

# Agenda

Name of meeting	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Date	<b>MONDAY 11 DECEMBER 2023</b>
Time	<b>10.00 AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, NEWPORT, ISLE OF WIGHT</b>
Members of the committee	CLLrs A Garratt (Chairman), V Churchman (Vice-Chairman), C Critchison, C Jarman, K Lucioni, C Quirk and R Redrup
	Democratic Services Officer: Megan Tuckwell democratic.services@iow.gov.uk

---

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

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

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

To confirm as a true record the Minutes of the meeting held on 25 September 2023.

3. **Declarations of Interest**

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



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.

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](mailto: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, 6 December 2023.

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

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

- (a) External Audit Plan 2022-23 - Isle of Wight Council (Verbal)
- (b) External Audit Plan 2022-23 - Isle of Wight Pension Fund (Pages 11 - 48)

6. **Internal Audit Progress Report** (Pages 49 - 66)

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

7. **Fraud, Irregularity and Whistleblowing Annual Report** (Pages 67 - 70)

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

8. **Procurement Half-Yearly Report** (Pages 71 - 104)

To receive and note the report of the Strategic Director of Corporate Services.

9. **Treasury Management Report (Q2)** (Pages 105 - 124)

To receive and note the report of the Finance Director.

10. **The Council's Risk Profile** (Pages 125 - 154)

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

11. **Review of the Constitution (Verbal)**

To consider a verbal update from the Chairman.

12. **Future Governance Working Group** (Pages 155 - 164)

To note the recommendations of the Future Governance Working Group.

13. **Workplan** (Pages 165 - 166)

To consider and note the committee's workplan.

14. **Members' Question Time**

A question must be submitted in writing or by email to [democratic.services@iow.gov.uk](mailto:democratic.services@iow.gov.uk) no later than 10am, Thursday 7 December 2023.

CHRISTOPHER POTTER  
Monitoring Officer  
1 December 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 – Chris Potter on (01983) 821000, email [christopher.potter@iow.gov.uk](mailto:christopher.potter@iow.gov.uk), or Deputy Monitoring Officer - Justin Thorne on (01983) 821000, email [justin.thorne@iow.gov.uk](mailto: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.

If you require further information please see the council guide to reporting on council meetings which can be found at <http://www.iwight.com/documentlibrary/view/recording-of-proceedings-guidance-note>

All information that is recorded by the council is held in accordance with the Data Protection Act 2018. For further information please contact Democratic Services at [democratic.services@iow.gov.uk](mailto:democratic.services@iow.gov.uk)



## Minutes

Name of meeting	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Date and Time	<b>MONDAY 25 SEPTEMBER 2023 COMMENCING AT 10.00 AM</b>
Venue	<b>COUNCIL CHAMBER, COUNTY HALL, ISLE OF WIGHT</b>
Present	Cllrs A Garratt (Chairman), V Churchman (Vice-Chairman), C Jarman and C Quirk
Also Present	Cllr J Bacon  Jason Jones, Helen Thompson (Ernst and Young)  Sharon Betts, Jo Cooke, Natasha Dix, Barry Downer, Elizabeth Goodwin, Kerry Hubbleday, Geraint Newton, Wendy Perera, and Megan Tuckwell
Also Present (Virtual)	Cllr M Oliver  Debbie Downer, Claire Shand, and Melanie White
Apologies	Cllrs C Critchison, K Lucioni and G Peace

---

### 17. **Apologies and Changes in Membership (If Any)**

Apologies had been received from Cllr Karen Lucioni, Cllr Claire Critchison and Cllr Gary Peace. Cllr Chris Quirk was in attendance as a substitute for Cllr Ray Redrup.

### 18. **Minutes**

RESOLVED:

THAT the minutes of the meeting held on 31 July 2023 be confirmed as a true record.

### 19. **Declarations of Interest**

Cllr Chris Jarman declared an interest in Minute item 21(b) (External Audit Results - Isle of Wight Pension Fund) as the Chairman of the Isle of Wight Pension Fund Committee.

Cllr Vanessa Churchman declared an interest in Minute item 21(b) (External Audit Results - Isle of Wight Pension Fund) as the Vice Chairman of the Isle of Wight Pension Fund Committee.

