#). This information may be available in alternative formats on request. Please note the meeting will be recorded and the recording will be placed on the website (except any part of the meeting from which the press and public are excluded). Young people are welcome to attend Council meetings however be aware that the public gallery is not a supervised area.

5. **Reports of the External Auditor, Ernst and Young**

To consider the report and verbal updates of the External Auditors in relation to the Isle of Wight Council and the Isle of Wight Pension Fund:

- (a) External Auditors Annual Report 2021-22 (Draft) (Pages 11 - 44)
- (b) External Audit Results - Isle of Wight Council (Verbal)
- (c) External Audit Results - Isle of Wight Pension Fund (Verbal)

6. **Internal Audit Progress Report** (Pages 45 - 64)

To receive and note the report of the Chief Internal Auditor.

7. **Annual Governance Statement** (Pages 65 - 90)

To receive and approve the report of the Director of Corporate Services.

8. **Treasury Management Report (Q1)** (Pages 91 - 110)

To receive and note the report of the Director of Finance.

9. **The Council's Risk Profile** (Pages 111 - 140)

To receive and approve the report of the Director of Corporate Services.

10. **Review of the Constitution**

To consider a verbal update from the Chairman.

11. **Workplan** (Pages 141 - 142)

To consider and note the committee's workplan.

12. **Members' Question Time**

A question must be submitted in writing or by email to democratic.services@iow.gov.uk no later than 10am, Thursday 21 September 2023.

CHRISTOPHER POTTER
Monitoring Officer
Friday, 15 September 2023

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 – Geoff Wild on (01983) 821000, email geoff.wild@iow.gov.uk, or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email justin.thorne@iow.gov.uk.

Notice of recording

Please note that all meetings that are open to the public and press may be filmed or recorded and/or commented on online by the council or any member of the public or press. However, this activity must not disrupt the meeting, and if it does you will be asked to stop and possibly to leave the meeting. This meeting may also be filmed for live and subsequent broadcast (except any part of the meeting from which the press and public are excluded).

If you wish to record, film or photograph the council meeting or if you believe that being filmed or recorded would pose a risk to the safety of you or others then please speak with the democratic services officer prior to that start of the meeting. Their contact details are on the agenda papers.

If the press and public are excluded for part of a meeting because confidential or exempt information is likely to be disclosed, there is no right to record that part of the meeting. All recording and filming equipment must be removed from the meeting room when the public and press are excluded.

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Minutes

Name of meeting	AUDIT AND GOVERNANCE COMMITTEE
Date and Time	MONDAY 31 JULY 2023 COMMENCING AT 10.00 AM
Venue	COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT
Present	Cllrs A Garratt (Chairman), V Churchman (Vice-Chairman), C Jarman, K Lucioni, G Peace and R Redrup
Also Present	Sharon Betts, Emma Bruce, Jo Cooke, Elizabeth Goodwin, Kerry Hubbleday, Geraint Newton and Megan Tuckwell
Also Present (Virtual)	Cllrs J Bacon, G Brodie Jason Jones, Helen Thompson (Ernst and Young) Chris Ashman, Alice Hadridge, Jo Thistlewood, Mel White
Apologies	Cllr C Critchison

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

Apologies had been received from Cllr C Critchison.

2. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 20 March 2023 be confirmed as a true record.

3. **Declarations of Interest**

Cllr Karen Lucioni declared an interest in Minute item 7 (Internal Audit Progress Report) as various items sat within her portfolio as the Cabinet Member for Regulatory Services, Community Protection, Waste and ICT.

Cllr Chris Jarman declared an interest in various items on the agenda, as at the time of reporting they sat within his previously-held portfolio as the Cabinet Member for Strategic Finance, Corporate Resources and Transformational Change.

Cllr Chris Jarman declared an interest in Minute item 7 (Internal Audit Progress Report) as it referred to Ukrainian Accommodation Support, as he was accommodating three Ukrainian families.

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

Mr Simon Richards of Newport asked an oral question in relation to maintained schools being at risk of financial deficit and how those projected deficits would be absorbed within the council's existing financial resources. The chairman confirmed that this matter would be considered by the committee when considering the council's strategic risk register.

A supplementary question was asked regarding the mitigation of those risks and whether it's absence from the risk register was an indication that the Council had no intention of taking action. It was confirmed that this would be taken back to the Cabinet Member for Children's Services, Education and Lifelong Skills.

5. **Reports of the External Auditor, Ernst and Young**

The External Auditors provided a verbal update on the progress with the External Audit Plans in relation to the Isle of Wight Council and the Isle of Wight Pension Fund. It was confirmed that work was mostly completed, subject to review, and was anticipated to be signed off during August 2023. The members of staff involved were thanked for their support during the audits. Concerns were raised regarding the continuing national delays, the ongoing regulatory changes, and whether the council could do anything to support this process.

RESOLVED:

THAT the verbal update be received and noted.

6. **Internal Audit Annual Report**

The Chief Internal Auditor presented to the internal audit annual report and opinion for 2022/23. It was confirmed that the overall annual opinion remained rated as 'reasonable assurance'. Discussion took place regarding emerging risks, and the ways in which the ongoing organisational restructure (and reduced staffing capacity) could potentially adversely impact the effectiveness of the internal control environment, particularly through loss of experience and knowledge. It was advised that dialogue was ongoing, and the impact of such changes would be carefully monitored by management.

RESOLVED:

THAT the report be received and noted.

7. **Internal Audit Progress Report**

The Chief Internal Auditor presented to the internal audit progress report which summarised the results of the audits finalised between March and July 2023. Attention was drawn to the reports which had been rated as 'limited assurance', including St Marys School and the asbestos framework.

Discussion took place regarding the 'limited assurance' rating given to Environmental Health – Food Safety Standards, and concerns were raised regarding the potential impact this could have on tourism. It was confirmed that the

service had a robust action plan in place to target high-risk areas and to rectify the position. The Cabinet Member for Regulatory Services, Community Protection, Waste and ICT confirmed that a briefing note on this matter would be circulated to members of the committee.

RESOLVED:

THAT the report be received and noted.

8. **Property Investment Portfolio Annual Report**

The Director of Regeneration presented the report which provided an update on the four mainland property investments that were purchased in 2018. The committee were asked to note the current position of property investment portfolio, including the total income that had been accrued by the Council. Discussion took place regarding the changing market and the long-term impact on the portfolio's valuation as a result of the economic situation. Questions were raised around whether there would be a strategic review of the capital investments and it was confirmed that the matter was ongoing and was being kept under review.

RESOLVED:

THAT the report be received and noted.

9. **Treasury Management Annual Report**

Consideration was given to the report which provided an update on treasury management policies, practices, and activities for 2022-2023. The committee were asked to note the performance against the treasury management indicators, and to highlight any areas which may need to be addressed in the forthcoming year. Attention was drawn to the ongoing changes to the interest rates, and it was confirmed that the interest rates for the council's long-term loans were fixed. The committee noted the good results overall and commended the team for the work undertaken during this period.

RESOLVED:

THAT the report be received and noted.

10. **Procurement Half-Yearly Report**

Consideration was given to the report which provided an overview of the council's procurement and contract monitoring activity for the period 1 October 2022 to 31 March 2023. Attention was drawn to the progress made against the Procurement Strategy and the downward trend in the number of waivers being issues. No comments or questions were raised, and the report was noted.

RESOLVED:

THAT the report be received and noted.

11. **The Council's Risk Profile**

Consideration was given to the report which summarised the current position with regards to the council's strategic risks.

Discussion took place regarding school place planning and the maintained schools at risk of financial deficit (as a result of low pupil forecast numbers and surplus school places) and how those projected deficits would be absorbed by the council. It was requested that this area be included in the risk register, and future reporting should contain a detailed financial and risk analysis covering the debt position and liability for each school.

Cllr Jonathan Bacon declared an interest as a school governor.

Comments were raised regarding Strategic Risk 6, in relation to children's services and particularly whether the caseloads being scrutinised on a daily basis by managers was indicative of an escalating risk. It was confirmed that a written response would be sought and circulated to the committee.

Clarity was sought around the reinterpretation of the PFI Contract as stated in Strategic Risk 11, and it was confirmed that a written response would be sought and circulated to the committee.

Concerns were raised regarding Strategic Risk 5, in relation to the council's ability to deliver the Safety Valve Programme in light of the financial and staffing resource pressures, and it was confirmed that a written response would be sought and circulated to the committee.

RESOLVED:

THAT the report be noted, and the strategic risks of the council as set out in Appendix 1 of the report be approved.

12. **Review of the Constitution**

The chairman provided a verbal update and advised that regular discussions with the Monitoring Officer were ongoing as the review was underway. Committee members were encouraged to feedback any thoughts. No comments or questions were raised, and the update was noted.

RESOLVED:

THAT the verbal update be noted.

13. **Partnership Arrangements**

Consideration was given to the report which was presented to the Corporate Scrutiny Committee at its meeting on 6 June 2023; which detailed the council's approach to partnership arrangements in order for the committee to be assured that effective outcomes were being delivered particularly as it related to risk and value for money.

The committee sought reassurance that other major partnerships were not at risk following the announcement that proposals were being explored by Hampshire County Council to end its strategic partnership with the council for children's services. Comments were made regarding governance arrangements and the period of notice for disengagement from partnerships.

RESOLVED:

THAT the report be received and noted.

14. **Motion referred from Full Council**

Discussion took place regarding the motion referred from the meeting of the Full Council on 19 July 2023, which established a Future Governance Working Group to explore a future Committee system of governance for the council. It was advised that the intention was to have the first meeting during August, , with a recommendation to Full Council in January 2024 which, if agreed, would bring about such a change in governance with effect from the Annual General Meeting in May 2024.

RESOLVED:

THAT the motion referred from Full Council be noted.

15. **Workplan**

Consideration was given to the Committees workplan for 2022-24. Discussion took place regarding the costs associated with mainland placements for children with specialist needs, and whether consideration could be given to creating an Island-based unit to mitigate some of those costs. It was agreed that the matter would be discussed with the Director of Childrens Services in the first instance prior to its referral to the Corporate Scrutiny Committee.

RESOLVED:

THAT the workplan be noted.

16. **Members' Question Time**

Cllr Churchman asked an oral question in relation to the expenditure associated with push boat service for the Floating Bridge. It was advised that Internal Audit could look into the high-expenditure areas from a value for money perspective.

CHAIRMAN

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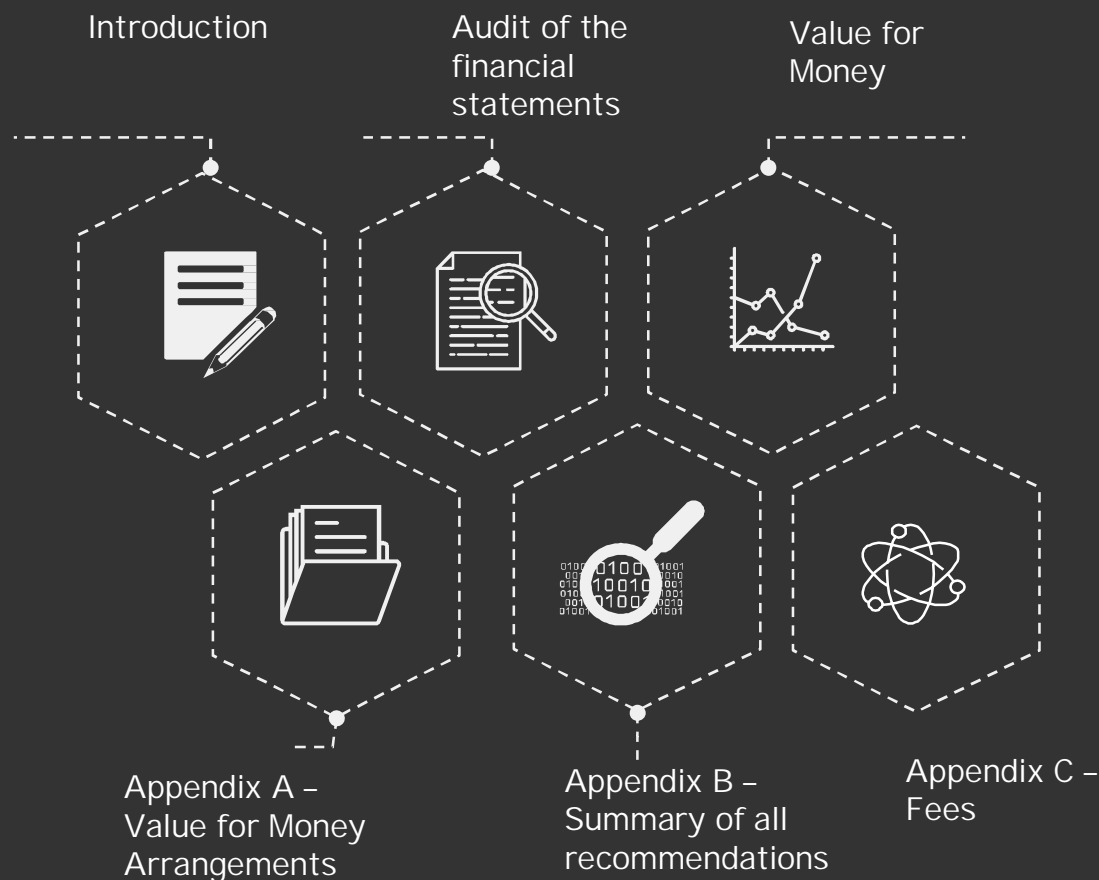
Isle of Wight Council Auditor's Annual Report

Year ended 31 March 2022

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Isle of Wight Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Isle of Wight Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Isle of Wight Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Introduction

Purpose

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 1 July 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council:

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2021/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor’s report on xx September 2023.
Going concern	We have concluded that the Director of Finance and Section 151 Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Consistency of the Pension Fund annual report and other information published with the financial statements	Financial information in the Pension Fund Annual report and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council’s VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.
Certificate	We will be able to issue our certificate once the NAO have confirmed whether there are any additional group audit procedures required as part of the Whole of Government Accounts submission.

Audit of the financial statements - Isle of Wight Council

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On xx September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 20 March 2023 Audit Committee meeting, which we then updated and presented to the Committee Chairman in September 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported one area for improvement in the control environment in the Audit Results Report.

Significant risk

Conclusion

Risk of fraud in revenue and expenditure recognition - inappropriate capitalisation of revenue expenditure

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

From our risk assessment, we assessed that the risk manifests itself through the potential to inappropriately capitalise revenue expenditure to improve the financial position of the general fund.

We did not identify any material weaknesses in controls or evidence of material management override. We tested a sample of additions to property, plant and equipment and confirmed they met the capitalisation requirements under IAS16. We reviewed expenditure classified as revenue expenditure funded from capital under statute. However, this was immaterial (£2m) for 2021/22 and therefore did not provide the incentive or opportunity to materially capitalise revenue expenditure inappropriately.

We did not identify any instances of inappropriate judgements being applied.

Misstatements due to fraud or error - management override of controls

Our work did not identify any material weaknesses in the design of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.

Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

We did not identify any unusual or unsupported journals, or other adjustments made in preparing the financial statements.

Audit of the financial statements - Isle of Wight Council

Significant risk	Conclusion
Valuation of Investment Property	<p>Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, material judgemental inputs and estimation techniques are required to calculate the balances held in the balance sheet.</p> <p>Whilst the IP portfolio has remained unchanged, there was a £6.3m (c.18%) increase in valuation. The risk is heightened for traditional retail assets due to market difficulties.</p> <p>We completed our testing, with support from our own valuation specialists, and concluded the balance was materially correct.</p>
Valuation of Land & Buildings	<p>Property, plant & equipment land & buildings represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation. Material judgemental inputs and estimation techniques are required to calculate the balances held in the balance sheet. Furthermore, there was a change in external valuer who would not necessarily be as familiar with the Council's portfolio and may have taken a different valuation approach or made different critical assumptions.</p> <p>Our testing identified two assets which were misstated. One asset, the Newport Forest Park Site, was overstated by £1.45m driven by the valuation methodology used and due to one of the elements of the site (the Energy Recovery Facility) not being operational yet at the date of valuation but was still valued by the external valuer.</p> <p>One further asset, Land at Fairlee Road, was understated by £185k due to the external valuer using an agricultural value based on a previous annual grazing licence that was in place resulting in a lower valuation. A revised valuation was performed resulting in an updated valuation of £499k.</p> <p>Management opted not to amend the accounts for these errors. The value of these errors was below our materiality threshold and overall we concluded that the balance was materially correct.</p>

Audit of the financial statements - Isle of Wight Council

Other risks / areas of audit focus	Conclusion
Accounting for infrastructure assets	<p>This has been a nationwide local government issue. The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA worked on a sector wide approach to resolution of the reporting of infrastructure assets. DLUHC issued a Statutory Instrument, which allows for the infrastructure assets opening balance to be brought forward without amendment and determines the carrying amount to be derecognised in respect of replaced components to be nil. CIPFA issued an adaptation to the Code of Practice on Local Authority Accounting to allow reporting on a net basis for infrastructure assets. A CIPFA guidance note was issued in January 2023 to provide further guidance to affected local authorities.</p> <p>The Council provided us with their assessment of the Statutory Instrument application and the updated statement of accounts with the new presentation and disclosure of infrastructure assets. We reviewed the Council's working papers and disclosures and assessed these as reasonable.</p> <p>The Statutory Instrument and Accounting Code are only expected to provide a temporary solution to this issue, with the Code update only currently extending to 31 March 2025. We therefore raise the following recommendation for improvement.</p> <p><i>Recommendation</i> - Develop more granular accounting records and/or further supportable estimation techniques to allow for infrastructure assets and components to be derecognised when they are replaced, and to demonstrate the continued existence of assets accounted for.</p>
Pension Liability valuation	<p>The Code of Accounting Practice requires extensive disclosures regarding the Council's pension liability balances. The accounting requires significant estimation and judgement, with management engaging an actuary to undertake the calculations on their behalf.</p> <p>As the audit was not completed by 31 March 2023, management needed to take account of the completed 2022 triennial valuation. Management commissioned an updated IAS 19 report from their actuary, processing this change within the financial statements, being a decrease in the pension liability of £2.9m.</p> <p>Due to the material movement within these figures we performed additional procedures. This work included additional membership testing (completed at the Pension Fund level) and obtaining updated assurances from PWC as the consulting actuary. We are satisfied that the updated assumptions within the revised report are supportable.</p> <p>One further issue was identified from the results of our testing. Our EY Pensions specialists reviewed the revised year-end liabilities. A threshold of 2% is used when deciding whether management's estimate of the liability was reasonable. EY Pensions were able to reconcile the triennial valuation figures produced by the actuary to a difference of 2.22%. Rather than investigate further, it was agreed with management that the difference above 2% (£2,177k) be considered as a judgemental difference and included in our schedule of misstatements.</p>

Audit of the financial statements - Isle of Wight Council

Other risks / areas of audit focus	Conclusion
Pension Liability valuation (continued)	<p>We considered reports or data extracts from the membership administration system and submitted to the actuary as information produced by the entity (IPE) relevant to our work to gain assurance over the triennial valuation. The testing of the validity of data points is attribute testing and we use a sample of 25 to gain assurance over the IPE.</p> <p>Each report/data extract submitted to the actuary constitutes a separate piece of IPE. If there are multiple reports or extracts, we would need to test a sample of 25 per report/extract.</p> <p>We selected a sample of 25 items for each report and agreed the data points back to sufficient and appropriate evidence.</p> <p>Exceptions identified: Overall, for all 125 items tested, we were able to agree at least one data point to supporting prime documentation and/or obtain other evidence or support to give reasonable assurance over the IPE tested. For 1 out of 125 items, from the dependent category, management was not able to provide any supporting evidence for the date of birth. We note that this does not mean that the data point is wrong, only that we are not able to verify its accuracy.</p> <p>We do not consider the above issue to be indicative of more pervasive issues or control weaknesses given the number of items tested (125) and the number of data points tested per item.</p> <p>Whilst we were able to obtain sufficient assurance over the accuracy and completeness of information taken from pension fund membership administration systems provided to the fund actuary to inform the 2022 triennial valuation dataset, in terms of the membership data testing performed, initially we were not able to resolve all of the queries with the Pension Fund in a timely manner as they do not hold/retain the information, nor are they required to given the Council is the employing authority. This caused significant delays in completing the audit, exacerbated by the fact that some of the evidence is held with the independent external payroll provider for schools.</p> <p><i>Recommendation</i> Improve the quality of Fund membership data held on the pensions administration system.</p>

Audit of the financial statements - Isle of Wight Council

Other risks / areas of audit focus	Conclusion
PFI Accounting	<p>The Council has one PFI arrangement, which is material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal specialist when the PFI was introduced. We reviewed the accounting entries and disclosures in relation to PFI in detail in 2021/22, with a focus on any significant changes since the specialist's review.</p> <p>Based on our work we are satisfied that:</p> <ul style="list-style-type: none">• Inputs to the PFI model was supported by evidence.• The model continued to operate correctly.• Output from the model was correctly reflected by the relevant accounting entries and disclosures in the financial statements.• PFI assets were correctly accounted for and disclosed.
Going concern	<p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period.</p> <p>Management produced a going concern assessment to the beginning of the September 2022 which was subsequently updated in February 2023 to take account of significant budget pressures associated with macro economic factors. This is referenced to a cash flow forecast which shows ongoing liquidity over the assessment period. We also reviewed and further challenged the going concern disclosure made by the Council.</p> <p>Based on all of this we are satisfied that management's assessment is reasonable and supportable, and that disclosures in the financial statements are an adequate reflection of management's assessment that it remains appropriate to prepare the financial statements on a going concern basis.</p>



Audit of the financial statements – Isle of Wight Pension Fund

Key findings

On xx September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 20 March 2023 Audit Committee meeting, which we then updated and presented to the Committee Chairman in September 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported two area for improvement in the control environment in the Audit Results Report.