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

No written public questions were received.

Mr Simon Richards of Newport asked an oral question in relation to the school place planning process (in light of the indication that the council could not proceed with this at the same time as managing the transition from the partnership with Hampshire County Council), and whether the committee agreed that further inaction would place additional pressure on school budgets and exacerbate the risk of schools falling into financial deficit.

Comments were made regarding the rationalisation of school places, and it was requested that the committee be provided with a breakdown of the debts of each school proposed for closure (which would become a financial burden to the council should they be closed).

A supplementary question was asked regarding why the Cabinet were not satisfied that all options had been explored and addressed, given that a report had already been prepared which outlined how the overcapacity of primary school places could be addressed (through school closures) with no other practical solutions available. The chairman confirmed that the matter would be referred to Scrutiny.

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

21a **External Audit Results - Isle of Wight Council**

21b **External Audit Results - Isle of Wight Pension Fund**

The External Auditors provided a verbal update on the progress with the external audit results in relation to the Isle of Wight Council and the Isle of Wight Pension Fund. No comments or questions were raised at this stage, and it was confirmed that the work would be finalised in the coming days.

RESOLVED:

THAT the verbal update be received and noted.

21c **External Auditors Annual Report 2021-22 (Draft)**

The External Auditors presented the draft annual report for 2021-22. Questions were raised regarding internal and external data providers, and asset management disposal. Discussion took place regarding the recommendation to develop more granular accounting records for infrastructure assets, and it was assured that the Finance and Highways teams were working to address this. It was confirmed that when the audits had been signed off, the certificate would be issued, and the final version of the report would be published on the councils website.

RESOLVED:

THAT the report be received and noted.

## 22. **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 September 2023. Questions were raised regarding the confidential Floating Bridge settlement and where this would show within the audit, and it was confirmed that all transactions would be reflected within the council's accounts in accordance with the regulations subject to non-disclosure. Discussion took place regarding the follow-up audit of Bereavement Services, which confirmed that the high-risk relating to debt recovery had been closed following assurance that arrangements had been enhanced.

RESOLVED:

THAT the report be received and noted.

## 23. **Annual Governance Statement**

Consideration was given to the Annual Governance Statement for 2022-23 and the committee were asked to approve the statement in readiness for final sign-off and submission within the council's annual report and accounts. It was noted that the draft version of the document had been circulated to the committee for input. No comments or questions were raised at this stage.

RESOLVED:

THAT the content of the draft Annual Governance Statement 2022-23 be agreed as the final version for publication (subject to the final accounts being signed off).

## 24. **Treasury Management Report (Q1)**

Consideration was given to the report which provided an update on treasury management policies, practices, and activities for the quarter ended 30 June 2023. The committee received a verbal update on the changes to the interest rates (which had increased to 5.25% during August 2023), and the one instance of short-term lending to another local authority. Questions were raised in relation to staffing capacity and the committee were reassured that the Treasury Management team were stable and there were no concerns or emerging resourcing issues at this time.

RESOLVED:

THAT the performance for the quarter to 30 June 2023 against the treasury management indicators be noted.

## 25. **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 the new Strategic Risk 18 (the ending of the Children's Services partnership with Hampshire County Council and associated arrangements) and it was confirmed that the recruitment process for the appointment of a permanent Director of Children's Services had commenced.

Comments were made in relation to the new Strategic Risk 19 (the fact that there was no overall political control which may adversely affect the decision-making of the council), and it was noted that this risk would be reinterpreted for future reporting to cover the overall risk around delivering the council's vision.

Questions were raised regarding Strategic Risk 3 (insufficient staffing capacity and skills) and it was confirmed that the organisational review was ongoing, and staffing capacity (and non-statutory activities) had been reduced in line with the agreed budget.

Comments were made with regards to school place planning and the risk mitigations in place to manage any outstanding debts which would subsequently become a financial burden to the council should the schools be closed. It was requested that the committee be provided with a breakdown of the debts of each school proposed for closure, to be updated again in 90 days, in order to identify the progress with debt recovery plans.