Significant risks

Findings and Conclusion

Misstatements due to fraud or error

We carried out procedures to address fraud risks as set out in our outline audit plan, including identifying risks, considering controls and their effectiveness, testing journal entries and looking at estimates for evidence of management bias. Using data analytics is central to our approach.

We performed a reconciliation between the fund managers' reports and the custodian reports to address the risk of manipulation of asset valuations.

We had no matters to bring to your attention.

Risk of manipulation of Investment income

We performed a reconciliation between the fund managers reports and the custodian reports. We also performed specific journal entry testing in response to this risk.

we have completed our work in this area and have no matters to bring to your attention.

Valuation of complex investments (Level 3 Fair Value hierarchy)

We undertook additional procedures, as described more fully in Section 2 of this report, to gain assurance over the year-end valuation of the Fund's Private Debt and Infrastructure Assets investments.

We have completed our work in this area and have no matters to bring to your attention.

Other area of audit focus

Findings and Conclusion

Disclosure on Going Concern

We obtained management's going concern assessment and the adequacy of the disclosures in the financial statements.

We have completed our work in this area and have no matters to bring to your attention.

IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits

We carried out procedures as described more fully in Section 2 of this report, to gain assurance over the IAS 26 actuarial statement and the associated disclosure of the actuarial present value of promised retirement benefits as a note to the accounts.

We have completed our work in this area and have no other matters to bring to your attention.

Triennial valuation 2022 – Membership data testing

We carried out procedures as described more fully in Section 2 of this report, to gain assurance over the accuracy and completeness of information taken from pension fund membership administration systems provided to the fund actuary to inform the 2022 triennial valuation dataset.

We have completed our work in this area and communicate our observations in section 6 below.

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

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Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 8 March 2023 Audit and Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, meetings with the Director of Finance and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out over pages 10 to 12. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



Value for Money (continued)

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The council has appropriate arrangements in place to ensure financial sustainability.

The medium term financial strategy (MTFS) is updated annually, looking forward over a 3 year period.

Throughout 2021/22, the MTFS in place was the "Budget and Council Tax Setting 2021/22 & future years forecasts". This was presented at Council in February 2021 and established a COVID Fund of £14.2m for the next 3 years (commencing 2021/22), to provide a good level of surety that the Council will be able to continue to deliver all of its essential services as well as being able to respond to the continuing COVID-19 pandemic and its legacy after effects. The 2021/22 budget also included a target of £3.5m savings and a further forecast of £3m savings per annum over the following 3 years as well as a draw down from reserves of £5.4m up to 2024/25. Towards the end of 2021/22, the updated MTFS was released being the "Budget and Council Tax Setting 2022/23 & future years forecasts". The medium-term financial plan included a reduced draw down from reserves of £2.7m up to 2025/26 as well as a revised savings target of £2m per annum over the following 3 years to 2025/26, an improvement on the £3m per annum in the previous MTFS.

Page 22 Subsequent to the year we are assessing, the most recent update to the Financial Strategy was for 2023/24 to 2026/27 and was revised and approved by Council in February 2023. The forecast indicates that there continues to be a number of spending pressures facing the Council over the coming years as core funding sources are expected to fall whilst unavoidable costs increase. A balanced budget was set for 2023/24 with no significant gaps in the future years to 2026/27, albeit with a savings target of £2m per annum.

Any potential gaps will need to be addressed by the Council in the forthcoming periods, but the Council has a good track record of addressing gaps and achieving savings targets through their annual budget processes and putting in place arrangements to do so in advance of the annual budgets based on their forward projections.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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

The Council had arrangements in place to ensure it made informed decisions and properly managed its risks.

The Council has in place frameworks for risk and performance management alongside the strategy and policy that sets out the framework arrangements and responsibilities for the successful delivery of agreed priorities and intended outcomes. Risks and performance are monitored and reported to corporate management team and review is undertaken by the Corporate Scrutiny Committee.

Internal Audit conduct audits annually which confirm that there are authorisation controls around accounting transactions and corrections which reduce the risk of fraud or error.

The Audit and Governance Committee are also presented with quarterly updates from Internal Audit on its programme of internal audits which cover a broad range of operational areas. This gives the Committee assurance over the effective operation of internal controls and includes reporting on areas of fraud detected. The Council also takes part in the National Fraud Initiative work.

The Audit and Governance Committee receives an annual report on the incidence of fraud within the Council, which also informs them of the range of processes, policies and strategies which the Council has for identifying and responding to fraud or error. The Audit and Governance Committee has the opportunity to review the Council's draft accounts and reviews the Annual Governance Statement. Any weaknesses in the system of internal control would be highlighted in the Statement.

The Council has a call over process whereby a panel of officers chaired by the monitoring officer and including legal, finance, democratic services and communications review and discuss all draft reports with the report authors prior to publication. Reports are presented to Scrutiny Committee in advance of decision at Cabinet Meetings to allow challenge and transparency and for Scrutiny to give any recommendations to Cabinet.

The Audit and Governance Committee provide effective governance by receiving a wide range of key reports including from external and internal audit, periodic reports on strategic risks, annual governance statement, statement of accounts, treasury management strategy and contract monitoring.

The Monitoring Officer and Director of Finance maintain their legal responsibilities to ensure that the Council acts legally and within its financial means.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.



Value for Money (continued)

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

The Council has arrangements in place to improve economy, efficiency and effectiveness. These derive from the Corporate Plan, setting out the Council's priorities and objectives. The Cabinet and Corporate Management Team (CMT) are collectively responsible for delivery of the Corporate Plan and monitors progress against the key projects, budgets and performance measures on a regular basis.

To track performance and judge how well the Council are delivering their services, financial and performance information is discussed regularly at Directorate Service Boards, CMT and Cabinet. Performance information is collated, particularly in the form of the service level agreement report and discussed to identify areas for improvement. Reporting of performance is combined with financial monitoring in Quarterly Performance and Finance Reports.

The Council has engaged in a Corporate Peer Review to review and challenge the way it sets priorities, determines strategy and delivers its services in a financially sustainable way. Benchmarking takes place within many service areas to compare performance with national and statistical neighbours to identify where there are opportunities for improvement. At year end performance is measured in relation to the Corporate Plan.

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In accordance with section 135 of the Local Government Act 1972 the Council has a set of contract standing orders (CSOs) that governs how the Council conducts procurement processes and awards contracts.

The Council has a procurement and contract monitoring team who oversees the Council's procurement activity and actively manages, alongside the lead commissioner, any procurement where the whole life value of the contract is over £25,000. This ensures compliance with CSOs and the Public Contract Regulations 2015 (where applicable) and other associated legislation such as the Public Services (Social Value) Act 2012.

During the year under review, as part of our value for money procedures we also undertook a follow up review of the arrangements in place to deal with the challenges and operational issues the Council has been facing with the Cowes Floating bridge service. We have reviewed the processes and arrangements in place where the Council proceeded to a mediated settlement with the counterparties and were satisfied that the Council took appropriate action to ensure that it obtained the expected benefits from these contracts. We did not identify any significant weaknesses in these arrangements. The Council continues to consider its options around the future of the Cowes Floating Bridge.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Findings

The Council sets a balanced revenue budget annually. At that same meeting any savings requirement for the following financial year is set in order to provide adequate advance notice and a stable planning environment. The budget is therefore used to ensure financial resources are aligned to areas where the Council believes it will secure the greatest benefit to residents of Isle of Wight. The annual budget is then linked to the medium-term aspirations of the Council through its medium-term financial strategy (MTFS), which considers a four year forward view, and its capital programme which extends to 5 years. Council members are fully engaged in this process, including an annual member briefing on the budget in addition to further review by scrutiny committees. In-year pressures are identified through monthly Service Board Reporting to each Directorate. A summary report is then prepared for the monthly CMT (Directors) and the Corporate Leadership Team (Directors & Cabinet Members). Pressures are firstly dealt with at a Directorate/Portfolio level with the aim of resolving them on an on-going basis. Any pressures which cannot be resolved on an on-going basis will then be considered as additions to the budget when the MTFS is reviewed during the process to develop the Budget Report for approval each year in February. Unavoidable pressures, inflation, growth and funding levels are then assessed, and a savings plan developed to produce a balanced budget.

In terms of further medium-term pressures the Council uses a Star Chamber process to address plans to meet savings targets and to examine financial pressures and Capital Investment needs that may need to be built into the MTFS.

The Covid-19 pandemic continued to have a significant impact on Council operations, services and finances in 2021/22. This will continue to have a legacy effect into 2023/24 and beyond, although the extent and duration of the impact remains uncertain. Covid-19 impacts have needed, therefore, to be considered in both the Council's current financial management arrangements and future financial plans. For the next 3 years (commencing 2023/24), a COVID Fund established in 2020/21 of £14.2m has provided a good level of surety that allowed the Council to continue to deliver all of its essential services as well as being able to respond to the continuing COVID-19 pandemic and its legacy after effects. At present the Covid Contingency is forecast to be £8.4m at the end of 2022/23, £4.2m by the end of 2023/24 but fully utilised over the following 2 year period to cover care related costs.

Despite the impact of Covid-19 the Council was able to deliver a revenue underspend of £2.7m on portfolio budgets in 2021/22. This underspending was transferred to reserves, including £1.7m to the Revenue Reserve for Capital to support future Capital Investment needs.

Significant budget gaps remain in the last iteration of the MTFS produced in February 2023, a forecast for the 3 year period beyond 2022/23 will require a further £6.0m in savings or £2.0m per annum (from £3m per annum previously).

Appendix A – Summary of arrangements

Financial Sustainability (continued)

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)	<p>Delivery of the capital programme has been affected by the pandemic with spending totalling £27.8m for the year, against an updated capital programme of £56.1m approved in February 2021, a total variation of £28.3m or 50%, this variation being slippage as opposed to underspending. Looking forward, the Council's Capital Strategy for the period 2023/24 to 2027/28 was approved by full Council in February 2023, and within that the five-year Capital Programme. The total value of schemes in the 2023/24 to 2027/28 capital programme is £164.4m. The scale of the funding required for these obligations and aspirations is such that it far outstrips the annual capital funding which may be available. With core capital funding of circa £6.0m, there is a significant shortfall ("capital gap") to be met. All of the core funding has some degree of obligation attached to it, £2.5m is ringfenced to the Better Care Fund and Devolved Formula Grant, and the rest although not ringfenced, is expected to be targeted at schools and highways. The overall implication being that there is virtually no routine annual funding available for capital investment beyond those items in the capital programme. Given the scale of the "capital gap", the necessity to supplement the capital resources available remains an explicit feature of the Council's approved MTFS so that the Council can continue to fund essential services but also fund regeneration and income generation schemes aimed at improving the overall financial sustainability of the Council and the economy of the Island.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>In the first instance, estimates of the overall forecast financial position of the Council are prepared annually. These forecasts look four years ahead and are reviewed annually. This identifies the "budget gap" and sets out the savings required (and its phasing) over the coming period. The identification of a robust programme of savings to bridge funding gaps while minimising the adverse impact on residents therefore is a necessary part of annual budget setting and medium-term financial planning.</p> <p>The Council uses a savings model to allocate the savings targets plus an amount of headroom to each portfolio. The model uses a weighted scoring approach which takes into account the service priority, the recognition of financial pressures, the ability to generate income and the opportunity to make further efficiency gains. Directors and Portfolio Holders are charged with developing a plan of on-going savings to reach the target set. A series of Star Chamber meetings will be held between the Director, Portfolio Holder, Leader, Cabinet Member for Resources and Senior Officers including the Chief Executive, Deputy Chief Executive and the Director of Finance and Assistant Director of Finance to scrutinise the options for impact and deliverability. The process begins in June/July to allow a significant amount of time for plans to be considered and finalised.</p> <p>At the end of the process a list of savings options amounting to (or preferably exceeding the total savings target to offer some choice) will be discussed with the Cabinet and the final list of savings amounting to the total required will be determined.</p>

Appendix A – Summary of arrangements

Financial Sustainability (continued)

Reporting Sub-Criteria	Findings
How the body plans to bridge its funding gaps and identifies achievable savings (continued)	<p>The Council routinely reports the delivery of savings in its quarterly revenue monitoring reports, as part of its wider monitoring of financial and business performance. Historically the Council has a good track record of delivery and reports that around £93m of savings had been delivered at the end of 2021/22 since 2011. In 2020/21 the Council delivered savings of £5.2m against a planned savings target of £4.5m. The budget for 2021/22 assumed savings of £3.5m. Due to adverse variances within Adult Social Care and Children’s Services the Council achieved a net savings/underspend of £2.7m. The failure to deliver against target in these areas within Adult Social Care and Children’s Services were due to various pressures across care packages, in particular residential care and nursing and residential placements, secure placements and leaving care costs in the case of Children’s Services. The Council considers that the majority of the shortfall in savings at the end of 2021/22 was mitigated by the use of Covid-19 contingency fund.</p> <p>The new forecast for the new 3 year period (now extended to 2026/27) is a £6.0m deficit. The new forecast is subject to unprecedented uncertainty due to the elevated levels of inflation, unavoidable cost pressures arising in care services, the level of successful business rates appeals and the impact of the local government funding reform; the forecast could vary by +/- £5m. Future forecasts do not provide for adequate replenishment of the transformation reserve or contributions towards future necessary capital investment requirements, making the recommendations to use any additional funding received / year end savings for these purposes critical to the success of the MTFs. Proposed savings are further "smoothed out" and phased evenly at £2.0m p.a over the next 3 years (i.e. commencing 2024/25). General reserves are maintained over the period at not lower than £8m (assuming the £2.0m p.a. savings are achieved), providing a modest level of headroom to be able to respond to the risks associated with the future cost and funding uncertainty. With general reserves at proposed levels, savings of £2.0m p.a. ensure that for any improvement in the forecast, the Council has not prematurely made a level of savings that could have been avoided and for any deterioration, good progress towards the necessary savings will have been made.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>In order to finance sustainable delivery of strategic and statutory priorities, savings targets are developed and allocated to each portfolio of services by using a model which takes into account the strategic and statutory priorities of the Council. Priority is given to the statutory services in terms of a lower proportion of the savings and taken together with other budget allocations awarded often results in a net annual gain for these services.</p> <p>Strategic and statutory priorities like Adults and Children’s social care accounts for 60% of council spending, therefore when there has been the opportunity to raise an additional council tax precept for Adult Social Care this has been taken and passported directly to the service to help ensure that service delivery can be sustained. Similarly, all grants relating to Adults and Children’s services are allocated directly to those service areas. Central budget allocations are also held to mitigate for the risk of either savings not being achieved or unexpected and unavoidable demand in the statutory services.</p>

Appendix A – Summary of arrangements

Financial Sustainability (continued)

Reporting Sub-Criteria	Findings
<p>How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (continued)</p>	<p>The Star Chamber process also examines in detail cost pressures and estimated demand pressures that service areas are experiencing in particular around Adult Social Care and Children’s Services. The data is subject to significant challenge and scrutiny and where the pressure is confirmed and determined will present a risk even after mitigation then this will be considered as growth to be built in to the MTFS. £7.6m of pressures were built into the MTFS for Adult Social Care in 2023/24.</p> <p>Additionally, the Council uses the outcome of the Budget Consultation to inform its spending priorities of both a revenue and capital investment nature.</p>
<p>How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>The Council's MTFS is consistent with the Corporate Plan. One of the primary objectives of the Corporate Plan is to achieve financial sustainability and deliver balance budgets. The integration of other plans also feature in the Council's approved MTFS.</p> <p>The capital programme is a key driver for the future financial sustainability of the Council, and this is recognised in the MTFS. The capital budget is developed in conjunction with the revenue budget each year. In terms of funding for the capital programme contributions from the revenue account are an important feature of the MTFS as other capital resources are very limited and without planning to support the programme in this way the Council would have insufficient resources to fund essential capital spend.</p> <p>Investment plans such as the regeneration programme has in recent years seen an approval for £25m of borrowing built into the capital programme to deliver on its regeneration plan for the Isle of Wight which in the longer term will lead to revenue income streams and improved economic conditions/opportunities. Borrowing costs associated with the regeneration schemes are factored into the revenue budget.</p> <p>Other local public bodies such as the NHS Trust and the Integrated Care Board (ICB) are also consulted via the Integrated Care Partnership Finance sub-group on council savings plans to understand if there is any likely financial impact on another part of the health and care system (and vice versa with health savings plans) and also to ensure that plans align in terms of objectives for the improvement of health and care on the Island. The Better Care Fund (BCF) is a jointly financed commissioning plan between the Council and the ICB which also ensures that there is alignment of objectives for social care and health.</p> <p>The on-going impact of the pandemic and the many financial challenges the Council has faced in this very fast changing situation, together with the uncertainty around Government funding until the Provisional Finance Settlement was announced in December. However, despite these challenges to being able to finalise a balanced budget for 2023/24 and reviewing and update the MTFS, a programme of work, overseen by the Executive Leadership Team, did continue throughout the year. Members have also been engaged in this process via Cabinet and Scrutiny committee meetings.</p>

Appendix A – Summary of arrangements

Financial Sustainability (Continued)

Reporting Sub-Criteria

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Findings

A strong focus on financial management is embedded throughout the Council via a finance business partnering model which allocates dedicated financial staff resources to teams based on the risks of managing the budget due to demand challenges and the statutory nature of the service and the severity of the impact that any budget overspend may have on the Council. Through this dedicated team structure, the early identification of changes in demand/budget pressures is enabled and remedial action implemented as soon as possible.

In the event that an in-year financial pressure cannot be contained within a portfolio then the Council has a corporate contingency budget and reserves to accommodate these events and other financial shocks.

The Council also holds a level of "headroom" over and above the minimum level of General Reserves, the minimum level being £8m. In addition, the Council holds specific earmarked reserves for specific risks. Examples include a risk and insurance reserve, a repair and renewals reserve, a business rates reserve.

The Council's budget plans (including the savings plan) are subject to scrutiny at the Star Chambers which will also test out the underlying assumptions and data about future demand. Key areas of the Council that are demand led such as Adult and Children's Social Care are subject to detailed budget planning each year where current/past trends are analysed and adjusted for estimated future changes to effectively re-set the care budget each year to align with the best estimate of demand and available resources.

Early identification of pressures is key to maintaining financial resilience. Detailed risk registers are also held for every service area and reported regularly to Service Boards. The key risks to the Council are contained within the Strategic Risk Register which is also reported within the quarterly performance and finance reports to Cabinet and as a standalone report to the Audit and Governance Committee. The Strategic Risk Register includes two financial risks relating to the in-year achievement of the Council's budget and a risk relating to the achievement of the MTFS.

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Findings

The Council has a range of processes, policies and strategies to counter the risk of fraud including: a counter fraud strategy, codes of conduct for staff and elected members, comprehensive financial regulations, procurement rules, contract standing orders, policies governing gifts and hospitality, registers of interest, whistle blowing procedure, complaints procedure and on-going internal audit reviews.

Internal Audit conduct audits annually which confirm that there are authorisation controls around accounting transactions and corrections which reduce the risk of fraud or error.

The Audit and Governance Committee are also presented with quarterly updates from Internal Audit on its programme of internal audits which cover a broad range of operational areas. This gives the Committee the assurance of the effective operation of internal controls and includes reporting on areas of fraud detected.

The Council also takes part in the National Fraud Initiative work.

The Audit and Governance Committee receives an annual report on the incidence of fraud within the Council, which also informs them of the range of processes, policies and strategies which the Council has for identifying and responding to fraud or error. The Audit and Governance Committee has the opportunity to review the Council's draft accounts and reviews the Annual Governance Statement. Any weaknesses in the system of internal control would be highlighted in the Statement.

The Council produces quarterly Performance, Finance and Risk reports which include the strategic risks for each portfolio, this is taken to formal Cabinet meetings after having been through the Corporate Scrutiny Committee.

How the body approaches and carries out its annual budget setting process

Each year the MTFs forecasts the savings requirement for a three-year period, so that work can begin on developing savings plans early in the budget process.

The rolling Medium Term Financial Plan is refreshed each year taking into account a range of factors, including the latest assumptions about inflation, cost pressures (as identified by the budget monitoring process in-year but which are considered to be unavoidable and on-going), unachievable prior year savings, growth in demand, external pressures (such as increases in the national living wage which has a significant impact on care providers and therefore pressure for fee uplifts from the Council), changes in income levels from fees and charges (volume and price) and estimated changes in funding from government grants, council tax (tax base, proposed fee increases) and business rates.

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria	Findings
How the body approaches and carries out its annual budget setting process (continued)	<p>All of these factors are considered in detail to arrive at a three-year forecast plus current year of expenditure against funding, the gap being the savings requirement over the next three years. The forthcoming year's total savings target is then either confirmed as the amount set in the previous budget or adjusted and then allocated as described above to each portfolio and a series of Star Chambers held to scrutinise the savings for deliverability and impact. A final list of indicative savings is then produced after budget consultation has been undertaken.</p> <p>This is a collaborative approach between senior officers and cabinet members. The process is a lengthy and detailed one commencing around July each year. The savings target is set for the forthcoming three years and therefore this gives the Council a significant amount of time to consider and plan not only the next year's detailed savings plan, but also the direction of travel required to be able to deliver the further two years savings.</p>
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>The Council operates its financial management via a business partnering approach. Each Directorate has a dedicated team of finance staff assigned to it and led by a qualified and experienced accountant.</p> <p>The finance teams are involved in day to day financial operations of the service areas and are included in service management teams and attend a large range of service meetings from which they have developed a significant knowledge of the service areas enabling them to identify early any activity/demand trends that may lead to financial pressures in turn enabling corrective actions to be taken where possible.</p> <p>Service Board reports are produced and presented on a monthly basis which depending on the nature of the service include non-finance performance information e.g. number of clients in care to allow the service to build a fuller picture of activity and finance and the ability to identify changes in trends which may present a financial risk.</p> <p>The Service Board Reports therefore contain bespoke information for each service but also contain standard information for each Directorate including overall revenue budget forecast, progress of savings targets, key balance sheet items and progress on the capital programme.</p> <p>A monthly summary report is then produced consisting of the revenue forecast, capital programme and savings progress. This is presented to CMT and CLT whereby Directors will be held to account for the reasons for variances and the proposed plan of action. This provides for the opportunity to take remedial action such as the early creation of the Deficit Recovery Strategy in 2020/21 to address the particular financial pressures forecast due to COVID-19.</p>

Appendix A – Summary of arrangements (continued)

Governance (Continued)

Reporting Sub-Criteria

Findings

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit and Governance Committee

The Council has a call over process whereby a panel of officers chaired by the monitoring officer and including legal, finance, democratic services and communications review and discuss all draft reports with the report authors prior to publication to ensure they are written in such a way as to comply with the Council's standards including clear options and evaluation of options leading to a recommendation that clearly states inter alia financial and legal implications to allow the decision maker to make a fully informed decision.

Reports are presented to Scrutiny Committee in advance of decision at Cabinet Meetings to allow challenge and transparency and for Scrutiny to give any recommendations to Cabinet.

Those decisions delegated to Cabinet Members or key officer decisions are published on the Council's website where required reports will be subject to consultation and an Equality Impact Assessment.

The Monitoring Officer will also when needed, write reports to challenge and implement change.

The Audit and Governance Committee provide effective governance by receiving a wide range of key reports including from external and internal audit, periodic reports on strategic risks, annual governance statement, statement of accounts, treasury management strategy and contract monitoring.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Council monitors compliance with legislative/regulatory requirements and standards in terms of officer or member behaviour through the appropriate involvement of legal officers, horizon-scanning of public interest reports to use to seek out best practice from where mistakes have occurred and reports from the Committee on Standards in Public Life and through deliver of training and advice notes. The review of member register of interests takes place periodically.

The Monitoring Officer also provides guidance on issues such as elections (pre-election guidance) and the member protocol for the annual budget meeting. The Monitoring Officer will also advise on other issues as they arise such as the correct protocol for proposing amendments and guidance on motions of notice.

There is a standing agenda item at each committee pertaining to any conflict of interest declarations that is needed to be made by the members or officers. Officers and Members of the Council also need to submit an annual declaration of interest which is also included on the Council's website. The accounts staff undertake a specific search of transactions and agreements to identify significant or unusual transactions to include in the annual accounts. The Council also sends an email to all members and key management staff requesting declarations of interests.

Alongside this, the register of interests is a key source of information that underpins the Council's considerations of its related party disclosures. Following enactment of the Localism Act 2011, failure by Members of a council to comply with the requirement to register pecuniary and non-pecuniary interests is now a criminal offence.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
<p>How financial and performance information has been used to assess performance to identify areas for improvement</p>	<p>Financial and performance information is discussed regularly at Directorate Service Boards, CMT and Cabinet. This had led to changes in directorates' focus. Children's Services and Adult Social Care Directorates are the areas scrutinized by regulators and these have significant budget impacts.</p> <p>Children's Services: Financial Management reporting has activity and cost reporting across the children's social care elements of the budget, including monthly key driver activity, unit cost information, graphical trend analysis, and forward projection detail on key elements of the service. This includes activity and cost data for the high needs (special educational needs) element of the budget which is also a significant demand led part of Children's Services under increasing scrutiny both locally through Schools Forum and nationally. This core data in children's social care was enhanced with a pack of historic information and narrative, alongside financial impact of future service led transformation themes. Key data also referenced national and statistical neighbour performance metrics. The journey of continuous improvement for Children's Services was also mapped out in respect of inspections and this information alongside detailed demand and trend information was used in the presentation to the Star Chamber for Children's Services. These help shape the decisions for approved investment.</p> <p>Adult Social Care: Adult Social Care consider finance and performance information in depth at every Service Board. The analysis of information is instrumental in adopting the care closer to home strategy which shifted the focus from residential and nursing care where a considerable amount of the budget was being spent to keeping people in their own homes for longer. In hand with this was the drive to use personal assistants (PA) instead of agency based domiciliary care which can deliver considerable cost savings whilst improving the outcomes for the service users by maintaining continuity of carers. This in turn has led to a successful bid to the Transformation Fund for further development of the PA hub. As set out previously in this commentary routine reporting of performance is combined with financial monitoring in the Quarterly Performance and Finance Reports.</p>
<p>How the body evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>As set out previously in this commentary, there are various considerations of how the Council evaluates the service and identify areas of improvement. These include the review of the Corporate Risk Register.</p> <p>The Council has engaged in a Corporate Peer Review to review and challenge the way it sets priorities, determines strategy and delivers its services in a financially sustainable way.</p> <p>Benchmarking takes place within many service areas to compare performance with national and statistical neighbours to identify where there are opportunities for improvement. At year end performance is measured in relation to the Corporate Plan.</p>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness (Continued)

Reporting Sub-Criteria	Findings
<p>How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve</p>	<p>Each partnership is set-up on an individual basis and with individual terms of reference and objectives which will be monitored within the partnership by using action plans and the development of key metrics where applicable. Key strategic partnerships such as the Integrated Care Partnership have senior council representation including the Chief Executive who is the Executive Lead and the Director of Adult Social Care. In order to ensure that the Cabinet also have oversight of the activity of this board and are able to monitor its performance as key stakeholders, the minutes of this partnership board are presented to the Corporate Leadership Team meetings each month. Other key projects which may not have formal partnership arrangements are presented to a Members Board on a regular basis to give them oversight of progress against key milestones and to enable them to hold the project managers to account.</p> <p>The Integrated Care Partnership (ICP) has within its structure a Finance Sub-Group, which is made up of Senior Finance professionals from the Council, ICB and NHS Trust. The board has formal terms of reference to ensure it delivers its objectives and has formal structured meetings and action plans. The group reports back to the ICP on a regular basis to inform it of each organisation’s financial position and on any specific tasks it may have been set.</p> <p>During 2021/22, the Council transferred its fire and rescue services to Hampshire Fire and Rescue (now Hampshire and IOW Fire and Rescue) along with all related property plant and equipment assets (£13.179m). This has been charged to the other operating expenditure line in the comprehensive income and expenditure statement and then reversed through the movement in reserves statement. There is therefore no impact on the amount to be raised through council tax. Also, all matters relating to firefighters’ pensions became the responsibility of the new combined Fire Service from this date.</p>
<p>How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits</p>	<p>In accordance with section 135 of the Local Government Act 1972 the Council has a set of contract standing orders (CSOs) that governs how the Council conducts procurement processes and awards contracts.</p> <p>The key principles of the CSOs are:</p> <ul style="list-style-type: none"> (i) To achieve good value for money through appropriate market competition, so that we offer best value services to Isle of Wight residents; (ii) To be transparent to our residents about how we spend their money through our procurement processes; (iii) To ensure compliance with the legislation and regulations which govern the spending of public money; (iv) To ensure against any criticism or allegation of wrongdoing in the buying of goods and services or in the commissioning of works; (v) To support sustainability and social value objectives, the public sector equality duty, and encouraging local businesses on the Isle of Wight.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness (Continued)

Reporting Sub-Criteria	Findings
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits (continued)	<p>The Council has a procurement and contract monitoring team who oversees the Council's procurement activity and actively manages, alongside the lead commissioner, any procurement where the whole life value of the contract is over £25,000. This ensures compliance with CSOs and the Public Contract Regulations 2015 (where applicable) and other associated legislation such as the Public Services (Social Value) Act 2012. The Council runs an in-house procurement and contract management training programme which trains Council commissioners and contract managers in the following areas; procurement landscape, specification drafting, tender evaluations and contract management. This is designed to embed the knowledge and skills in relation to procurement and contracts within the commissioning services.</p> <p>The Council has a Contract Management Framework which has been developed to assist officers in setting robust contract performance monitoring regimes, managing relationships with suppliers and to provide a structure for recording contract compliance which can be reported to Senior Managers, Elected Members and other key stakeholders. To support the Contract Management Framework, the Council is in the process of rolling out a contract monitoring system which will be a central point for recording the performance of the Council's contracts.</p> <p>Reporting of the Council's procurement and contract activity is made on a 6 monthly basis to the Corporate Management Team and the Audit and Governance Committee. These highlight the contract management framework which is still new and still developing and monitors performance of all contracts.</p>

Appendix B – Summary of all recommendations

Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been agreed by management.

Issue	Recommendation	Management Response
<p>Financial statements: The Council does not, in all instances, record infrastructure assets within the fixed asset register on an individual basis. Although infrastructure assets are derecognised when fully depreciated, asset components are only derecognised from accounting records where the Council has sufficient information to do so and where there is a lack of information the Council processes a notional derecognition but this has not been applied consistently in previous years.</p> <p>This means the Council does not have sufficient records to show that all assets accounted for actually continue to exist and that the gross cost and accumulated depreciation of infrastructure assets are not materially overstated.</p>	<p>Develop more granular accounting records and/or further supportable estimation techniques to allow for infrastructure assets and components to be derecognised when they are replaced, and to demonstrate the continued existence of assets accounted for.</p>	<p>Management agreed the recommendation, and committed to the Finance and Highways teams agreeing to investigating the potential for an approach to develop more granular accounting records and/or further supportable estimation techniques for the accounting for infrastructure assets.</p>

Value for Money: None noted

Appendix C – Fees

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity

Services provided by Ernst & Young

The next page includes a summary of the proposed fees for 2021/22 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no non-audit services which have been contracted and no written proposal to provide non-audit services has been submitted.

Appendix C – Fees – Isle of Wight Council

Fees

We carried out our audit of the Council’s financial statements in line with PSAA Ltd’s “Statement of Responsibilities of auditors and audited bodies” and “Terms of Appointment and further guidance (updated April 2018)”.

Our proposed fees for 2021/22 are set out below and subject to agreement with the S151 Officer and PSAA.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Total Audit Fee – Code work	98,602	98,602	98,602
Scale fee Rebasing: Changes in the work required to address professional and regulatory standards (1)	51,644	51,644	28,075
Revised Proposed Scale Fee	150,246	150,246	126,677
Change in risks, errors and other additional time incurred (2,3)	45,106	28,900	40,787
Scale fee variation – triennial pensions (4)	3,787	-	-
Non-audit work	-	-	-
TOTAL	199,139	179,146	167,464

All figures exclude VAT

1. As detailed in the our 2020/21 Audit Results Report, we submitted a proposed rebasing of the scale fee to reflect changes in work required to address professional and regulatory requirements and scope associated with risk. We have rolled this forwards for the purposes of the 2021/22 planned fee.
2. Starting from the 2020/21 audit, there were two new audit requirements which are not included in the initial scale fee. These were:
 - (a) the introduction of the 2020 Code of Audit Practice and it’s updated requirements for our Value for Money assessment.
 - (b) ISA540 (revised) audit of accounting estimates – introducing updated requirements.

PSAA communicated an expected range of fees for these new areas, and our work at Isle of Wight Council is towards the lower end of that range, i.e. £10,119 for VFM and £4,373 for ISA 540 (revised).

Appendix C – Fees – Isle of Wight Council (continued)

Fees

3. We have incurred additional time through internal specialists in areas of property and pension valuations as well as additional work on errors and amendments identified throughout the audit.
- £9,981 – use of internal experts to verify property valuations
 - £807 – use of internal experts to review the IAS 19 pension liability
 - £7,289 – additional work performed to audit the accounting for infrastructure assets
 - £2,892 – additional work performed by the local team on the valuation of other land and buildings and assets held for sale
 - £5,250 – additional work undertaken to audit going concern disclosures and cashflow forecasts
 - £2,024- additional work undertaken to identify and audit the prior year adjustment relating to exit packages
 - £2,371 – other errors and amendments identified during the audit, including pension fund assets, coastal assets, and a number of misstatements and casting errors in the disclosure notes

As explained in Section 2 of this report, we have had to perform additional work over the pension balances within the accounts. This is due to an updated triennial valuation of the Pension Fund. The fee also includes delays experienced where either the evidence requested could not be provided and we needed to perform alternate procedures or the incorrect evidence was provided in the first instance.

Appendix C – Fees – Isle of Wight Pension Fund

Fees

We carried out our audit of the Council’s financial statements in line with PSAA Ltd’s “Statement of Responsibilities of auditors and audited bodies” and “Terms of Appointment and further guidance (updated April 2018)”.

Our proposed fees for 2021/22 are set out below and subject to agreement with the S151 Officer and PSAA where applicable.

Description	Final Fee 2021/22 £	Planned Fee 2021/22 £	Final Fee 2020/21 £
Total Audit Fee – Code work	16,235	16,235	16,235
Scale fee Rebasing: Changes in the work required to address professional and regulatory standards (1)	40,956	40,956	12,406
Revised Proposed Scale Fee	57,191	57,191	28,645
Change in risks, errors and other additional time incurred (2,3)	10,117	5,900 – 6,900	5,869
Scale fee variation – triennial pensions (4)	8,777	-	-
Non-audit work	-	-	-
TOTAL	76,085	63,091 – 64,091	34,510

All figures exclude VAT

- As detailed in the our 2020/21 Audit Results Report, we submitted a proposed rebasing of the scale fee to reflect changes in work required to address professional and regulatory requirements and scope associated with risk. We have rolled this forwards for the purposes of the 2021/22 planned fee.
- Starting from the 2020/21 audit, there was a new audit requirements which are not included in the initial scale fee. This was:
 - ISA540 (revised) audit of accounting estimates – introducing updated requirements.

PSAA communicated an expected range of fees for this new area, and our fee of £1,899 for the work at Isle of Wight Pension Fund is within that range i.e. £600 - £1,900.
- We have incurred additional time through local team and internal specialists in areas of level 3 investment valuations resulting in additional fee of £7,218. There was an increased level of investment in Private Debt. The Fund also invested in Infrastructure assets for the first time in 21/22. We also incurred additional fee of £1k for our IAS 19 protocol procedures which we seek to agree directly with the S151 Officer.
- As explained in Section 2 of this report, we have had to undertake additional membership data testing. This is due to an updated triennial valuation of the Pension Fund.



Appendix D – Certificate

Certificate

We received the 2021/22 Whole of Government Accounts (WGA) Group Audit Instructions as issued by the National Audit Office ('NAO') and we confirmed that the Council is under the threshold of £2bn for full audit procedures (threshold is consistent with 2020/21). However, the increase in HM Treasury's local government threshold means that there is a risk the NAO WGA team might require some assurances from auditors of bodies below the threshold. At the date of this report, we have not been informed that the NAO has completed their sample selection for the 2021/22 WGA process. This does not prevent us from completing our audit report, but it will delay the issue of the audit certificate

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ED None

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Purpose: For Noting

Committee Report

Committee	AUDIT AND GOVERNANCE COMMITTEE
Date	25 SEPTEMBER 2023
Title	INTERNAL AUDIT PROGRESS REPORT
Report of	CHIEF INTERNAL AUDITOR

EXECUTIVE SUMMARY

1. Internal Audit provide periodic, summary in-year reporting to the Audit and Governance 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. That the report of internal audit be noted.

BACKGROUND

4. The last Internal Audit Progress Report was presented to Audit Committee in July 2023. The report presented to the September 2023 committee meeting summarises the results of audits finalised between March 2023 and September 2023, covering all completed audits for the 2023/24 year.

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

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

Economic Recovery and Reducing Poverty

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

Impact on Young People and Future Generations

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

Corporate Aims

9. Supports the Corporate Plan core value of being “fair and transparent”.

CONSULTATION

10. 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

11. There are no direct financial implications, audits are carried out within the approved budget.

LEGAL IMPLICATIONS

12. 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

13. 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.

PROPERTY IMPLICATIONS

14. There are no direct impacts within this report with property implications.

RISK MANAGEMENT

15. 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

16. Appendix 1 – Internal Audit Progress Report September 2023.

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*CHRIS WARD
Director of Finance
and Section 151 Officer*

*CLLR ANDREW GARRATT
Chairman of the
Audit and Governance Committee*

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Internal Audit Progress Report 1 September 2023

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 2023/24 Audit Plan as of 01 September 2023 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 corrective action 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

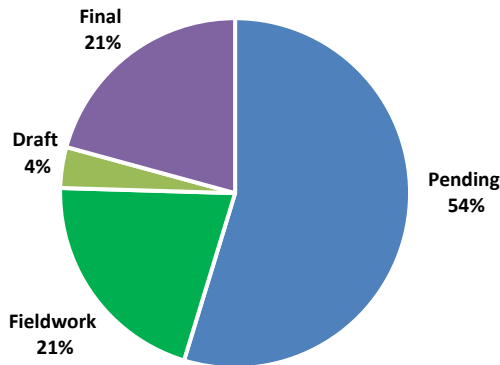
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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	29
Fieldwork	11
Draft	2
Final	11
TOTAL	53

There were 57 reviews set out in the Audit Plan for 2023/24. 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 53, 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 2023/24 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.

School Financial Value Standard (SFVS)

Exceptions Raised				Overall Assurance Level
Critical	High	Medium	Low	Reasonable Assurance
0	0	2	1	

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	Assurance
Reliability and Integrity of Data	Reasonable Assurance

Eight schools were selected for testing to support the s151 Officers statement signing. Of those reviewed arrangements regarding management of the staffing structure (ensuring it follows DFE guidance, is regularly reviewed and sufficiently available, e.g., published on the school website) needs to be improved at one school and contract management arrangements need to be enhanced at another school, in scope for this review. More minor issues were identified at a third school, regarding how the school forecasts future pupil numbers.

Deferred Payments

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

Assurance Level by Scope Area

Achievement of strategic objectives	Reasonable 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

The main issues identified relate to oversight to ensure clients have appropriate property insurance, prompt application of legal charges on client properties (to recoup debts) and timeliness of client debt statements/interest calculations. A more minor issue was also identified regarding the robustness of the property valuation process.



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.

UNESCO and Interreg 1

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.

UNESCO and Interreg 2

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.



Follow-up Audits in Period

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

Bereavement (Crematorium and Cemeteries)

Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Reasonable Assurance
0	1	4	1		

The majority of agreed actions have been fully implemented.

1	Medium	Cremation Capacity A paper is scheduled to be presented to cabinet later in 2023/24, setting out options for decision regarding aligning capacity with demand.	In Progress
2	Low	Faith/Belief Arrangements Enhanced information is available to the bereaved, covering a more comprehensive range of beliefs.	Closed: Verified
3	High	Debt Recovery Debt recovery arrangements have been enhanced, confirmed through sample testing.	Closed: Verified
4	Medium	Invoicing Invoicing arrangements have been enhanced, confirmed through sample testing.	Closed: Verified
5	Medium	Fees Fee information is pending being updated on the Council's website.	In Progress
6	Medium	Management/Financial Oversight Appropriate management and financial oversight arrangements are now in place.	Closed: Verified

Housing Benefits

Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Assurance
0	0	1	0		

All issues originally identified have been addressed.

1	Medium	Discretionary Housing Payment and Monitoring Reviews An appropriate sample of discretionary housing payments is now being reviewed on a monthly basis and staff monitoring arrangements have been enhanced.	Closed: Verified
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Public Health Outcomes

Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Assurance
0	0	0	3		

Agreed actions have either being addressed or substantively addressed.

1	Low	Integrated Sexual Health Contract The planned procurement was unsuccessful with a direct award in progress. Public Health management have confirmed that agreed actions, for example an appropriate oversight regime, will be implemented as part of this process.	In Progress
2	Low	Smoking Cessation A range of actions have been completed, such as activity and staff wellbeing reporting. Outstanding actions have been substantively addressed, for example the Health Equity Audit report is pending finalisation.	Closed, verified
3	Low	Substance Misuse An appropriate set of performance indicators has been agreed and is being reported to and monitored by Public Health Management.	Closed, verified

Brighstone School

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

Reasonable progress has been made addressing agreed actions.

1	Low	SFVS The Whistleblowing Policy has been updated.	Closed: Verified
2	Medium	Inventory Compiling an asset register is in progress.	In Progress
3	High	Premises and Estate Management Satisfactory evidence was provided to Internal Audit regarding asbestos, water and fire safety arrangements.	Closed: verified
4	Medium	Income collection processes School meal income management has improved, with the process of recovering debts more formalised. Limited progress has been made regarding management of income from the pre-school.	In Progress
5	Medium	PTA/Voluntary Funds Oversight has improved, for example a chairman's report has been shared with the school, with further action in progress, for example finalising accounts.	In Progress
6	Medium	Expenditure The risk stemming from inconsistent expenditure controls, for example not requiring a formal tender process for higher value procurements in some instances, has been accepted by school management.	Closed: Management Accepts Risk



Blue Badges

Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Assurance	Assurance
0	0	1	2		

All issues originally identified have been addressed.

1	Low	Staff Training Appropriate arrangements are now in place to ensure mandatory training is completed by staff.	Closed: Verified
2	Low	Prevention and Detection of Fraud The 'tell us once' service is used to ensure that deceased persons are identified and blue badges cancelled in a timely manner.	Closed: Verified
3	Medium	Blue Badge Income and Expenditure Appropriate budget monitoring arrangements have been implemented by management.	Closed: Verified

IT Assets

Original Exceptions Raised				Original Assurance Level	Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Reasonable Assurance
0	0	3	3		

Where issues have not yet been fully addressed good progress is being made.