RESOLVED:

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

## 26. **Review of the Constitution**

The chairman provided a verbal update and advised that regular discussions with the Monitoring Officer were ongoing as the review progressed, and the work of the Future Governance Working Group was underway.

RESOLVED:

THAT the verbal update be noted.

## 27. **Workplan**

Consideration was given to the Committees workplan for 2023-24 and it was suggested that pre-meetings may be arranged for committee members prior to the formal committee dates. The chairman advised that the workplan may be developed further to include ways in which the committee could become more proactive (specifically around value for money).

RESOLVED:

THAT the workplan be noted.

## 28. **Members' Question Time**

Cllr Chris Jarman asked an oral question regarding the governance arrangements for executive decisions. It was confirmed all councillors were notified of any executive decisions of the Cabinet and details were published online.



CHAIRMAN

This page is intentionally left blank

# Isle of Wight Pension Fund Audit planning report

Year ended 31 March 2023

November 2023

Page 11



Building a Better  
working world

Agenda Item 5b

23 November 2023



Isle of Wight Council  
County Hall  
High Street  
Newport, Isle of Wight  
PO30 1UD

Dear Audit and Governance Committee Members

#### Audit planning report

We are pleased to attach our audit planning report for the forthcoming December meeting of the Audit and Governance Committee. The purpose of this report is provide the Committee with a basis to review our proposed audit approach and scope for the 2022/23 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for Isle of Wight Pension Fund. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 11 December 2023 as well as understand whether there are other matters which you consider may influence our audit. As ever, as our risk assessment and work continues, we will update the committee as required, notably if any significant changes in key risks or audit approach.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

Enc

# Contents

01 Overview of our 2022/23 audit strategy



02 Audit risks



03 Audit materiality



04 Scope of our audit



05 Audit team



06 Audit timeline



07 Independence



08 Appendices



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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). 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 (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 Pension Fund 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 Pension Fund 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 Committee and management of Isle of Wight Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



Page 14

01

# Overview of our 2022/23 audit strategy

# Overview of our 2022/23 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. We continue to assess risk throughout the audit. We will bring any changes in our risk assessment to the attention of the Committee.