1	Low	Strategic Framework The Hardware Policy have been reviewed and updated.	Closed: Verified
2	Low	Process Documentation Process documentation has been reviewed and updated.	Closed: Verified
3	Low	IT Asset Acquisitions A software issues (the underlying reason for anomalies in records) has been identified and resolved. Historic anomalies are in the process of being resolved.	In Progress
4	Medium	Asset Discovery Out of date status information for a subset of laptops has been addressed. The process of carried out this action regularly is in the process of being documented.	In Progress
5	Medium	Disposals Most of the issues identified regarding how disposals are managed have been addressed. Further work is necessary to resolve a small number of ambiguous 'statuses' in the CMDB and investigate how redundant devices could be reused by a third party.	In Progress
6	Medium	End User Issues The IT Team does try to recoup costs for unacceptable damage to IT equipment from service areas. However, escalating this to senior management has not yet taken place.	In Progress



7	Low	Phones Historic phone records have been migrated to the current asset register.	Closed: Verified
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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 2023/24 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							
Better Care Fund (subset)	■				Pending		
Advocacy	■				Suspended		Covered by prior review.
Homelessness	■				Pending		
Adults Financial Management (Debt Recovery)	■				Fieldwork		
Hospital Team/Discharge Process		■			Fieldwork		
Deferred Payments		■			Final	Reasonable	Included in this report.
Children's Services							
Direct Contact & Supervision	■				Fieldwork		
Cowes Primary School	■				Fieldwork		
Holy Cross Catholic Primary School	■				Draft		
Wootton Community Primary School	■				Suspended		Long term sickness at school.
Island Learning Centre (Pupil Referral Unit)	■				Pending		
Out of Area Placements (Care)	■				Pending		
School Financial Management Standard (SFVS)	■				Final	Reasonable	Included in this report.
Children's Key Financial Controls	■				Pending		
Transition, Children to Adults		■			Pending		
St Mary's School		■			Pending		
Oakfield School		■			Pending		
Brighstone School		■			Final	Reasonable	Included in this report.
Early Years		■			Pending		
Troubled Families (Children's)				■	Fieldwork		



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Corporate Services							
Accounts Payable (AP)	■				Pending		
Bank and Cash	■				Pending		
Payroll	■				Pending		
IT Disaster Recovery	■				Fieldwork		
Strategic Review of Fleet	■				Pending		
Duplicate Payments (IDEA)	■				Fieldwork		
Accounts Receivable (AR)		■			Fieldwork		
Council Tax and NNDR		■			Pending		
Housing Benefits		■			Final	Assurance	Included in this report.
Fleet and Hire Cars		■			Draft		
IT Assets (including mobile phones)		■			Final	Reasonable	Included in this report.
Blue Badges		■			Final	Assurance	Included in this report.
Software Development		■			Fieldwork		
Finance							
Capital Accounting	■				Pending		
Treasury Management	■				Pending		
Tax Evasion	■				Pending		
Key Controls	■				Pending		
UNESCO and Interreg 1				■	Final	Assurance	Included in this report.
UNESCO and Interreg 2				■	Added Final	Assurance	Included in this report.
Neighbourhoods							
Car Parking	■				Pending		
Highways PFI/Ministry of Justice Land	■				Pending		
Disabled Facilities, Process Review	■				Pending		
Regulatory Compliance		■			Pending		
Bereavement		■			Final	Reasonable	Included in this report.



Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Disabled Facilities				■	Pending		
Local Transport Capital Funding				■	Final	Assurance	Included in this report.
Bus Subsidy				■	Pending		
Public Health							
Public Health Outcomes		■			Final	Assurance	Included in this report.
Regeneration							
Project Portfolio Review	■				Suspended		Equivalent review being led by Organisational Intelligence.
Venture Quay	■				Pending		
Project (TBC)	■				Suspended		Projects reduced
Asset Disposals		■			Pending		
Planning and Enforcement		■			Pending		
Strategy & Corporate							
Contract (TBC from across the organisation)	■				Pending		
Budget Savings	■				Fieldwork		
Partnership Governance	■				Suspended		Equivalent review being led by Organisational Intelligence.
Risk Management (directorate arrangements)	■				Pending		
Gouldings Project		■			Fieldwork		

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Committee report

Committee	AUDIT AND GOVERNANCE COMMITTEE
Date	25 SEPTEMBER 2023
Title	ANNUAL GOVERNANCE STATEMENT 2022-23
Report of	CHIEF EXECUTIVE

EXECUTIVE SUMMARY

1. This report provides Councillors with details of the statutory requirements under the Accounts and Audit Regulations 2015 to undertake an annual review of the effectiveness of the council's system of internal control and the considerations that Councillors need to take into account when reviewing the content of the review completed for 2022-23.
2. The annual governance statement for 2022-23 is located at Appendix 1. together with Addendum A: The Isle of Wight Council's governance framework. Councillors are now asked to approve the statement in readiness for signing by the leader of the council and chief executive and submission with the annual accounts for 2022-23.

RECOMMENDATION

3. Audit and Governance Committee agree that, subject to the final accounts being signed off, the content of the draft annual governance statement 2022-23 is confirmed as the Final version for publication.

BACKGROUND

4. The council follows guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) as to what the annual governance statement should address. The council's leader and chief executive are required to sign the final statement before it is published alongside the annual accounts. When making the statement, it is important that any weaknesses are identified, and corrective actions are also developed to address those weaknesses.

5. The Chair and members of the Audit and Governance Committee were provided with a draft annual governance statement for consideration and to highlight any further items or concerns to be included within the final document prior to presentation at the September 2023 Audit and Governance Committee Meeting.
6. Comments and amendments suggested by the Chair have been reviewed and applied to the statement. There were no further changes or recommendations from the committee and therefore, the final annual governance statement for 2022-23 and its associated addendum are now set out at Appendix One for further consideration and approval by the committee.

THE COMMITTEE'S ROLE IN RELATION TO THE ANNUAL GOVERNANCE STATEMENT

7. The Audit and Governance Committee plays an important part in the process of developing the council's annual governance statement, which stems from its role and core activities throughout the year, including:
 - its understanding of the robustness of the regime of internal control throughout the council because it receives reports from both internal and external auditors.
 - its review of the strategic and other risks of the council and the annual report it receives on the council's risk management arrangements.
 - receiving regular updates on issues which have been identified previously in reviews of governance.
 - receiving reports on the extent of fraud and other irregularity and on the level of whistleblowing activity.
 - receiving reports on procurement and treasury management activity.
 - receiving an annual opinion report on the adequacy of control operating within the council from the council's head of internal audit
 - reviewing the committee's core functions (which is specifically included within the scope of the annual governance statement)
8. The committee is well placed therefore to reach its own assessment of the quality of governance that operates within the council supported by the assessment that has been undertaken by council staff.
9. The action plan contained within the annual governance statement aims to address the governance issues highlighted thus far that are considered necessary to contribute to further strengthening the council's corporate governance arrangements.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

10. Corporate governance has far reaching implications for the effectiveness of the council and as such underpins the effective delivery of all the council's stated priorities. Good governance means the following.
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - Ensuring openness and comprehensive stakeholder engagement.

- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of intended outcomes.
- Developing the council's capacity, including the capability of its leadership and the individuals within it.
- Managing risk and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

11. The content of this report does not directly impact upon any of the corporate priorities outlined in the [Corporate Plan 2021 – 2025](#) and underpins the core value of being fair and transparent.

CONSULTATION

12. Internal consultation has taken place in developing the statement using a self-assessment survey. Internal audit designed the survey to assess the service area knowledge and compliance with all aspects of the governance framework. This was completed by directors and service leads from all areas of the council along with those lead departments who have responsibility for the issues, systems and processes set out in Appendix One, the Chief Internal Auditor and the council's Corporate Management Team.

FINANCIAL / BUDGET IMPLICATIONS

13. There are no direct financial implications of the council reviewing its governance arrangements and publishing the annual governance statement itself. However, action plans to address any weaknesses identified could involve extra cost and may in some circumstances be significant. Conversely action plans could also lead to financial savings being secured. It is considered that all the activities set out in the action plan contained within the annual governance statement can be achieved from within existing resources.

LEGAL IMPLICATIONS

14. The council is required by the Accounts and Audit Regulations 2015 to:
- conduct a review of the effectiveness of its system of internal control.
 - have the findings of the review considered by a committee or by Councillors of the authority.
 - approve an annual governance statement on the results of the review in advance of the approval of the statement of accounts.
 - ensure that the statement accompanies the council's statement of accounts (when published).

EQUALITY AND DIVERSITY

15. 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.
16. There is no impact on any of the protected characteristics arising from this report.

OPTIONS

17. Option One – Audit and Governance Committee agree that, subject to the final accounts being signed off, the content of the draft annual governance statement 2022-23 is confirmed as the Final version for publication.
18. Option Two – The Audit and Governance Committee note the content of the annual governance statement and make recommendations for further matters to be considered in the preparation of the final statement in readiness for publication alongside the annual accounts.

RISK MANAGEMENT

19. It is a legal requirement under the Accounts and Audit Regulations 2015 to undertake a review of the effectiveness of the council's corporate governance arrangements and to seek approval of the resulting statement from a committee to enable its publication alongside the council's statement of accounts. Failure to approve the statement, with or without any proposed amendments will mean the council is in breach of its statutory duty.
20. The key risk associated with the council's proposed governance statement is that it does not accurately reflect that the corporate governance arrangements are consistent with the national code of practice and that full consideration has been given to afford the assurance to the committee. This could result in significant weaknesses going unreported and, critically, unaddressed. However, a significant amount of work has been undertaken to assess and review evidence available and this has been subject to review by Internal Audit, Corporate Management and other key stakeholders in order to mitigate against this. Presentation of the Annual Governance Statement in draft format to this committee for scrutiny is a further mitigating factor.

EVALUATION

21. Option one is recommended on the basis this report provides Councillors with details of the statutory requirements under the Accounts and Audit Regulations

2015, including the need to undertake an annual review of the effectiveness of the council's system of internal control.

22. The report provides the Councillors with the evidence they need to consider when reviewing the content of the review completed for 2022-23.

APPENDICES ATTACHED

23. Appendix 1. Annual Governance Statement 2022-23

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WENDY PERERA
Chief Executive

COUNCILLOR JONATHAN BACON
*Cabinet Member for Finance, Climate
Change and Biosphere*

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Isle of Wight Council

Annual Governance Statement

2022-2023

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Addendum A: Isle of Wight Council Local Governance Framework Diagram

1. Introduction

Governance within an organisation in its simplest form is about who has authority to act, who can take decisions, and how the organisation is kept accountable for the decisions it makes. These basic principles are translated into processes that facilitate the making and implementing of decisions. This is not about making “correct” decisions but about having processes in place that assist with making the best possible decisions with ultimately better outcomes being secured. It can be said that good decision-making processes and therefore good governance share several characteristics which include:

- **Good governance is accountable** – local government has an obligation to report, explain and be answerable for the consequences of decisions it has made on behalf of the communities it represents.
- **Good governance is transparent** – people should be able to follow and understand the decision-making process. This means that they will be able to clearly see how and why a decision was made, what information, advice and consultation was considered together with any risks identified, mitigating actions and legislative requirements (where relevant) were considered.
- **Good governance follows the rule of law** – which means that decisions are consistent with relevant legislation or common law and are within the powers of the council to act.
- **Good governance is responsive** – local government should always seek to serve the needs of all its communities and the priorities identified by them (as reflected in the council’s Corporate Plan), while balancing competing interests in a timely, appropriate, and responsive manner.
- **Good governance is equitable and inclusive** – a community’s wellbeing stems from all its councillors feeling that their interests have been considered by the council in its decision-making process. This means that all groups, particularly the most vulnerable, should have opportunities to participate in the process.
- **Good governance is effective and efficient** – local government should implement decisions and follow processes that make the best use of available resources, and time to ensure the best possible outcomes are secured against its agreed priorities.
- **Good governance is participatory** – anyone affected by or interested in a decision should have the opportunity to participate in the process for making that decision. This might be by being provided with information, asked for their opinion, or given the opportunity to make recommendations to be taken into consideration.

In order to evaluate good governance in practice, there is a statutory requirement under the Accounts and Audit (England) Regulations 2015 for every local authority to prepare and publish an annual governance statement. This provides members of the public with an open assessment of how effective the council’s governance arrangements are considered to be against a code of corporate governance entitled “Delivering Good Governance in Local Government 2016”.

This document is published by CIPFA/SOLACE as recognised national lead bodies for public services. The code considers the characteristics of good governance set out above and translates them into specific core activities, including how a council:

- Upholds high standards of conduct and behaviour
- Engages with local people and other stakeholders to ensure robust public accountability
- Creates and implements a vision for the local area
- Determines the interventions necessary to optimise the achievement of agreed outcomes
- Develops the capacity and capability of councillors and council staff to be effective
- Takes informed and transparent decisions that are subject to effective scrutiny and risk management
- Has councillors and council staff that work together to achieve a common purpose

This document therefore provides an overview of the Isle of Wight Council's governance arrangements in place against the core activities set out in the code of corporate governance and characteristics of good governance set out above, underpinned by an honest self-assessment of their effectiveness for the period 2022/23. It includes an action plan for the coming year to address any identified areas of concern and a report on progress made against those areas highlighted for improvement in its 2021/22 annual governance statement.

In its preparation, the statement contained within this document, covers the council's significant corporate systems, processes and controls that are designed to ensure that:

- Laws and regulations are complied with
- Council policies are implemented in practice
- Required processes are adhered to
- High quality services are delivered efficiently and effectively
- The council's values and ethical standards are met
- Performance and financial statements and other published information are accurate and reliable
- Human, financial, and other resources are managed efficiently and effectively

2. The Council's responsibilities

As a public body, the council is responsible for carrying out its business in line with the law and proper standards to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. There is also a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way the council's functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. To do this, there must be in place a robust set of arrangements for the governance of its affairs and in facilitating the effective delivery of its functions, including arrangements for the management of risk and for dealing with any issues that may arise from them.

3. The purpose of a governance framework

To assist with the delivery of good governance, each council has a local governance framework that brings together all the relevant legislative requirements, governance

principles and activities (as described above), corporate strategies and policies, business systems, management processes together with an operating culture and set of values upon which business is conducted. The quality of these arrangements underpins the level of trust in public services and is fundamental to the delivery of the council's statutory and democratic obligations. A governance framework therefore allows the council to be clear about how it discharges its responsibilities.

A system of internal control, designed to give assurance of operational effectiveness, is a significant part of operating the council's governance framework, and is also designed to assist with the management of risks to a tolerable level. However, it is important to note that it is not possible to eliminate all risks and can only serve to demonstrate reasonable assurance of effectiveness. The management of risk is an ongoing process, designed to identify and prioritise the risks associated with the achievement of the council's key priorities, policies, aims and objectives, to evaluate the likelihood of those risks occurring and to manage their impact should they happen.

4. The Isle of Wight Council's governance framework

The Isle of Wight Council's local governance framework is designed to be consistent with the CIPFA/SOLACE Delivering Good Governance in Local Government code of practice. The framework summarises the council's internal arrangements that have been put in place to ensure that there is effective governance and includes hyperlinks to supporting documentation and can be found at Addendum A to this document.

The overarching aim of good governance is to ensure that the council achieves its intended priority outcomes, while acting in the public interest at all times. The following text provides a high-level overview of the key elements of the structures and processes in practice that form an essential part of the council's governance framework against the code of practice and each of the governance indicators and their descriptors of what good governance should look like.

Strategic partnerships are becoming an increasingly important element of the council's corporate growth strategies helping pool knowledge and resources to deliver better outcomes for the island population and its visitors. Whether this be by direct service provision in partnership, by alternative innovative service delivery mechanisms or simply by exerting influence to deliver better social value outcomes as well as value for money. The governance framework is taken into account when considering significant partnerships approaches and the governance arrangements for the partnerships developed and reviewed to ensure they meet the requirements of the specific partnership.

The local delivery arrangements are identifying strategic issues and opportunities to challenge some of the current approaches to delivery and investment. The council is seeking to better align planned investment expenditure to key corporate priorities to accelerate improvement opportunities. An example of this is through the current activity being formalised via the Isle of Wight Integrated Care Partnership (ICP) that aims to align strategic needs around the health and social care local system needs in accordance with the new legislation permitting such arrangements. Areas of joint commissioning and

provider committees seek to align to shared governance arrangements and funding agreements.

Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law:

The council's constitution sets out how it conducts its business, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people. Some of these processes are required by law, while others are a matter for the council to determine. The constitution is divided into 6 main parts, with a number of sub sections that set out the basic rules governing the council's business with more detailed procedures and codes of practice provided in support of their delivery. The constitution is refreshed at least annually, usually at Annual Council and may be updated more frequently if there are changes in any legislation affecting the contents of the constitution.

- There is a code of conduct for councillors and council staff which sets out the expected behaviour and standards to be adhered to.
- The Monitoring Officer is a statutory function and ensures that the council, its staff, and councillors maintain the highest possible standards of conduct in all they do. The designated Monitoring Officer for the Isle of Wight Council is the Assistant Director of Corporate Services and holds responsibility for monitoring and reviewing the operation of the council's constitution, ensuring compliance with established policies, procedures, laws, and regulations and for reporting any actual or potential breaches of the law or maladministration to the Full Council and/or Cabinet.

The council is committed to achieving the highest possible standards of openness and accountability. It has in place a "whistleblowing policy" which reflects the legal framework and obligation to enable staff or those delivering services on behalf of the council, without recrimination, to raise concerns about conduct that may be unlawful, of financial malpractice, presents a danger to the public or the environment, affects the general welfare of the public or integrity of public services.

- As part of the council's commitment to the safeguarding of public funds, there is an anti-fraud, bribery and corruption policy and strategy that sets out the process to be followed where there is suspicion of financial irregularity.
- The Section 151 Officer is a statutory function that requires a member of staff who must be appropriately qualified to be responsible for the financial administration of the council. The designated Section 151 officer for the Isle of Wight Council is the Director of Finance.
- There is a complaints procedure for dealing with any complaints related to the delivery of council services which is available on the council's website. If complainants remain dissatisfied, they have the right to refer the matter to the Local Government and Social Care Ombudsman (LGSCO) and complainants are informed of this right. The monitoring and learning gained from complaints is reported through the council's

performance report to Cabinet. In accordance with legislation there are also separate procedures in place for complaints relating to Children's Services and Adult Social Care. Complaints about councillors are dealt with under the councillors' code of conduct.

Principle 2: Ensuring openness and comprehensive stakeholder engagement:

- The council recognises that effective community engagement is an essential contribution to strong corporate governance and uses a variety of ways to engage with its communities and stakeholders to assist. The [Forward Plan](#) section of the council's website provides access to the published forward plan which provides an indication of future reports that are to be considered together with agendas and minutes of all public committees. This ensures that people know what decisions the council is planning to take as well as the decisions taken. It provides access to a facility for making general complaints about council services and about councillors where their conduct is in question. The process to follow is set out clearly. There is also a facility for [petitions](#) to be launched and submitted on matters that are important to local people.
- The [Home Page \(iow.gov.uk\)](http://iow.gov.uk) of the council's website provides information on latest news and updates on council services together with a range of information that is available for the public scrutiny in accordance with the code of recommended practice for local authorities on data transparency. There are details of all [Consultations](#) where residents and stakeholders can voice their opinions and assist with shaping service delivery.
- The [Isle of Wight Youth Council](#) is in place to provide opportunity for young people to influence how services are delivered, highlight issues that need to be reviewed and to help shape public services for our communities.
- The council operates a [Corporate Scrutiny Committee](#) whose remit is to review and challenge the policy decisions that are taken by Cabinet. Corporate Scrutiny is supported by three policy and scrutiny panels ([Health and Social Care](#), [Children's Services, Education and Skills](#), [Neighbourhoods and Regeneration](#)) who aid the Cabinet in the development of council policy together with a review of any matter relating to these specific service areas. They assess how the council is performing and see whether they are providing the best possible, cost effective services for the Island's communities. In addition, there is an Audit and Governance Committee whose specific remit is to review the council's financial and non-financial performance as well as to receive reports that deal with issues that are essential for good governance. Each committee has its own terms of reference.

Principle 3: Defining outcomes in terms of sustainable economic, social, and environmental benefits:

- The council's corporate plan is the key strategic document that sets out its vision and ambitions for the Island. The plan sets out the priorities, the outcomes that are expected to be achieved, what it will do to deliver them and what measures it will use

to monitor progress against their successful achievement. The corporate plan is underpinned by a number of directorate plans, prepared by directors, which include the operational detail for core business that must be delivered, plans for improvement, development or change, financial planning, key risks and their management/mitigation as performance measures and monitoring arrangements.

- Quarterly reporting on progress against the delivery of agreed priorities and outcomes is undertaken by Cabinet and which is also available to the scrutiny committee for review.
- Central to the delivery of the corporate plan is the council's medium term financial strategy which plays a pivotal role in translating ambitions into action. The strategy focuses on determining the overall financial position for the council and considers any major issues affecting the council's finances. It forms the basis for developing the overall budget, and any contingencies that need to be put in place for any unavoidable service pressures that may arise.
- All committee reports require an assessment of the options considered and their impact on the key priorities of the council:
 - ✓ Provision of affordable housing for Island residents
 - ✓ Responding to climate change and enhancing the biosphere
 - ✓ Economic recovery and reducing poverty
 - ✓ Impact on young people and future generations
- As part of the call over process the Council's key advisers for the relevant priority are given sight of all papers for comment. Every decision taken must have regard to the priorities of the council.

Principle 4: Determining the interventions necessary to optimise the achievement of intended outcomes:

- Underpinning the delivery of the corporate plan are a series of directorate plans that translate the council's priorities and outcomes expected to be achieved into operational service delivery activities. Each of the directorate plans has a suite of performance measures that enable critical delivery requirements to be tracked and monitored. The directorate plans now include a section that identifies the workforce resources required to deliver the outcomes required. These plans are used by Human Resource, to support services in their recruitment, retention and succession planning which enable the council to develop and maintain an effective workforce.

To allow the transition of the council's priorities into their most granular form, the council also operates a Personal Performance Management Framework through which staff and managers agree individual performance objectives that play an important part in achieving the overall desired outcomes. These objectives are also supported by any relevant learning and development required to successfully achieve them.

Monitoring of progress against targets is undertaken on a number of levels, from strategic quarterly performance reporting to Cabinet, to directorate level service board meetings that measure performance against agreed business plans to regular discussions between managers and staff to review operational and day to day business performance.

The council also has a robust decision-making framework in place that requires all reports to be subject to the corporate “call over” clearance process prior to publication. All reports follow a standard template that provides the decision maker with all the relevant information and advice necessary to make an informed decision. Reports provide background information; details of the issue under consideration and includes options open to the decision maker together with the pros and cons of each of those options in order to provide a recommended course of action if required. Professional advice in respect of any considerations of a legal, financial, equality, risk, the provision of affordable housing, climate & environmental impacts and the UNESCO Biosphere, impact on young people and future generations are clearly set out as is any consultation that has been undertaken to assist with the decision.

- An audit of the formal partnerships that the council works with was undertaken in early 2023 and a process for reporting outcomes from those partnerships is being developed with the Corporate Scrutiny Committee. A Partnerships Framework has been developed to ensure adequate governance and reporting arrangements are in place.
- The council’s Corporate Scrutiny Committee scrutinises items on the council’s forward plan and acts in the capacity of critical friend to the Cabinet prior to decisions being taken. Scrutiny meetings are held in public where members of the public have the opportunity to ask questions or submit questions in writing to the committee.

Principle 5: Developing the council’s capacity, including the capability of its leadership and the individuals within it:

- The council operates a robust interview and selection process to ensure that offers of appointment are based upon securing the right level of skills and experience to fulfil the role. If working with children and/or vulnerable adults the necessary clearance checks are undertaken prior to appointment. There is a corporate induction programme that welcomes new staff into the council, assisting with understanding of the council’s priorities and ambitions as well as the prevailing culture and expected standards of behaviour. It provides a wide range of information on how the council operates and the key policies that new starters need to be aware of.
- There is a corporate core learning and development programme that sets required activities for new staff to complete and for existing staff to receive by way of updates. There is also a core learning and development programme for managers designed to ensure they are fully conversant with their people management responsibilities. These learning programmes have been included in the council’s Learning Hub which enables staff to undertake and record training events, and managers to access reports on training uptake.

- There is a full complement of appointments to the corporate management team, all of whom are appropriately qualified and experienced in their field and capable of providing strong, resilient, and stable corporate leadership.
- The council has a number of strategic partnerships to enable the capacity of a small unitary council to be maximised to its full potential. Strategic partnerships include the management of the council's children's services and public health with Hampshire County Council; Portsmouth City Council for the provision of a Director of Finance and Section 151 Officer and Chief Internal Auditor roles.
- There are learning and development programmes in place for aspiring leaders and managers that aims to improve the council's future succession planning arrangements and which also seeks to facilitate engagement and empowerment of future talent in the development of the council's critical business priorities and intended outcomes. The Council's successful approach to the use of the Apprenticeship Levy has led to an increase in existing staff accessing development programmes which assist with succession planning.
- Newly elected councillors are provided with a comprehensive induction programme that assists with full understanding of their roles and responsibilities, political management and decision making, financial management, health and safety, information governance, safeguarding and code of conduct.
- Councillors are provided with a regular calendar of events that aims to provide a wide range of on-going learning and development in specific areas of council activity, legislative changes, and personal skill development. Access to the local government association leadership academy is afforded to cabinet members and aspiring cabinet members and other relevant external or on-line learning opportunities are made available to enable specific portfolio or areas of interest to be developed.

Principle 6: Managing risk and performance through robust internal control and strong public financial management:

- The council has in place frameworks for risk and performance management alongside the strategy and policy that sets out the framework arrangements and responsibilities for the successful delivery of agreed priorities and intended outcomes. The risk policy was refreshed in February 2023 and is intended to assist council staff at all levels in applying sound risk management principles and practice across their areas of responsibility. Risks and performance are monitored and reported to corporate management team and directorate service boards, review of risk and performance is undertaken by the Corporate Scrutiny Committee. The Audit and Governance Committee reviews and monitors the strategic risk profile of the council.
- The council has two major, long term commercial contracts in place for highways and waste service delivery both of which have their own contract management team,

councillor boards and delivery boards to maintain oversight and formal monitoring of performance.

- The council's financial management arrangements conform to the governance requirements of the CIPFA "statement on the role of the Chief Financial Officer in local government (2016)". The Chief Financial Officer is professionally qualified; is a member of the corporate management team; has input into all major decisions; advises Cabinet on financial matters and is responsible for ensuring that budgets are agreed in advance, are robust and that the finance function is fit for purpose. The Chief Financial Officer is the Director of Finance and Section 151 Officer.
- The council's assurance arrangements also conform to the governance requirements of the CIPFA "statement on the role of the Head of Internal Audit (Chief Internal Auditor) in public service organisations (2016)". The Chief Internal Auditor is professionally qualified and leads on the review and adequacy of the council's internal control environment. Where necessary, to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to the Chief Executive, Section 151 officer, Monitoring Officer and Councillors, especially those who serve on committees charged with governance.

Principle 7: Implementing good practices in transparency, reporting and audit to deliver effective accountability:

- The council's constitution is always under review and is refreshed at least annually. It sets out how decisions are made, it makes specific reference to decision making by Full Council, Cabinet, and other established committees. There is also a scheme of delegations that describes the limits of responsibilities that can be delegated to the Chief Executive and chief officers (and who in turn may delegate further as appropriate).

The council is committed to openness and transparency and now publishes a significant amount of data and information in order to increase its accountability to residents. There are dedicated transparency pages on the council's website that provides access to the council's spend transactions month by month; statement of accounts; performance monitoring; councillor allowances and declarations of interest; budget consultation outcomes; workforce data and pay policy setting out the council's terms and conditions of employment; trade union facility time; councillors questions and contracts to name but a few.

- The council publishes a [Forward Plan](#) of all key decisions which are proposed to be taken and other decisions where practicable to assist in providing public transparency and confidence in decision making. All committee agendas and minutes of constituted committees are also published on the council's website and in accordance with publication timescales.
- All reports requiring a decision are considered by appropriately professionally qualified legal and finance staff prior to publication and all advice is made public within the report template. The council must also ensure that it meets its duties and

obligations under the Equality Act 2010, and any proposals for changes to service delivery, projects or policies have regard to equality when being considered to better understand whether they impact on people who are protected under the Act and to assist with informed decision making.

- A Local Government Framework has been used as a basis for self-assessment and a baseline for the council's current equality and diversity provisions. An action plan has been developed to monitor progress and this is monitored through the Equality and Diversity Board.

5. **Financial Management Code 2022:**

A key goal of the Financial Management Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. There are clear links between the Financial Management Code and the Governance Framework.

A significant amount of the Code is part of the council's current and ongoing activity. The assessment of the council's financial regulations policies and procedures was undertaken to evidence that they continue to meet the CIPFA Code requirements.

The medium-term financial plan, which started in 2016, has not changed significantly since that date. The annual budget report is the mechanism for those in year changes to be identified and actioned dependent on the priorities and plans of the council.

6. **Auditing of the Accounts:**

There remains concern nationally, with the continued delay in the completion of the audited accounts for 2021/22 and this has an impact on the publication of accounts for 2022/23.

The National Audit Office (NAO) reported that local auditors gave opinions on only 12% of local government bodies' 2021-22 financial statements by the statutory accounts' publication deadline of 30 November 2022. This compares to 9% of opinions for the previous year (2020-21) received by the earlier deadline of 30 September 2021. This remains a significant reduction compared with the 45% of opinions given in 2019-20 and 97% in 2015-16. As of 30 November 2022, Public Sector Audit Appointments Ltd (PSAA) reported a total of 632 audit opinions were outstanding for all years.

The Isle of Wight Council 2021/22 accounts have not yet been formally signed off by the external auditors, due to these delays but this is due imminently. This delay can have significant implications for perceived local accountability and the effective management of public money. Local public bodies deliver many services to residents, businesses and taxpayers and account for a significant amount of public spending. High quality local auditing is essential for public trust in how taxpayers' money is spent.

The Department for Levelling Up, Housing and Communities (DLUHC) has set out a range of approaches to increase auditor supply, though some are only expected to begin later in 2023. The approaches include creating new routes for becoming a key

audit partner and developing a new qualification for local auditors. DLUHC is also aiming to launch a new technical advisory service to support firms with specialist advice on complex local audit issues

The Isle of Wight Council Financial Management Team plans to undertake an accounting closedown debrief during the summer of 2023 (following the completion of 2022/23 accounts) to improve task planning and cross departmental working in the run up to next financial year end. It is expected that this early planning will improve the flexibility in supporting audit enquiries if engagement timelines shift due to continued national capacity shortages.

7. The annual review of effectiveness:

The council is required to undertake, at least annually, a review of the effectiveness of its governance framework, through the internal audit assurance process and self-assessment survey, including the system of internal control. The outcomes of the review are considered by the Corporate Management Team and Audit and Governance Committee (who approve the final statement). Once approved, the annual governance statement is published alongside the council's statement of accounts.

In reviewing the council's governance framework arrangements and in order to complete this assurance statement, there are a number of assurances drawn from the following sources:

- Full council, Cabinet, and other key decision-making committee outcomes
- Outcomes from Scrutiny committees and Audit and Governance Committee
- The Monitoring Officer, Section 151 Officer and Chief Executive
- Corporate service departments
- Internal audit report on the annual governance statement
- Internal audit annual opinion
- Internal audit self-assessment survey and report
- The Annual Governance Statement Self-Assessment
- Risk, performance, and financial reports
- The Strategic Equality and Diversity board
- The Strategic Health and Safety board
- Customer complaints and feedback
- Freedom of Information requests
- Data protection and information governance issue
- Health and Wellbeing Board
- External audit reports
- External inspections and peer reviews
- Benchmarking activity
- Evaluation of progress against previously identified governance issues

This all supports the completion of a self-assessment statement which covers the key processes and systems that comprise the council's governance arrangements and is intended to identify any areas where improvement or further development is required.

8. Governance issues – Part One - Progress Against the 2021/2022 Self-Assessment

The completion of the self-assessment for 2021/22 did not highlight any significant governance failures. However, the following issues were identified as areas where improvements could be made:

	Governance issue	Actions to address the issue	Measure of success	Progress to Date
1	An agreed set of policies/key documents, relevant to the AGS, has been identified and agreed. Some policies are not up to date or require review.	Identified policies to be reviewed and where necessary updated and re-issued	All relevant policies are up to date and meet current governance requirements. In November 2022 Internal Audit will validate policies/key documents as part of the annual AGS assurance exercise, to confirm they have been reviewed and updated.	All policies which support the council's governance arrangements were refreshed and updated. There is now a process in place for these to be monitored and updated in line with the agreed refresh timescale. The Audit and Governance Committee and the Corporate Scrutiny Committee have both championed the updating of the policies and regular updates will continue to be provided to the Corporate Scrutiny Committee as requested. The exception to this are the Financial Policies. These are in the process of review and will be completed by the end of September 2023.
2	Further embedding of the risk management framework across all service areas	Implanting of consistent arrangements across the Council, specifically to ensure there is sufficient corporate visibility of risk across the	Internal Audit will validate that appropriate progress is being made by following up on agreed actions as part of the 2022/23 Audit Programme.	Considerable work has been undertaken with teams across the council to further embed risk management in service areas. There have been regular workshops, team sessions and one to one training with teams to support them to review and update risks in the council's risk management system.

	Governance issue	Actions to address the issue	Measure of success	Progress to Date
		Council and how this is being mitigated/ managed.		<p>All services (with the exception of the Children and Families Directorate who record and monitor risks through the Hampshire system) use the IWC Risk Management System. This enables oversight of all risks and assurance that risks are being managed at service level.</p> <p>The council receives a copy of the Children and Family risk reports held in the Hampshire risk management system on a quarterly basis.</p> <p>There have been updates and additional functionality to the IWC Risk Management System to improve usability and visibility of risk reviews.</p>

Governance issues – Part Two: Action Plan from the 2022/23 self-assessment:

Over the course of 2022/23 Internal Audit completed 61 audits, comprising a combination of full, grant, follow-up and analytic reviews.

Following the trend of previous years no audits have resulted in a 'no assurance' opinion. Two full audits (St Mary's School and Food Safety) and one follow-up review (Asbestos Framework) have been rated 'limited assurance.' Seven further audits are rated 'reasonable assurance' overall but contain individual findings rated 'high risk.' Compared with 2021/22 the implementation rate for actions agreed in audits has deteriorated, with 59% closed or are no longer applicable at the point of follow-up, compared to 67% in 2021/22. As noted above issues identified during 2021/22 have been substantively addressed.

The types of issues identified through 2022/23 are consistent with those identified during 2021/22, for example governance, management reporting, and general compliance are common themes, although all show an improvement from the previous year.

The overall annual opinion will therefore remain at '**reasonable assurance**'.

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	Governance issue	Actions to address the issue	Measure of success	Lead Person
1	<p>Both audits and investigations carried out have identified an increasing trend of potential theft/ fraud during 2022/23. All minor in nature.</p> <p>This is likely to be linked to changes in working practices/less direct supervision of staff, reductions in capacity and the wider economic climate, putting pressure on staff.</p> <p>A review of a number of key controls, for example, cash handling arrangements, across Council sites has also recently been carried out by Internal Audit.</p> <p>This identified weaknesses across sites as to how cash is managed, making this more vulnerable to theft. The lack of appropriate controls over cash handling also increase the risk that any thefts will not be identified in a timely manner.</p>	<p>Continue current mechanisms to staff, who may be suffering hardship.</p> <p>Implement consistent processes, to control assets, for example personal belongings and cash. Specifically receipting, secure storage (within safe limits) and records of when withdrawn and for what purpose.</p> <p>Monitor actions from the two audits to ensure they comply within the agreed timescales.</p>	<p>Issues identified will be confirmed as addressed at the audit follow-up.</p>	<p>Sharon Betts –</p> <p>All directors to follow up on audit action compliance within their areas.</p>

Summary

The annual assessment and review process of the council's corporate governance arrangements has identified several issues that could further enhance the current arrangements. As a result, the Isle of Wight Council will take steps to address the above identified issues to secure further assurance in the areas of most concern identified above.

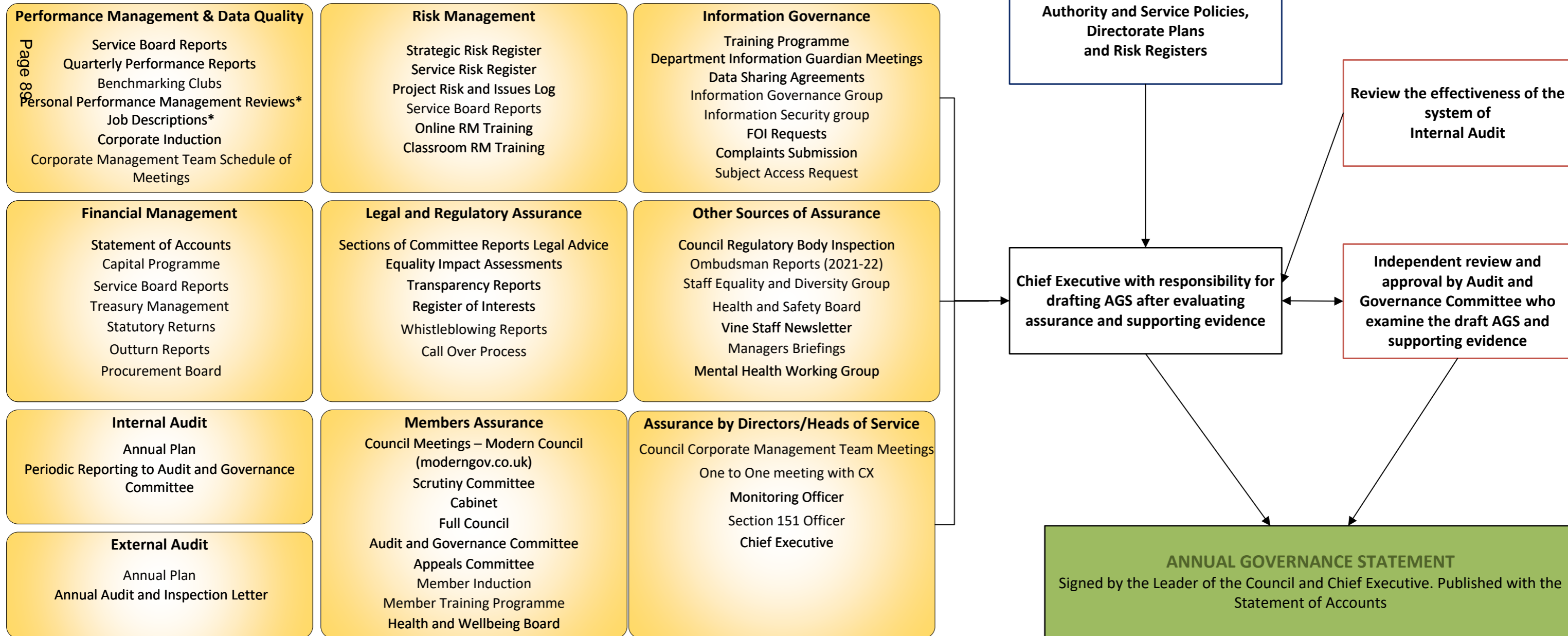
Signed on behalf of Isle of Wight Council:

**Wendy Perera
Chief Executive**

**Councillor Lora Peacey-Wilcox
Leader of the Council**



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Committee report

Committee	AUDIT AND GOVERNANCE COMMITTEE
Date	25 SEPTEMBER 2023
Title	TREASURY MANAGEMENT REPORT Q1 2023-24
Report of	PENSION FUND AND TREASURY MANAGEMENT ACCOUNTANT

EXECUTIVE SUMMARY

1. In accordance with the council's Treasury Management Strategy 2023-24, this is a report on treasury management policies, practices and activities for the quarter ended 30 June 2023.
2. In March 2023, the committee approved the Treasury Management Strategy for 2023-24 and this is the first of the regular progress reports on treasury management activities for this year.
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 to 30 June 2023 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 to 30 June 2023, and its performance against the prudential indicators that were approved as part of the Treasury Management Strategy.
8. Appendix 1 also includes a summary of the economic outlook provided by Arlingclose, based on information on 7 July 2023. Since then, the Bank of England base rate was increased from 5.00% to 5.25% on 2 August 2023.
9. Arlingclose's latest interest rate forecast is suggesting that the rate may increase by a further 0.25% in September and then they anticipate that the rate will start to slowly reduce from September 2024.
10. 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."
11. 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.
12. 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

13. 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](#)
14. 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.
15. The Treasury Management Strategy is reviewed and updated annually in March and approved by the Audit & Governance Committee.

Responding to climate change and enhancing the biosphere

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 undertook a review of 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 provided their Environmental, Social and Governance statements, together with any specific statements relating to climate change.
18. The council will include all [scope 1, 2 and 3 emissions](#) created directly by itself or indirectly (for example emissions made by our contractors, investments or travel) in our annual carbon footprint.
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.

Corporate Aims

22. The reporting of the treasury management activity of the council is in alignment with the aspiration of transparency and disclosure of council investments and debts as detailed in the latest [Corporate Plan 2021 - 2025](#).

CONSULTATION

23. The treasury management report for quarter ended 30 June 2023, has been considered by senior accountants within the Financial Management team, including both the Director of Finance and the Assistant Director of Finance.
24. No external consultation has been undertaken.

FINANCIAL / BUDGET IMPLICATIONS

25. 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.
26. The Treasury Management Strategy includes the overall management of the council's cash flow and borrowing strategy. With interest rates having been low over the last few years, 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.

27. Even though interest rates are currently increasing, the council is forecasting lower than budgeted costs of borrowing, due to current lower levels of short-term borrowing. At the end of June 2023, it has been reported that we are expecting a net saving of £0.5 million which will contribute towards the overall financial result of the council for 2023-24.
28. During the quarter the percentage rates on the investments held increased from an average of 4.20% to 4.78%.
29. The actual level of investments increased by £8 million during the quarter, due to the timing of income received in advance of expenditure. The council has continued to invest money market funds throughout this period.

LEGAL IMPLICATIONS

30. 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.
31. 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 2023-24.

EQUALITY AND DIVERSITY

32. 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.
33. Under The annual treasury management report has no implications for any of the protected characteristics.

RISK MANAGEMENT

34. Treasury management activities have a high level of risk as they comprise 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.
35. 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).

36. 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.
37. 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.
38. 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.
39. 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.
40. 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

41. The council's treasury management activities for the quarter to 30 June 2023 have fallen within the boundaries of the agreed strategy for 2023-24.

APPENDICES ATTACHED

42. Appendix 1 – Treasury Management 2023-24 Quarter 1 Report

BACKGROUND PAPERS

43. Treasury Management Strategy 2023-24 (Audit Committee 20 March 2023) ([Public Pack](https://modern.gov.co.uk)) [Agenda Document for Audit Committee, 20/03/2023 10:00 \(modern.gov.co.uk\)](https://modern.gov.co.uk/documents/g1443/Public%20reports%20pack%2020th-Mar-2023%2010.00%20Audit%20Committee.pdf?T=10) [https://iow.moderngov.co.uk/documents/g1443/Public reports pack 20th-Mar-2023 10.00 Audit Committee.pdf?T=10](https://iow.moderngov.co.uk/documents/g1443/Public%20reports%20pack%2020th-Mar-2023%2010.00%20Audit%20Committee.pdf?T=10)

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CHRIS WARD
*Director of Finance
and Section 151 Officer*

COUNCILLOR JONATHAN BACON
*Cabinet Member for Finance,
Climate Change, and Biosphere*

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Treasury Management Performance Report Q1 2023/24

Introduction

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.

This quarterly report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the council's normal quarterly performance management report (QPMR).

The council's treasury management strategy for 2023/24 was approved at the audit committee meeting on 20 March 2023. 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.

External Context (provided by Arlingclose Limited) (produced 7 July 2023)

Economic background: From the start of the quarter until May it looked like peak global monetary policy rates were in sight as inflation continued to ease and central banks turned more dovish in tone. Only a few weeks later, stronger, and more persistent inflation data, particularly in the UK, changed the picture.

The UK situation was not welcome news for the Bank of England. GDP growth was weak, confirmed at 0.1% in Q1, although more recent monthly GDP data has been somewhat better. The housing market has stalled, consumer demand is weak but seemingly recovering despite higher interest rates, and labour demand remained strong, with repercussions for wage growth which is accelerating.

April data showed that the unemployment rate had increased to 3.8% (3mth/year) while the employment rate rose to 76.0%. Pay growth was 6.5% for total pay (including bonuses) and 7.2% for regular pay, the largest growth rate of the latter outside of the Covid pandemic. Once adjusted for inflation, however, growth in total pay and regular pay remained negative.

Inflation fell from its peak of 11.1% reached in October 2022, but annual headline CPI in May 2023 was higher than the consensus forecast at 8.7% (8.4% expected), largely driven by services inflation, while the annual measure of underlying core inflation rose to 7.1% from 6.8%.

After a sharp rise in interest rate expectations, with clearly serious implications for mortgage markets due to higher inflation and wage data, the Bank of England's Monetary Policy Committee (MPC) reaccelerated monetary policy tightening over the period with a 0.25% rise in May to a 0.5% rise in June, taking Bank Rate to 5.0%. At both meetings the vote was 7-2 in favour of increasing rates, with the two dissenters preferring to keep rates on hold.

Interest rate expectations priced in further hikes in policy rates. Arlingclose, the council's treasury adviser, revised its forecast to forecast a further 0.5% of monetary tightening to take Bank Rate to 5.5%. The risks, however, are that rates could be higher; financial markets are forecasting policy interest rates above 6%.

With many mortgages at low fixed rates now systematically being re-set over the next 12-24 months, at higher rates at the end of their fixed rate period, there has been a lagged effect of the feed through of monetary policy on households' disposable income. The economic slowdown is expected to develop over time and therefore, despite the GfK measure of consumer confidence rising to -24 in June, it is likely confidence will be negatively affected at some point. The manufacturing sector contracted during the quarter according to survey data, which will eventually feed into services, whose expansion is slowing.

Despite the US Federal Reserve (Fed) increasing its key interest rate to 5.00-5.25% over the period, activity in the region continued to defy monetary tightening, particularly in labour markets which have so far appeared robust, supporting the Fed's assertions of two more rate hikes after it paused in June. Annual US inflation continued to ease, falling from 4.9% in April to 4.0% in May, the lowest level since March 2021. US GDP growth at 2% annualised in the first calendar quarter of 2023 was also significantly stronger than expected against the initial estimate of 1.3%.

In the euro zone, the picture was somewhat different. The European Central Bank maintained its hawkish tone and increased its key deposit, main refinancing, and marginal lending interest rates to 3.50%, 4.00% and 4.25% respectively. There were signs of weakening activity, particularly in Germany whose manufacturing sector has taken a hit from high energy prices and weaker global demand. However, inflation remained sticky, annual headline CPI fell to 5.5% in June while annual core inflation rose to 5.4% from 5.3%, which means the ECB is unlikely to stop monetary tightening.

Financial markets: Financial market sentiment and bond yields remained volatile, the latter continuing their general upward trend as uncertainty and concern over higher inflation and higher interest rates continued to dominate.

Gilt yields rose over the period. The 5-year UK benchmark gilt yield rose from 3.30% to 4.67%, the 10-year gilt yield from 3.43% to 4.39%, and the 20-year yield from 3.75% to 4.51%. The Sterling Overnight Rate (SONIA) averaged 4.37% over the quarter.

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

Over the period S&P upgraded NatWest Group and related entities to A+ (except NatWest Markets which was upgraded to A), revised the UK sovereign outlook to stable from negative, and upgraded both Barclays Bank PLC and Barclays Bank UK PLC to A+.

Fitch put the US sovereign rating on Rating Watch Negative following increased political partisanship which at the time was hindering the latest resolution to raise the debt ceiling. It also upgraded the outlook on United Overseas Bank to stable, the outlook on Clydesdale to positive, and the outlook on Bank of Montreal to stable.

Moody's withdrew Guildford BC's rating (who chose not to continue being rated) and affirmed the Aaa rating of the European Investment Bank.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress but made no changes to the counterparty list or recommended durations over the quarter. Nevertheless, heightened 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.

Local Context

On 31 March 2023, the council had net borrowing of £148.7 million 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 balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.03.2023 Actual £m	31.03.2024 Forecast £m
Total CFR **	394.7	384.0
Less Other Debt Liabilities *	(92.6)	(87.4)
Borrowing CFR	302.1	296.6
External Borrowing	(198.2)	(176.6)
Internal borrowing	103.9	120.0
Less Balance Sheet Resources **	(131.0)	(136.3)
Net Investments	(27.1)	(16.3)

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

** These figures are as per the draft statement of accounts published on the council's Website. These are not the final figures, which will not be available until the final year accounts for 2022/23 are agreed by the auditors and published.

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

Table 2: Treasury Management Summary

	31.03.2023 Balance £m	Movement £m	30.06.2023 Balance £m	30.06.2023 Average Rate %
Long-term borrowing	173.2	(2.3)	170.9	3.08%
Short-term borrowing	25.0	0.0	25.0	3.86%
Total borrowing	198.2	(2.3)	195.9	3.18%
Short term Investments	(27.0)	(8.0)	(35.0)	4.78%
Total investments	(27.0)	(8.0)	(35.0)	4.78%
Net borrowing	171.2	(10.3)	160.9	3.17%

There has been an increase in investments throughout the quarter, which is due to the receipt of revenue in advance of the expenditure being incurred. This is expected to reduce throughout the year.

Borrowing

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The council currently holds £34.8 million in commercial investments that were purchased prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the council will review the options for exiting these investments.

Borrowing strategy and activity

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.

There has been a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. In this quarter, Bank Rate rose from 4.25% at the beginning of April to 5.0% at the end of the quarter and was also significantly higher than its level of 1.25% at the end of June 2022.

Gilt yields faced upward pressure since early April following signs that UK growth has been more resilient and inflation stickier than expected. Consequently, PWLB borrowing rates continued to rise over the quarter. On 30 June, the PWLB certainty rates for maturity loans were 5.25% for 10-year loans, 5.36% for 20-year loans and 4.95% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.

At 30 June the council held £195.9 million of loans, a decrease of £2.3 million when compared to 31 March 2023, as part of its strategy for funding previous and current years’ capital programmes. Outstanding loans on 30 June are summarised in Table 3A below.

Table 3A: Borrowing Position

	31.03.23 Balance £m	Net Movement £m	30.06.23 Balance £m	30.06.23 Weighted Average Rate %	30.06.2023 Weighted Average Maturity (years)
Public Works Loan Board	168.2	(2.3)	165.9	3.17%	18.42
Banks (LOBO)	5.0	-	5.0	4.27%	14.31
Banks (fixed term)	-	-	-		
Local authorities (long-term)	-	-	-		
Local authorities (short-term)	25.0	-	25.0	3.86%	0.45
Total borrowing	198.2	(2.3)	195.9	3.18%	12.18

The council’s short-term borrowing cost has continued to increase with the rise in Bank Rate and short-dated market rates. The average rate on the council’s short-term loans at 30 June 2023 on £25 million was 3.17%, this compares with 0.12% on £10 million loans 12 months ago.

The council’s borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.

Forward starting loans: To enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the council arranged £15 million of forward starting loans with fixed interest rates averaging 5.8% for the delivery of cash in between 2- and 8-months’ time, details of which are below.

Table 3B: Forward starting loans

	Amount £m	Rate %	Loan Period (days)	Forward Period (Months)
West Midlands Combined Authority	5.0	5.2	364	8
Oxford City Council	5.0	5.9	364	2
Oxford City Council	5.0	6.2	364	5
Total borrowing	15.0	5.8		

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.

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 at set dates, following which the council has the option to either accept the new rate and terms or to repay the loan at no additional cost.

With market interest rates having risen, the probability of LOBOs being called has been higher than in the recent past. All the £5m of LOBO loans had annual/semi-annual call option dates during the April-June quarter, however the lender did not exercise their option.

Other Debt Activity

During quarter 1 2023/24 the council did not raise any additional capital finance for Highway Improvements via Private Finance Initiative. Total debt, other than borrowing, stood at £92.6 million on 30 June 2023, taking total debt to £288.5 million.

Treasury Investment Activity

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

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 £26 million and £46 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.03.2023 Balance £m	Net Movement £m	30.06.2023 Balance £m	30.06.2023 Income Return %	30.06.2023 Weighted Average Maturity days
Banks & Building societies (unsecured)	-	-	-		
Covered bonds (secured)	-	-	-		
Govt (incl local authorities)	-	-	-		
Isle of Wight Council Pension Fund	-	-	-		
Corporate bonds and loans	-	-	-		
Money Market Funds	(27.0)	(8.0)	(35.0)	4.78%	1
Other Pooled Funds	-	-	-		
Total Investments	(27.0)	(8.0)	(35.0)	4.78%	1

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.

As demonstrated by the liability benchmark in this report, the council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

Bank Rate increased by 0.75%, from 4.25% at the beginning of April to 5% by the end of June, with the prospect of further increases to come. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4%

by the end of June and Money Market Rates between 4.12% and 4.84%.

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

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

	Credit Score	Credit Rating	Bail-in exposure %	Weighted Average Maturity days	Rate of Return %
30.06.2022	4.67	A+	43%	72	0.46%
30.09.2022	4.87	A+	58%	28	1.45%
31.12.2022	4.74	A+	100%	1	3.23%
31.03.2023	4.88	A+	100%	1	4.09%
30.06.2023	4.90	A+	100%	1	4.78%
Similar LAs	4.72	A+	46%	47	4.47%
All LAs	4.65	A+	54%	11	4.44%

Non-Treasury Investments

The definition of investments in the Treasury Management Code now 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).

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.

The council also held £41.0 million of such investments in

- directly owned property £34.8 million
- shared ownership housing £4.9 million
- loans to local businesses £1.3 million

A full list of the council's non-treasury investments is available in the Isle of Wight Council Statement of Accounts 2022/23 which is available on the council's website.

The directly owned property investments generated £1.0 million of income for the council, after taking account of direct costs. This represents a rate of return of 2.84%.

Treasury Performance

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.

Table 6: Performance

	Actual £m	Budget £m	Over / Under £m	Actual %	Benchmark %	Over / Under %
Total Investment Income	(0.4)	(0.2)	(0.2)	4.32%	4.44%	-0.12%
Total Cost of Borrowing	8.5	8.8	(0.3)	3.77%	-	3.77%
GRAND TOTAL	8.1	8.6	(0.5)	n/a	n/a	n/a

Compliance

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 Treasury Management Code and the council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	2023/24 Maximum £m	30.06.23 Actual £m	2023/24 Counterparty Limit £m	Complied? Yes/No
Any single organisation, except the UK Government	(9.5)	(7.5)	16	Y
Money Market Funds	(9.5)	(7.5)	16	Y

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

	Q1 2023/24 Maximum £m	30.06.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	196.7	195.9	324.0	410.0	✓
PFI and Finance Leases	97.1	92.6	105.0	130.0	✓
Total Debt	293.8	288.5	429.0	540.0	✓

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.

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the council monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark:

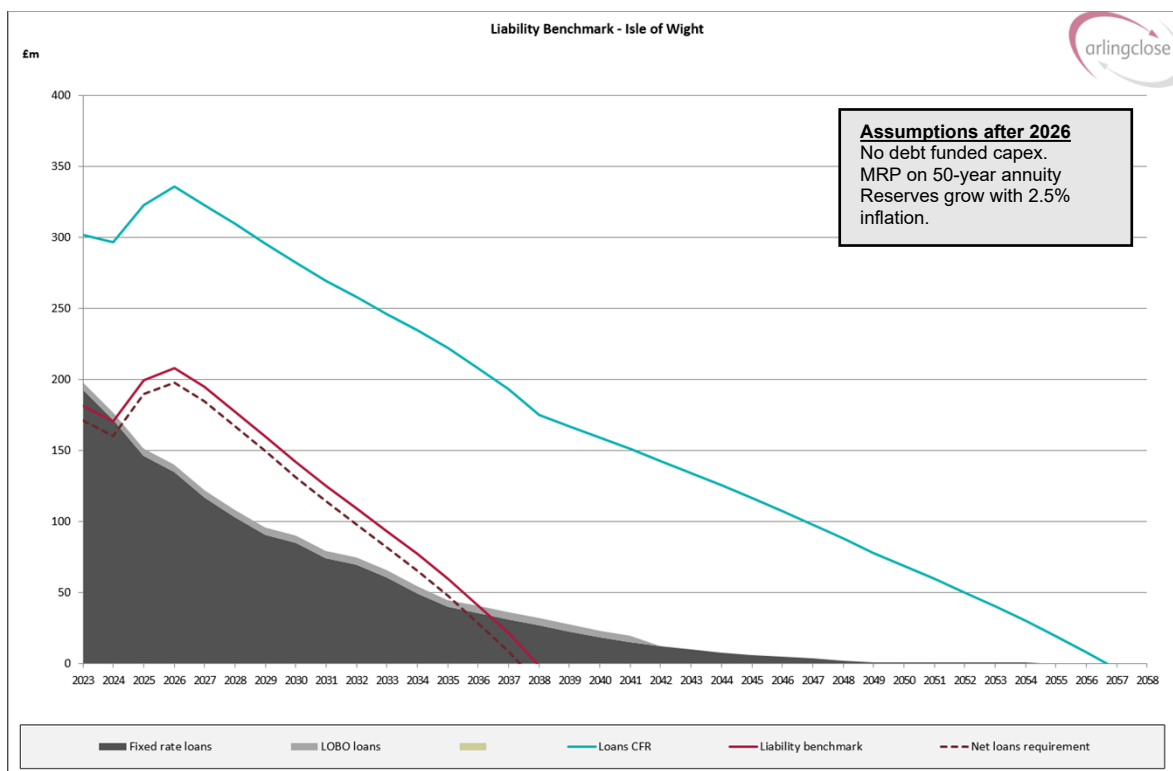
This new indicator compares the council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10 million required to manage day-to-day cash flow.

	31.03.2023	31.03.24	31.03.25	31.03.26
	Actual	Forecast	Forecast	Forecast
Loans CFR	302.2	296.6	323.1	335.8
Less Balance Sheet Resources	(131.0)	(136.3)	(133.4)	(137.6)
Net Loans requirement	171.2	160.3	189.7	198.2
Plus: Liquidity Allowance	10.0	10.0	10.0	10.0
Liability Benchmark	181.2	170.3	199.7	208.2
Existing Borrowing	198.2	176.6	151.4	140.2

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by

- borrowing of £70.9 million over the period.
- minimum revenue provision on new capital expenditure based on an average 50-year asset life.
- income, expenditure, and reserves all increasing by inflation of 2.5% p.a.

This is shown in the chart below together with the maturity profile of the council's existing borrowing.



Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

As can be seen from above the forecast borrowing levels are substantially below the Loans CFR.

2. 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:

	30.06.23 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	16%	50%	0%	✓
12 months and within 24 months	3%	30%	0%	✓
24 months and within 5 years	12%	30%	0%	✓
5 years and within 10 years	14%	75%	0%	✓
10 years and above	55%	95%	0%	✓

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.

3. Long-term Treasury Management Investments: 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 prudential limits on the long-term treasury management limits are:

	2023/24 £m	2024/25 £m	2025/26 £m	No Fixed Date £m
Actual principal invested beyond year end	-	-	-	-
Limit on principal invested beyond year end	40	35	30	25
Complied?	✓	✓	✓	✓

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Additional indicators

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.

	30.06.23 Actual	2023/24 Target	Complied ?
Portfolio average credit score	4.9	5.0	✓

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.

	30.06.2023 Actual £m	2023/24 Target £m	Complied?
Total cash available within 3 months	27	21	✓

Interest Rate Exposures: This indicator is set to control the council's exposure to interest rate risk. Bank Rate rose by 0.75% during the quarter, from the prevailing rate of 4.25% on 1st April to 5% by 30th June.

Interest Rate Risk Indicator	30.06.23 Actual £m	2023/24 Limit £m	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	-0.3	-0.3	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	0.3	0.3	✓

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

	<u>31/03/23</u>	<u>30/06/23</u>
Bank Rate	4.25%	5.00%
1-year PWLB certainty rate, maturity loans	4.78%	6.22%
5-year PWLB certainty rate, maturity loans	4.31%	5.71%
10-year PWLB certainty rate, maturity loans	4.33%	5.25%
20-year PWLB certainty rate, maturity loans	4.70%	5.36%
50-year PWLB certainty rate, maturity loans	4.41%	4.95%

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

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Committee report

Committee	AUDIT AND GOVERNANCE COMMITTEE
Date	25 SEPTEMBER 2023
Title	THE COUNCIL'S RISK PROFILE
Report of	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. That the strategic risks of the council as set out in Appendix 1 of the report be approved.

BACKGROUND

3. This is the quarter two update of the Strategic Risk Register within the 2023/24 financial year reporting period.
4. The application of the Risk Management Framework within the Isle of Wight Council has been subject to an internal audit revisit and has outcome of "Assurance." All policies that underpin the annual governance statement have been refreshed and reviewed, except for the finance policies which will be completed by the end of September.
5. Regular meetings to discuss, update and monitor service risks are being held across all service areas.
6. Strategic risks are referred to within the Quarterly Performance Management Reports (QPMR) that are presented to Cabinet.

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). QPMR quarter four report will go to the cabinet meeting to be held on 14 September 2023.

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 and Risk 17.

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.
11. Strategic Risk 16 held in Appendix 1. reflects the work undertaken to understand the impact of cost-of-living pressures on both residents and service delivery.

Impact on Young People and Future Generations

12. 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. Appendix 1 - Risks 5 and 6 contain information relating to this priority.
13. The risk and impact of the proposals currently being explored to end the partnership for children's services with Hampshire County Council has been reviewed and will continue to be monitored through the Exit Planning Project Board. The board is chaired by the Director of Children and Families supported by the Director of Corporate Services, and the Strategic Managers for Human Resources and Workforce Development. The board is accountable for delivery of the project and will provide strategic direction and oversight. It is anticipated that a cross party member review board be also established to oversee the period of transition. The partnership has evolved over the years to one where we can now look to the future with renewed resilience, strength and good support for local children and families.

14. The Isle of Wight Council will continue to work closely with Hampshire County Council colleagues over the next few weeks and months to effectively manage the transition, continue the trajectory and strengthen our provision moving forward . The board will be used to unblock issues or escalate for resolution through the Isle of Wight and the Hampshire Council directorate management teams. The timescale for delivery of the uncoupling is challenging and will require strong management and leadership.

Corporate Aims

15. 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

16. Updates are requested from all mitigation owners; these updates are then added to the strategic risk register and included in this report.
17. 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.
18. 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.
19. Updates made since the previous committee report are shown in italics in Appendix 1.
20. The strategic risk register was most recently circulated to Corporate Management Team (CMT) on 5th September 2023 and all risk owners reviewed the content and verified the current risk ratings.
21. The Corporate Management Team requested two new risks were added to the Strategic Risk Profile to ensure close monitoring by the Chief Executive and Directors. New risk eighteen refers to the ending of the Hampshire and Isle of Wight Strategic Partnership for children and families. New risk nineteen refers to the fact that there is no overall political control at the local authority.

CONSULTATION

22. 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 the strategic risks as part of the QPMR.

FINANCIAL / BUDGET IMPLICATIONS

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

LEGAL IMPLICATIONS

24. 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 key features in the council's governance arrangements.

EQUALITY AND DIVERSITY

25. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups.

OPTIONS

26. Option 1: That the strategic risks of the council as set out in Appendix 1 of the report be approved.
27. Option 2: That the strategic risks of the council as set out in Appendix 1 of the report are not approved.

RISK MANAGEMENT

28. 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.
29. 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 is submission to the IWC Audit and Governance Committee.

EVALUATION

30. 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

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

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WENDY PERERA
Chief Executive

COUNCILLOR JONATHAN BACON
*Cabinet Member for Finance,
Climate Change and Biosphere*

STRATEGIC RISK 1		
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 (August 23)
16 VERY HIGH	5 LOW	9 MEDIUM
Previous scores		
June 23	Mar 23	Dec 22
9 MEDIUM	5 LOW	5 LOW
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p>Close monitoring of both Capital and Revenue spending (including income and savings targets)</p> <p>Position reviewed at the end of each quarter.</p> <p>The Council maintains a Corporate Contingency for general and unidentified risk at circa. £3.5m per annum</p> <p>Next review will be for Qtr. 2 2023-24</p>	<p>Revenue Position</p> <ul style="list-style-type: none"> As at quarter one the council is forecasting potential pressures of £2.9m (1.6% of net revenue budget) This most significant pressures forecast are in Adults and Children's Social Care. Other pressure areas include Leisure Centre income, Parking income and Planning income. Actions to mitigate these pressure areas are being developed. This pressure is currently being offset in part by savings in Treasury Management costs, concessionary fares, and the use of contingencies. <p>Capital Position</p> <ul style="list-style-type: none"> As at one the council's is forecasting a balanced budget position with expenditure of £39.6m against a budget of £39.6m. 	<p>Revenue Position</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 £2.4m respectively but being offset by Treasury Management, concessionary fares and contingencies. Income associated with Leisure Services is underachieving by £0.5m mainly because of legacy impact from the pandemic. The shortfall will be funded by the Covid-19 contingency. Parking and Planning income is also a potential pressure area with each forecast to underachieve by £0.3m 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 and demand pressures due to the current economic climate.

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 (August 23)
16 VERY HIGH	9 MEDIUM	9 MEDIUM
Previous scores		
June 23	Mar 23	Dec 22
9 MEDIUM	9 MEDIUM	9 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
A full revision of the budget and future	<ul style="list-style-type: none"> The process for setting the budget for 2023-24 was 	<ul style="list-style-type: none"> Provisional funding levels from Government are not published until

<p>forecast and resulting savings requirements is presented to Full Council each February.</p> <p>Due date 28/2/24</p>	<p>completed and approved by Full Council in February 2023</p> <ul style="list-style-type: none"> • Full Council approved an indicative savings requirement of £2m for the financial year 2024-25. The process to identify savings and prepare the budget for 2024-25 will commence in the Summer/Autumn 2023 • The budget and associated indicative savings proposals will be presented to Full Council for approval in February 2024 	<p>December each year and confirmed in January.</p> <ul style="list-style-type: none"> • Savings requirements are currently estimated at £2m per annum for the next three financial years (2024-25, 2025-26, 2026-27) • Service Pressures/ Demographic. Cost pressures including Inflation can be significant. The key pressures generally relate to Social Care (Adults & Children’s) and inflation in particular utility costs and wage costs (including costs passed on from contractors/suppliers) • Reserves need to be maintained at a level that provides sufficient financial resilience to enable the delivery of the Medium-Term Financial Strategy • 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. • Island Deal – £1m was awarded for 2022-23 and 2023-24 to recognise the additional costs of delivering services on an Island. Future allocations for 2024-25 are still being discussed with Government in the absence of the delivery of the Fair Funding Review • 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.
<p>Delivery of:</p> <p>Income generation / efficiencies</p> <p>Services reductions and early identification of unavoidable cost pressures/unachievable income targets to allow</p>	<ul style="list-style-type: none"> • 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 	<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 must be prioritised to

<p>effective mitigation planning.</p> <p>Review - ongoing</p>	<p>unavoidable cost pressures & undelivered savings, opportunities for income generation, efficiencies & opportunities for transformation bids</p>	<p>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>
<p>Maintain ultimate Council Tax collection rate at 98.3% & minimise the opportunity for fraud.</p> <p>Working closely with Portsmouth Fraud team to prosecute those who are accessing the public purse fraudulently.</p> <p>Review – Ongoing</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. • Empty properties are under review to ensure the correct status is recorded in the council tax database to ensure data for the CTB1 return is accurate which in turn will maximise government funding. • 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. • <i>Business Centre team working closely with services testing the key controls for financial transactions to ensure processes are robust , maximise income and remove any opportunity to defraud.</i> 	<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. • <i>The national DWP Legacy Benefits Transfer will impact on the vulnerable people who currently claim council tax support as they transition to universal credit. The transition is managed by DWP but there will be impact on people who cannot claim online who will come into the council for support. DWP have a dedicated phone line for enquiries and the business centre are prepped and planning for additional support requirements.</i>

STRATEGIC RISK 3		
Insufficient staffing capacity and skills		
Assigned to: Director of Corporate Services		
Inherent Score	Target Score	Current Score (August 23)
16 VERY HIGH	9 MEDIUM	12 HIGH
Previous scores		
June 23	Mar 23	Dec 22
12 HIGH	12 HIGH	10 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p>Monitoring Staff Capacity</p> <p>Review Date 31/12/23</p>	<ul style="list-style-type: none"> • To address sickness levels staff are being signposted to support services such as Maximus and our internal Mental Health Champions network. • A quarterly people management paper reporting on absence is reviewed by CMT. 	<ul style="list-style-type: none"> • Due to the recent cost pressures, an organisational redesign may be required to reduce costs and achieve a structural balance. This could result in reductions in non-statutory activity, rationing of the council's priorities set out in the corporate plan, and a redesign that takes place

	<ul style="list-style-type: none"> • 	<p>during 2023/24 for implementation from October 2023.</p> <ul style="list-style-type: none"> • <i>New senior management restructure planned for implementation from October 2023. Phase 2 restructures to commence within directorates from Oct 2023 -March 2024</i> • <i>Discussions are ongoing in relation to the uncoupling of the Children and Families Directorate Partnership with Hampshire. Project board in place and strategic leadership actively identifying and managing the changes that will be required.</i>
<p>Delivery of recruitment and retention strategy and action plan</p> <p>Delivery Due date 31/12/23</p>	<ul style="list-style-type: none"> • A dedicated recruitment team has been formed within HR with expanded scope to support hard to recruit roles, develop an internal talent / casual bank, and facilitate the use of contingent labour. • Work continues to develop and implements an in-house solution for recruitment and reporting dashboards for managers. • <i>Pay benchmarking tool now in place via Southeast Employers 'Infinistats.'</i> 	
<p>Regular monitoring, analysis, and review of organisational health indicators</p> <p>Review date 30/09/23</p>	<ul style="list-style-type: none"> • Sickness absence information is delivered regularly to CMT (monthly and quarterly), KPIs are reported as part of the QPMR, and HR attend service boards to discuss absence trends and interventions. • <i>Monitoring and review of Absence & Wellbeing Strategy Action Plan</i> 	<ul style="list-style-type: none"> • Resourcing and a lack of additional funding has been identified as a key issue for the delivery of the absence strategy and wider service initiatives.
<p>Workforce planning</p> <p>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.</p> <p>Completion Date 31/10/23</p>	<ul style="list-style-type: none"> • Directorates are being supported in the development of workforce plans and are at varying stages of maturity. • There will be a refreshed People and Organisation Development Strategy in October 2023. 	

STRATEGIC RISK 4		
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.		
Assigned to: Director of Corporate Services		
Inherent Score	Target Score	Current Score (August 23)
16 VERY HIGH	6 LOW	12 HIGH
Previous scores		
June 23	Mar 23	Dec 22
8 MEDIUM	8 MEDIUM	6 LOW
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
Leadership and management development Review Date 31/12/23	<ul style="list-style-type: none"> • <i>Management career pathway has been mapped and will be published on the Learning Hub</i> • <i>Developing Leaders Programme 2 is in planning for delivery from January 24</i> • <i>We will retain the Developing Leaders Cohort Meeting to affect change in the organisation.</i> • <i>Workshop has taken place between IWC and NHS to understand our leadership programme offer and to identify any gaps.</i> • <i>The Leaders and Managers conversation held in July was well attended and focused on engaging and interacting with residents and customers to reinforce the need to ensure transacting with the Council is simple, our communications are clear, in plain English and understandable by all members of the community.</i> 	<ul style="list-style-type: none"> •
Workforce development programmes/ Initiatives Review Date 31/12/23	<ul style="list-style-type: none"> • <i>Planning for the cessation of the Hampshire and IW formal partnership has begun and support for Ofsted themed visits.</i> 	<ul style="list-style-type: none"> • <i>Fortnightly meetings are taking place with HCC senior managers which may affect capacity in other areas of work</i>
Delivery of the council's BIG Action Plan Review Date 31/01/24	<ul style="list-style-type: none"> • <i>Refresh of People and OD Strategy in October 23 will be informed by corporate plan refresh, staff survey results, new organisational framework and the workforce planning refresh. Quarterly reporting to CMT on its action plan should therefore resume from Jan 24</i> 	<ul style="list-style-type: none"> • <i>Culture change work will require senior manager support and staff capacity to deliver</i>

STRATEGIC RISK 5		
Failure to improve educational attainment.		
Assigned to: Director of Children’s Services (DSC).		
Inherent score	Target score	Current Score (August 23)
16 VERY HIGH	6 LOW	10 MEDIUM
Previous Scores		
June 23	Mar 23	Dec 22
10 MEDIUM	10 MEDIUM	10 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p>Building on the improvements in standards</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> • An analysis of the GCSE results and attendance demonstrates the correlation between good attendance and attainment. For those children with regular attendance their GCSE grades were above the national average whereas those that were persistently absent (10% absent) their grades were three grades lower on average than the rest of their peers. Promoting good attendance is therefore a key strand of our school improvement work. • Workstreams to support improved outcomes for pupils in schools are well underway in all key stages, with the 2023 examination season starting shortly. • Attendance continues to be a key focus. Intensive work is paying dividends, but the cultural shift required to re-set the importance of good attendance in the hearts and minds of families will take some time. • <i>Much of the school improvement services sit outside of the IOW / Hampshire County Council (HCC) partnership arrangements and it is intended that most will continue unchanged. The Project Group will be working to mitigate any risk that may be associated with the ending of the partnership, although this is considered to be low if service as usual is maintained. The leadership of the school improvement work, currently undertaken by HCC staff requires new IoW leadership to be achieved through recruitment into the new structure. If appropriate arrangements are not in place to recruit to key positions in appropriate timescales, or the recruitment is not successful, then this risk narrative will be updated and the rating will be reviewed as much higher risk.</i> 	<ul style="list-style-type: none"> • Analysis of the data shows that the gaps between the attainment of the whole cohort and those experiencing vulnerabilities such as those children open to social care, those on free school meals and those with special educational needs have widened. This has happened both locally on the Island and nationally. • Small primary schools in particular are feeling the financial pressures keenly which is reducing their available resource to tackle key issues that predominate with families subject to disadvantage: attendance and therefore attainment

<p>Ensuring schools are good (as rated by Ofsted) for all children.</p> <p>Review Date 31/10/24</p>	<ul style="list-style-type: none"> • 76 percent of IW schools are currently rated good or outstanding. The pandemic had a variable impact on schools and has affected attainment and attendance. In those circumstances the implementation of a new Ofsted framework may lead to some variability. • <i>As noted above, much of the school improvement services sit outside of the partnership arrangements, and risks will be reviewed to the Project Group. If appropriate arrangements are not in place to appropriate timescales to continue the place planning work effectively, then this risk narrative will be updated and the rating will be reviewed.</i> 	<ul style="list-style-type: none"> • Some schools have had very tough times over COVID; their improvement trajectories have slowed. This adds pressure to the Ofsted judgements improving as swiftly as would have been the case previously. • Small primary schools in particular are feeling the financial pressures keenly which is further reducing their available resource to tackle key issues that are required by Ofsted to be well developed, such as curriculum across all subjects in primary schools
<p>Leading a cohesive system for children based on effective partnership working.</p> <p>Continued development of strong relationships and synergies between departments and agencies that work with children including social care, health, and the Special Educational Needs (SEN) service.</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> • Continue the positive work on transition that began between primary and secondary schools during the pandemic, and between schools and post-16 providers. • The Safety Valve programme is notable in enhancing the development of relationships between partner agencies and also parent voice. This is an incredibly complex piece of work that we expect to increase support for the young people of the Isle of Wight that have SEND. • <i>As noted above, much of the school improvement services sit outside of the partnership arrangements, and risks will be reviewed to the Project Group. If appropriate arrangements are not in place to recruit to key positions in appropriate timescales, then this risk narrative will be updated and the rating will be reviewed.</i> 	<ul style="list-style-type: none"> • The workforce pressures around driving and delivering the complex Safety Valve programme need careful management, and great care needs to be taken to ensure that all Isle of Wight headteachers are involved and on board.

STRATEGIC RISK 6		
Failure to identify and effectively manage situations where vulnerable children are subject to abuse.		
Assigned to: Director of Children’s Services (DCS).		
Inherent score	Target score	Current Score (August 23)

16 VERY HIGH	5 LOW	9 MEDIUM
Previous scores		
June 23	Mar 23	Dec 22
9 MEDIUM	9 MEDIUM	7 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p>Enhancement of our offer to recruit and retain includes A review of the market supplement, the appointment of additional Family Practitioners, investing in training apprentice, step up and general social work students, and the creation of a senior social worker role for career progression.</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> • Family Time (Contact) between looked after children and their parents moved during March 23 from the previous provider to the council following the provider giving notice. • Family Practitioners have been recruited to CAST (Children's Assessment and Support Teams) as part of the family help offer on the island. All of these workers have completed their induction and are case holding some children. They receive a high level of oversight and support, and this has been a highly successful introduction. • The Senior Social Work posts are currently being recruited to from internal positions and we then are working towards full staffing. • Eight apprentice social workers currently undertaking their training. One due to qualify as a social worker this summer, six next June and another one the following year. We are currently recruiting for our next intake of apprentice social workers. We also have two step up students who are about to qualify and will be remaining with us as social workers. • <i>Arrangements for recruitment of staff and financial management and reporting are led by IWC and will not be impacted by the change in partnership arrangements.</i> • <i>Hampshire DCS and senior leaders do make decisions and have accountability for social care budgets. This will need to transfer to the new senior management arrangements agreed for IOW.</i> • <i>IOW are not in any partnership arrangement with Hampshire in relation to agency staff used in social care teams. HCC have, at times of staff shortages and subsequent performance challenges, seconded staff from HCC to IOW which has provided the ability to add capacity at very short notice. This will not be possible after the partnership has ended and therefore there is an associated risk here.</i> • <i>The social worker GETS training programme (first year) and second year in practice is undertaken in partnership with HCC. This will be reviewed alongside other aspects of the current partnership arrangements to inform a decision on future direction.</i> 	<ul style="list-style-type: none"> • The recruitment of both permanent and agency social workers remains a challenge locally and nationally. • The recruitment of in-house foster carers remains a pressure. We need a range of carers to match to meet the needs of children. Work is ongoing to progress the Modernising Placements Programme. • The lack of private rented accommodation and social housing has meant young people who are ready to move on from supported accommodation are unable to do so. This has become a financial pressure and work is ongoing with providers to obtain affordable accommodation with some success, but more is required.

<p>Corporate Parenting Board</p> <p>Corporate parenting board meetings taking place quarterly.</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> • Have Your Say Week activities during school half terms offer opportunities for Councillors to meet and talk to children and families open to children's social care. • Corporate Parenting Board is held regularly and includes contributions from health, education and social care in children and adults. Children and young people currently choose not to attend but do feed views back and forth via their participation leads who are in attendance. • <i>All participation events and programmes are led by IWC independently of HCC and therefore this will not be impacted by the ending of the partnership. The Corporate Parenting Board is an IWC member led Board and again operates independently from HCC and the partnership arrangements.</i> 	<ul style="list-style-type: none"> • We are currently working on increasing attendance with a particular focus on more councillors, more partners, and encouraging children to attend to represent the HYPE (Hear Young People's Experience) care experienced children and young people's group.
<p>Multi-agency integrated commissioning board</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> • Isle of Wight is part of the integrated commissioning approach with Hampshire to align with developments around the new Integrated Care System and Partnership Board. • <i>The Integrated Care Board (ICB) operates across the whole Hampshire and IOW geographical area and both IWC and HCC will continue to work with health partners as we currently do. The partnership between HCC and IOW Childrens Services Department will not have an impact on the ICB operating model.</i> • <i>There are no joint commissioning arrangements for large scale / core operational functions between the two Local Authorities. There are some smaller scale functions that are jointly commissioned, such as the contract for Foster Talk (advocacy service) and Community Care Inform. These contracts will be reviewed as part of the partnership de-coupling arrangements and a further update on this can be provided at the next reporting period.</i> 	
<p>Quarterly Performance reports are viewed regularly by the Policy and Scrutiny Committee for Children's Services, Education and Skills.</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> • All managers review daily/weekly and monthly performance management data to maintain oversight over practice and performance and to identify and address areas for improvement. • <i>Current arrangements for the provision of reports and performance information will need to change when the partnership arrangements end. The Data and Information Team, who provide the data, operate across both local authorities, as well as the senior managers who provide management oversight and scrutiny of data and reporting. This will all be included in the review of partnership arrangements to support the IOW to maintain these functions.</i> 	<ul style="list-style-type: none"> • The sustained Increase in demand (referrals/assessments) puts pressure on the service to maintain high levels of performance. Increased investment will ensure an increase in capacity to meet these increased and high rates of demand.
<p>Caseloads continue to be scrutinised by senior management on a daily basis and fortnightly by the Director of Childrens</p>	<ul style="list-style-type: none"> • Caseloads were high during the period when we found recruitment more challenging, but this has now reduced again to below the agreed maximum for staff. • Caseloads are currently scrutinised on a daily basis by managers. This is to ensure that with 	<ul style="list-style-type: none"> • There continues to be an increase in demand and caseloads had been higher as a result, but additional recruitment

<p>Services and Deputy Director.</p> <p>Review Date 30/09/23</p>	<p>the additional investment the caseloads remain at a reasonable number despite higher numbers of children being referred in.</p> <ul style="list-style-type: none"> <i>The daily review of caseloads is undertaken locally by IOW Managers and there is no need for this to change when the partnership arrangements end. The fortnightly review with the DCS and senior management will need to change and transfer to the new leadership arrangements that are agreed for IOW.</i> 	<p>of social workers and family practitioners has enabled these to come down and this is being monitored very closely to ensure that this continues to be the case.</p>
<p>Quality assurance framework (monthly case audits concentrating on quality of practice)</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> Monthly meetings take place to review audits and actions and quality of practice. The senior management team also undertake an audit of audits on a monthly basis to quality assure the auditing process. <i>The regular auditing and quality assurance programme is undertaken locally by IOW Managers and there is no need for this to change when the partnership arrangements end. The monthly senior management review of auditing, and incorporation into the broader quality assurance framework is currently undertaken with the Hampshire leadership team. This will need to transfer and be reviewed by the new leadership arrangements that are agreed for IOW.</i> 	
<p>Annual self-assessment and annual conversation between Director and Ofsted</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> The Quality Improvement Plan was reviewed and updated in January 2023 and the self-assessment for 2022/23 has been completed. <i>The next self-assessment is due in January 2024, within the window of the current partnership. The self-assessment will be completed in partnership with the current Hampshire leadership as per previous years and submitted. The date of the next annual conversation has not been confirmed by Ofsted but is likely to be after the partnership has ended on 31 January and will therefore be led by the new Children's Services leadership for IOW.</i> 	

<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 (August 23)
14 VERY HIGH	6 LOW	8 MEDIUM
Previous scores		
Jun 23	Mar 23	Dec 22
8 MEDIUM	8 MEDIUM	8 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period

<p>Addressing especially hard to recruit roles.</p> <p>Robust recruitment plan now in place to support recruitment to 'hard to fill' roles.</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> Recruitment has improved with a number of 'home grown' professionals completing their formal training and able to apply for vacant posts through our usual recruitment activity. Outline business case in development to support overseas recruitment. 	<ul style="list-style-type: none"> Against a backdrop of a national skills shortage in this area, the service still has vacancies in a number of key specialist roles but continues to advertise and promote the roles whilst also training existing staff to undertake these duties.
<p>ASC recruitment and retention</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> Vacancy monitoring is reviewed monthly. 	<ul style="list-style-type: none"> 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).

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 (August 23)
16 VERY HIGH	6 LOW	8 MEDIUM
Previous scores		
June 23	Mar 23	Dec 22
8 MEDIUM	8 MEDIUM	11 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p>Protecting Vulnerable Adults</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> Targeted activity in relation to reviews continues. A review of our safeguarding service is underway focusing on more effective ways to triage high volumes of referrals which do not meet the appropriate threshold. 	<ul style="list-style-type: none"> Safeguarding continues to be a key area of focus with the number of referrals in each month continuing to increase. Work continues to review safeguarding activity and levels.
<p>'Deprivation of Liberty Safeguards' (DoLS) backlog clearance programme</p> <p>Review Date 30/09/2023</p>	<ul style="list-style-type: none"> The number of applications awaiting assessment continues to be managed and robust triage systems are in place. 	
<p>Mental Health Action Plan</p> <p>Review Date 30/09/2023</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. 	

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 (August 23)
16 VERY HIGH	5 LOW	5 LOW
Previous scores		
June 23	Mar 23	Dec 22
5 LOW	5 LOW	10 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
Transformation programme and operational integration Review Date 30/09/23	<ul style="list-style-type: none"> The 2023/2025 Better Care Fund plan has been submitted for approval by the regional team in line with national requirements 	<ul style="list-style-type: none"> Agreement in relation to the allocation of mandatory funding from the ICB continues to be challenging.
Responsiveness to hospital escalations Review Date 30/09/23	<ul style="list-style-type: none"> The System Resilience Board, takes ownership of the programmes of work arising from escalation and monitors the delivery of actions in a timely way. 	

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 (August 23)
16 VERY HIGH	6 LOW	9 MEDIUM
Previous scores		
June 23	Mar 23	Dec 22
9 MEDIUM	12 HIGH	12 HIGH
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
IW Market Position Statement Due date 30/09/2023	<ul style="list-style-type: none"> Work to update the Market Position Statement is underway and we remain on target for the refresh to be delivered in Autumn 2023. 	<ul style="list-style-type: none"> Independent provider fragility Lack of central government funding Affordability of care based on increased levels of dependency in the community
Levels of Fees Review date 30/09/23	<ul style="list-style-type: none"> Planning for 2024/2025 financial year is underway. 	
Workforce pressures Review Date 30/09/2023	<ul style="list-style-type: none"> Locally recruitment pressures have eased over the past few months. 	<ul style="list-style-type: none"> We continue to monitor the situation and to collaborate with providers around business continuity plans and safe staffing levels.

Market Capacity – Homecare Review Date 30/09/23	<ul style="list-style-type: none"> Capacity is improving due to increased recruitment success however the fragility of the workforce continues to be monitored with robust business continuity plans in place to provide emergency care and support if necessary. 	
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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 (August 23)
16 VERY HIGH	5 LOW	9 MEDIUM
Previous scores		
Jun 23	Mar 23	Dec 22
7 MEDIUM	7 MEDIUM	8 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
PFI – Establish and deliver available savings. Review Date 30/09/23	<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. The majority of the first two phases of the programme of contract savings have been agreed. Island Roads (IR) have forward funded the savings amounts in the budget to meet the £1.5 m pa savings target. 	<ul style="list-style-type: none"> Achieving savings from Schedule 32 schemes, in the region of £200k pa, continues to fall further behind schedule due to resourcing and ICT issues within Ringway Island Roads (RIR known as Opco). However, the risk to IWC has been mitigated by RIR guaranteeing the £1.5M saving on the Unitary Charge until the savings have been achieved. 23/24 saving are £1.9m although IR are still to confirm acceptance of this figure.
PFI - Successfully resolve anomalies in the contract specification. Review Date: 31/10/23	<ul style="list-style-type: none"> Due to the reinterpretation of the contract, there will be ongoing contractual issues throughout the contract, so this should be kept under regular review instead of having a date for completion. Some Progress on resolving contractual interpretation issues, which have been resolved by the council's engagement with Island Roads Services Ltd (IRSL known as SPV), without the presence of RIR. Ongoing discussions will continue with IRSL, whilst seeking legal advice on the priority issues. Local Partnerships engaged to lead/advise on key contractual issues 	

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 (August 23)
16 VERY HIGH	5 LOW	8 MEDIUM
Previous scores		
Jun 23	Mar 22	Dec 22
8 MEDIUM	8 MEDIUM	8 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
Regular monitoring of performance of the contract Review Date 30/09/23	<ul style="list-style-type: none"> Recycling rates and service satisfaction levels remain high. Performance remains good with almost 100 percent of municipal waste now being diverted from landfill and over 58 percent of household waste being recycled or composted. 	<ul style="list-style-type: none"> Contract now moved to Talia Waste Management UK under Ferrovial SE reducing the risk inherent with the sale of Amey Plc UK.
Ensure the delivery of Key Facilities through robust contract management. Due Date Nov 2023	<ul style="list-style-type: none"> The Energy from Waste plant is currently operating and generating power as the commission tests are worked through. The final test certification is expected to be achieved in the summer 2023. All and any costs incurred by the delay will be met by the service provider. All construction delay and associated additional costs of treating waste 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. Service provider has notified contract management team that the final acceptance test commenced in May and is working through. Should this continuous operation be passed at the required levels the plant will be deemed "accepted" 	<ul style="list-style-type: none"> Construction risk and cost of residual waste above agreed contract rates sits with Ferrovial SE. There is a risk further faults may occur and lead to plant shutdown and more delays. This is a risk to the acceptance test.

STRATEGIC RISK 13		
Achieving the vision for the Island		
Assigned to: Chief Executive		
Inherent score	Target score	Current Score (June 23)
14 VERY HIGH	6 LOW	12 HIGH
Previous scores		
Mar 23	Dec 22	Sep 22
12 HIGH	12 HIGH	12 HIGH
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
Isle of Wight Corporate Plan 2021-25 Review Date 30/09/2023	<ul style="list-style-type: none"> Progress against Corporate Plan is reported in the Quarterly Performance Management Report to Cabinet. A review of the Corporate Plan is scheduled for Summer 2023. 	
Quarterly Performance Management Report (QPMR) updates Review Date 31/09/23	<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 the council's key activities and performance metrics derive from it. 	
Strategic capacity and interventions Review Date 30/09/2023	<ul style="list-style-type: none"> Key current themes are affordable housing, biosphere, and net zero; economic regeneration and reducing poverty. 	<ul style="list-style-type: none"> Due to the current budget cost pressures, an organisational redesign is required to reduce costs and achieve a structural balance. This could result in reductions in non-statutory activity, rationing of the council's priorities set out in the corporate plan, This will adversely affect the capacity capabilities within the IWC at all levels.
Robust Programme Management Review Date 31/10/23	<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 Leader's Programme Review Board chaired by the Leader. A comprehensive Project Management training pathway is in place including online internal, and external courses. 	
Regeneration programme	<ul style="list-style-type: none"> Newport Harbour Masterplan Phase 1: Phasing plan received from Andrew Appleby. The viability of the programme has been updated and phased delivery plan reviewed by members regeneration 	

<p>Review Date 31/10/23</p>	<p>board. Supplementary Planning Document will be submitted to Cabinet in November 2023</p> <ul style="list-style-type: none"> • Venture Quays site development progressing following the award of £5.8m from the government’s levelling up fund. Work is scheduled to complete by March 2024 	
<p>Strategic risk register</p> <p>Review Date 31/10/23</p>	<ul style="list-style-type: none"> • During March and April upgrades and additional features were implemented in the IW Risk Management System to improve usage and reporting functionality. • Additional support to the directorate service boards has raised the profile of service risk reporting, all directorates are engaging in the process to improve recording and reporting at service level. 	
<p>Increase in levels of unmet Housing Needs – Prevention</p> <p>Review Date 31/03/24</p>	<ul style="list-style-type: none"> • <i>Focus continues to ensure effective management of our bespoke accommodation for which reduces the likelihood that the IWC will need to place households off island and in unsuitable accommodation options as defined by legislation.</i> • <i>Progress continues to be made with the purchase of nine units of refugee housing to be used for families presenting as homeless.</i> 	
<p>Increase in levels of unmet Housing Needs - Intervention</p> <p>Review Date 31/09/23</p>	<ul style="list-style-type: none"> • <i>An Acquisition Strategy relating to homeless accommodation was approved at Cabinet in July 2023. An action plan is being developed and implemented to deliver the aims of the strategy.</i> 	
<p>Increase in levels of unmet Housing Needs - Recovery</p> <p>Review Date 31/03/24</p>	<ul style="list-style-type: none"> • <i>Brownfield Land Release Fund (BLRF) activity continues and is progressing.</i> • <i>A further bid for BLRF 2 was submitted for three further sites. The outcome will be known in Autumn 23.</i> 	
<p>Delivery of the Climate Change and Environment Strategy</p> <p>Review Date 31/09/23</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 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 	<ul style="list-style-type: none"> • Vacant post causing time pressure to complete work to update the strategy and continue offering professional advice.

	and between town more easily navigable for cyclist and walkers.	
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STRATEGIC RISK 14

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 (June 23)
16 VERY HIGH	12 HIGH	12 HIGH

Previous scores

Mar 23	Dec 22	Sep 22
12 HIGH	12 HIGH	16 VERY HIGH

Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
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<p>Preparedness for other novel infectious disease (including COVID-19)</p> <p>Review Date 30/12/23</p>	<ul style="list-style-type: none"> The Public Health team regularly reviews surveillance data on novel/emerging infectious diseases provided by national and regional teams within UKHSA. The Public Health team’s annual learning and development programme includes training and capacity-building to ensure retention of capability to respond to a pandemic. In October 2023, the IWC Pandemic Influenza Plan will be ‘stood down’ and replaced by a generic IWC Pandemic Framework. The framework will be developed to consider lessons learnt from the COVID-19 pandemic response and exercised in winter 2023 to ensure practical arrangements are tested. The Public Health team will work closely with the IWC Emergency Management Team to ensure that the new Pandemic Framework is linked into other Council and Multi-agency Emergency Response Plans. The Public Health and Emergency Management Teams will continue to take part in relevant exercises testing preparedness and response arrangements to large scale infectious disease outbreaks and pandemic led by the HIOW LRF or other organisations, e.g. UKHSA. 	<ul style="list-style-type: none"> An internal consultation on the draft IWC Pandemic Framework will take place over the summer months. It is possible that the timing of the consultation and publication date of the Framework may need to be delayed taking into consideration the corporate restructuring process.
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<p>Partner Organisations</p> <p>Review Date 30/12/23</p>	<ul style="list-style-type: none"> Communication with partners to establish pressures, including: <ul style="list-style-type: none"> United Kingdom Health Security Agency (UKHSA) 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 	
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<p>Internal arrangements</p> <p>Review Date 30/12/23</p>	<p>- His Majesty's Prison IOW</p> <ul style="list-style-type: none"> • The Public Health team's Health Protection Standard Operating Procedure (SOP) was reviewed and refreshed in May 2023. This provides a framework for the internal, public health response to a notification of an outbreak or incident involving an infectious disease. In the early stages of a pandemic, this SOP may provide the framework for initial response arrangements. • An Incident Response Plan has been produced specifically for the Public Health team. This combined with staff receiving specific training set to role allocations will enhance the team's overall response capability. • The Public Health Incident Response Plan is linked to the authority's own existing response arrangements and those of the HIOW Local Resilience Forum to allow greater prominence within the command-and-control structures that are established. 	
<p>External arrangements</p> <p>Review Date 30/12/23</p>	<ul style="list-style-type: none"> • Oversight of health protection matters is provided by the Health Protection Board, which is chaired by the Director of Public Health. The main areas of focus for the Board are communicable diseases and vaccination. The Board brings together Council departments and external partners who are key to protecting the health of our local population and is a forum to jointly plan and coordinate activity on all health protection issues. • An Island Tactical Co-ordination Group (ITCG) will convene at a multi-agency level, including police, fire, IOW NHS Trust, ambulance, council, public health, Military, ferry companies, utilities, and prisons in case of a multi-agency response at a local level. • The HIOW Local Health Resilience Partnership holds the strategic risk overview of all health-related risks across HIOW LRF, including a pandemic risk. A HIOW LRF Pandemic Framework was published in early 2023. The IWC Emergency Management and Public Health team have inputted into the consultation period and will actively participate in the schedule of exercises which will be led by the HIOW LRF. • The Public Health team will maintain awareness of the partnership between the IOW NHS Trust and PHUT and work through the HIOW LHRP and LRF to ensure that impact of organisational changes on pandemic preparedness on the IOW is considered. 	

STRATEGIC RISK 15		
Dealing with threats to business continuity (including cyber incidents)		
Assigned to: Chief Executive		
Inherent score	Target score	Current Score (June 23)
12 HIGH	6 LOW	9 MEDIUM
Previous scores		
Mar 23	Dec 22	Sep 22
9 MEDIUM	9 MEDIUM	9 MEDIUM
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
Revised Business Continuity Plans completed. Review Date 31/08/23	<ul style="list-style-type: none"> Plan reviews to be undertaken every 12 months and table-top tested at planned intervals. Business Continuity Policy to be reviewed Sept 2023, in line with outcomes of restructure. An emergency planning exercise, led by the strategic manager for ICT and digital services (and SIRO, senior information risk officer) is planned for September 2023, specifically to address the threat of a cyber-attack. A cyber security culture exercise was completed in March 2023 to raise awareness of cyber security and everyone's responsibility for it. Engagement with the Local Government Association cyber 360 security culture review programme was completed in June 2023. LGA report is now due 11th August, feedback to CMT and Cllrs will be arranged following receipt of the report. 	
Secure paper copies of Revised Business Continuity Plans (BCP). Review date 31/07/23	<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. 	
IWC - Cyber Incident Response Plan (developed and maintained by ICT) Plan Review date 30/09/23	<ul style="list-style-type: none"> A Cyber Incident Response Plan (CIRP) 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. The CIRP will be reviewed post corporate structure changes to ensure all contacts are still relevant and all areas represented. 	

STRATEGIC RISK 16		
Ability to manage the impact of the cost-of-living crisis (CoLC) on the council's activities and sustain service delivery.		
Assigned to: Chief Executive		
Inherent score	Target score	Current Score (June 23)
12 HIGH	9 MEDIUM	12 HIGH
Previous scores		
Mar 23	Dec 22	Sep 22
12 HIGH	N/A	N/A
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p>Additional support and training in the contact centre and help centres to support the increased number of contacts to the council requesting financial support.</p> <p>Review Date 30/06/23</p>	<ul style="list-style-type: none"> The contact centre is capturing the number of calls received from residents seeking guidance on the impact of cost-of-living crisis. 	
<p>Impact on Council Income identified and actions in place to provide additional training to staff, support for government funding and signposting to appropriate external support services.</p> <p>Impact on some council owned property occupiers is mitigated through the government funding for energy which is being monitored.</p> <p>Review Date 31/07/23</p>	<ul style="list-style-type: none"> The alternative energy rebate schemes open until the end of May continue to provide financial support to residents. 	<ul style="list-style-type: none"> Potential increase in fraudulent activity. Increase in number of households unable to pay council tax, rents or other paid for services provided by the council.
<p>Council services have assessed the impact of known and anticipated contractual service price increases because of inflation.</p> <p>Mitigated either through a reduction in the volume of service requirements, reduction in overall service delivery or delay of purchase requirements.</p> <p>Review Date 30/09/23</p>		
<p>Adult Social Care, care market sustainability/ Care budget pressure:</p>	<ul style="list-style-type: none"> <i>Pressure continues to be identified in areas of joint funding and complex needs. We continue to</i> 	<ul style="list-style-type: none"> The actual cost of providing these services (e.g., recruiting and retaining staff, service

<p>There has been extensive work to develop a budget that supports key statutory services resulting in a Council Tax increase of 4.99% (2.0% of which is raised specifically to be passported to Adult Social Care).</p> <p>Review Date: 30/09/23</p>	<p><i>seek to engage with the ICB in relation to this area.</i></p> <ul style="list-style-type: none"> • <i>Link commissioners are in place for all local care providers to ensure that we have high quality regular engagement capable of identifying any market changes that could impact on local people as early as possible.</i> 	<p>overheads, etc) is increasing at a rate and to a level that exceeds the funding allocated to current contractual arrangements and budget forecasts. In the absence of further funding, this will may result in cost pressure and adverse financial performance against adult social care budgets.</p>
<p>An increase in child poverty will likely impact the demand on and need for a range of services from early help to child protection.</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> • Recruitment of social workers remains a priority and is actively undertaken daily. • Childrens services intend to recruit to the family help model which will add some capacity across the service. 	<ul style="list-style-type: none"> • If more children require help or protection, this will increase the pressure across all areas of Children's Services which is experiencing high levels of demand post pandemic

STRATEGIC RISK 17		
<p>Failure of coastal defences (where the policy is to “hold the line”) resulting in high risk to people, property, infrastructure and land, significant impact on communities and the council finances. The Isle of Wight Council has a vested responsibility for controlling coastal erosion under the Coast Protection Act 1949.</p> <p>Assigned to: Director of Neighbourhoods</p>		
<p>Inherent Score</p>	<p>Target Score</p>	<p>Current Score (August 23)</p>
<p>16 VERY HIGH</p>	<p>12 HIGH</p>	<p>12 HIGH</p>
<p> </p>		
<p>Jun 23</p>	<p>Mar 23</p>	<p>Dec 22</p>
<p>N/A</p>	<p>15 VERY HIGH</p>	<p>N/A</p>
<p>Mitigation in Place / Planned</p>	<p>Update on Mitigation Activity/ Risk Status in the period</p>	<p>Current Pressure Points this period</p>
<p>Partnership with the Environment Agency has identified four priority areas (Yaverland. Bembridge. Shanklin. Ventnor) to refurbish existing coastal defences to reduce growing impacts of coastal erosion, flooding, and land sliding on communities.</p> <p>These locations are eligible for national</p>	<ul style="list-style-type: none"> • Ventnor Coastal Protection Scheme: Programme reviews underway to consider impacts on original proposals of the more urgent works for four frontages identified by recent surveys and the current IWC emergency works (see Current Pressure Points). Original planned scheme completion 2029. • Yaverland Seawall Refurbishment Scheme: Completion planned for 2026. • Shanklin Seawall Refurbishment Scheme: Completion planned for 2026. 	<ul style="list-style-type: none"> • EA main schemes are not scheduled to start until 2026 at the earliest. Potential for assets to deteriorate/fail during this period. • For the Bembridge scheme nesting and wintering bird season constraints have the risk of causing a delay and limiting which options are possible to complete the scheme. • The highways roadworks availability matrix conflicts with the environmental

<p>government funding (FCERM Grant in Aid).</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> Bembridge Embankment Road: topographic survey commenced and discussions continued with Natural England regarding environmental limitations / seasonal constraints for the planned ground investigations. Scheme completion planned for 2026. 	<p>constraints for ground investigation works.</p>
<p>Memorandum of understanding with Coastal Partners who are conducting twice annual T28 condition surveys on all IWC maintained coastal assets.</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> We have identified key areas where coastal assets have degraded to a poor or failure condition and are a risk to people, property, and environment. Governance structure has been reviewed to provide control and oversight for the programme. 	
<p>Oversight for coastal management is led by of the Strategic Manager of Environment and Waste. This will provide a coordinated, strategic, and operational approach to integrated coastal zone management.</p> <p>Review Date 30/09/23</p>	<ul style="list-style-type: none"> The emergency works at Ventnor Eastern Cliffs Esplanade has been managed by IWC and has been acknowledged by the EA as an exemplar example of partnership working and leadership to swiftly manage a complex coastal defence failure. <i>Marine license in place, urgent works 5 days ahead of programme which will positively affect the outturn costs.</i> 	

STRATEGIC RISK 18 * NEW *		
<p>The ending of the partnership between IWC and HCC for Children's Social Care and associated de-coupling arrangements.</p> <p>Assigned to: Director of Children's Services</p>		
Inherent Score	Target Score	Current Score (August 23)
16 VERY HIGH	5 LOW	9 MEDIUM
Jun 23	Mar 23	Dec 22
N/A	N/A	N/A
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p>Cross LA Project Board and associated working strands led by all branches in Children's Services.</p> <p>Review Date: 30/09/23</p>	<ul style="list-style-type: none"> <i>Final partnership end date of 31 January 2024 has been agreed by both Chief Executive's, a paper is to be presented by IOW at their Full Council in September.</i> <i>HCC and IOW Senior Leaders are engaged in a cross LA programme to identify impacts on all related activity including developing proposals for IWC Chief Executive on a leadership model for IOW</i> 	<p><i>Summer holiday period will result in some staff absences at the early phase of this work.</i></p>

	<p><i>Children's Services, and options for purchasing of core services e.g. CRT / MASH / Out of Hours.</i></p> <ul style="list-style-type: none"> <i>IOW and HCC HR engaged in discussions in relation to any staff who are impacted by the ending of the partnership. This is considered to be minimal risk.</i> <i>Comprehensive programme of work underway to provide briefing and handover documents on all areas of work that are led / jointly managed by HCC depts and staff.</i> 	
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<u>STRATEGIC RISK 19 * NEW*</u>		
<p>The fact that there is no overall political control may adversely affect the decision making of the local authority and its ability to continue to effectively maintain services to its residents.</p> <p>Assigned to: Chief Executive</p>		
Inherent Score	Target Score	Current Score (August 23)
16 VERY HIGH	8 MEDIUM	HIGH 12
Jun 23	Mar 23	Dec 22
N/A	N/A	N/A
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p><i>The Corporate Management Team provide leadership and focus on maintaining service delivery.</i></p> <p><i>Robust decision-making processes are in place.</i></p> <p><i>Isle of Wight Council has regard to the Local Government Association (LGA) Guidance relating to local authorities which do not have any overall political control.</i></p>	<ul style="list-style-type: none"> <i>The Corporate Management Team (CMT) considered the risk of the local authority having not overall control to be of such concern as to register a strategic risk to be monitored through the CMT meetings and Audit and Governance Committee.</i> 	<ul style="list-style-type: none"> <i>The lack of overall political control could affect the ability for decisions to be taken effectively to support the local authority in the delivery of its functions.</i> <i>A delay in decision making could affect the local authority's ability to consider and agree a balanced budget for 2024/25</i>

STRATEGIC RISK 19 * NEW *		
The fact that there is no overall political control may adversely affect the decision making of the local authority and its ability to continue to effectively maintain services to its residents.		
Assigned to: Chief Executive		
Inherent Score	Target Score	Current Score (August 23)
16 VERY HIGH	5 LOW	HIGH 12
Jun 23	Mar 23	Dec 22
N/A	N/A	N/A
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p>Corporate Management Team Leadership and focus on maintaining service delivery.</p> <p>Robust decision making processes are in place.</p> <p>Isle of Wight Council has regard to the Local Government Association (LGA) Guidance relating to local authorities which do not have any overall political control.</p>	<ul style="list-style-type: none"> The Corporate Management Team (CMT) considered the risk of the local authority having not overall control to be of such concern as to register a strategic risk to be monitored through the CMT meetings and Audit and Governance Committee. 	<ul style="list-style-type: none"> The lack of overall political control could affect the ability for decisions to be taken effectively to support the local authority in the delivery of its functions. Delay in decision making could affect the local authority's ability to consider and agree a balanced budget for 2024/25

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 personal 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 personal 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 personal 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

AUDIT AND GOVERNANCE COMMITTEE WORKPLAN 2023-2025

EXTERNAL AUDIT	Responsibility	25 Sept 2023	11 Dec 2023	18 Mar 2024	July 2024	Sept 2024	Dec 2024	Mar 2025	July 2025
External Auditors Annual Report	Ernst & Young	✓ 2021-22				✓ 2022-23			
External Audit Plan – Isle of Wight Council	Ernst & Young		✓ 2022-23 Slipped from July 2023		✓				✓
External Audit Plan – Isle of Wight Pension Fund	Ernst & Young		✓ 2022-23 Slipped from July 2023		✓				✓
External Audit Results (inc. Letter of Representation) - IWC	Ernst & Young		✓ 2021-22 Slipped from Sept 2023			✓ 2022-23			
External Audit Results (inc. Letter of Representation) - IWPF	Ernst & Young		✓ 2021-22 Slipped from Sept 2023			✓ 2022-23			
ACCOUNTS	Responsibility	25 Sept 2023	11 Dec 2023	18 Mar 2024	July 2024	Sept 2024	Dec 2024	Mar 2025	July 2025
Final Statement of Accounts	Barry Downer		✓ 2021-22 Slipped from Sept 2023			✓ 2022-23			
INTERNAL AUDIT	Responsibility	25 Sept 2023	11 Dec 2023	18 Mar 2024	July 2024	Sept 2024	Dec 2024	Mar 2025	July 2025
Internal Audit Progress Report (inc. any high-risk reports in full)	Lizzi Goodwin	✓	✓	✓	✓	✓	✓	✓	✓
Internal Audit Plan	Lizzi Goodwin			✓				✓	
Internal Audit Annual Report (inc. Opinion)	Lizzi Goodwin				✓				✓
Fraud & Irregularity Annual Report (inc. Whistleblowing)	Lizzi Goodwin		✓				✓		
Anti-Money Laundering Policy (3 yearly)	Lizzi Goodwin								
GOVERNANCE	Responsibility	25 Sept 2023	11 Dec 2023	18 Mar 2024	July 2024	Sept 2024	Dec 2024	Mar 2025	July 2025
Annual Governance Statement	Debbie Downer	✓			✓ DRAFT	✓ FINAL			
Property Investment Portfolio Annual Report	Graeme Haigh				✓				✓
Procurement Half-Yearly Report	Alice Hadridge		✓		✓		✓		✓
Chairman's Annual Report	CLlr Garratt			✓				✓	
Treasury Management Strategy Annual Report	Jo Cooke			✓				✓	
Treasury Management Report	Jo Cooke	✓ Q1	✓ Q2	✓ Q3	✓ ANNUAL	✓ Q1	✓ Q2	✓ Q3	✓ ANNUAL
The Council's Risk Profile	Emma Bruce	✓	✓	✓	✓	✓	✓	✓	✓
Review of the Constitution (Verbal update)	Chris Potter	✓	✓	✓	✓	✓	✓	✓	✓

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