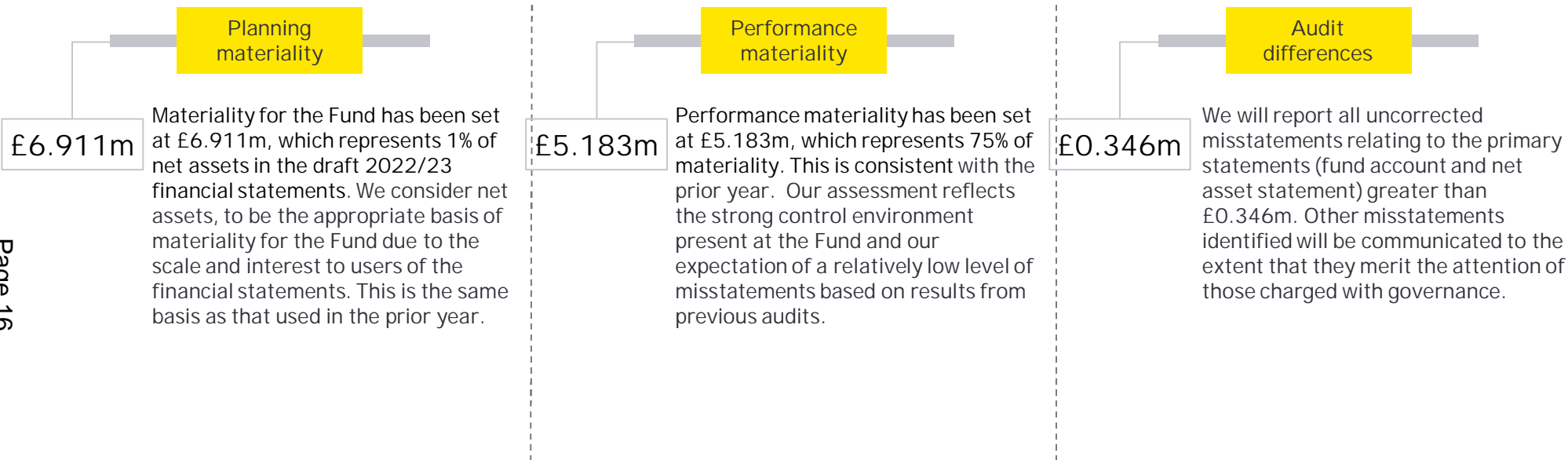
## Audit risks and areas of focus

Page 15


Risk/area of focus	Risk identified (see key over-page)	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	<p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We have not identified anything specific to Isle of Wight on this risk.</p> <p>In the prior year we identified the risk of manipulation of investment income and valuation as the most likely way management would seek to override controls and presented this as a specific fraud risk. We continue to consider this to be the most likely way management will override controls, but will address this through the mandatory journal testing we undertake to address the generic risk of misstatements due to fraud and error</p>
Valuation of level 3 investments	Significant risk	No change in risk or focus	<p>We consider the valuation of Level 3 investments to be a significant risk due to the unobservable inputs making up the valuations. Significant judgements are made by the investment managers or administrators to value these investments whose prices are not publicly available.</p> <p>The Fund's private debt and infrastructure investments are categorised as being at level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments where the valuations are not based on observable inputs.</p>
IAS 26 - Actuarial present value of promised retirement benefits	Inherent risk	No change in risk or focus	<p>We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables.</p>

# Overview of our 2022/23 audit strategy

## Materiality







# Overview of our 2022/23 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities for 2022/23.
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Isle of Wight Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.


When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

We will provide an update to Audit and Governance Committee Members on the results of our work in these areas in our report to those charged with governance scheduled for the December 2023 meeting of the Committee.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of complex investment assets, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years. Therefore to the extent any of these are relevant in the context of Isle of Wight Pension Fund audit, we will discuss these with management as to the impact on the scale fee.



# Overview of our 2022/23 audit strategy

## Audit team

The audit will be led by Kevin Suter as the new partner in charge for 2022/23. Kevin will be supported by Jason Jones, manager, and Khurram Riaz, lead senior. See Section 05 for further details of the audit team and the areas where management and EY specialists are expected to provide input for the current year audit.

## Audit timescales


Full details of the planned timeline for delivery of the audit are set out in Section 07. We expect to have fully completed our risk assessment and work to walkthrough the Fund's key systems and processes, including work to comply with the enhanced requirements of ISA (UK) 315 (Revised), by the end of December 2023. Our detailed testing of balances and disclosure in the financial statements is expected to be complete by the end of January. We expect to present our final audit results report to the 18 March 2024 meeting of the Audit and Governance Committee.



## 02 Audit risks

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.



Misstatements  
due to fraud or  
error\*

What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Our response: Key areas of challenge and professional judgement

We will undertake our standard procedures to address fraud risk, which include:

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- Assessing accounting estimates for evidence of management bias.
- Evaluating the business rationale for significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

We will include a focus on ensuring that the investment valuations provided through the custodian and fund managers are appropriately journaled into the financial statements, where we have identified the opportunity and incentive for override to occur.

# Our response to significant risks

## Valuation of Level 3 Investments

### What is the risk, and the key judgements and estimates?

We consider the valuation of Level 3 investments to be of a higher degree of inherent risk due to the unobservable inputs making up the valuations. Significant judgements are made by the investment managers or administrators to value these investments whose prices are not publicly available.

The Fund's private debt and infrastructure investments are categorised as being at level 3 in the fair value hierarchy.

### Our response: Key areas of challenge and professional judgement

We will:

- Agree the valuation of Level 3 investments appearing in the financial statements to valuation reports from the fund managers.
- Assessing the competence of management experts (fund managers), including obtaining and reviewing internal control reports for fund managers to identify any internal control issues and assessing whether these would have an impact on the valuations provided
- Obtain audited financial statements of the investments. Where audited financial statements supporting the investments are not available as at the 31 March 2023 we will undertake alternative procedures to gain further assurance over the valuation reported in the financial statements.
- Test accounting entries have been correctly processed in the financial statements.



## Other areas of audit focus

What is the risk/area of focus, and the key judgements and estimates?

### IAS 26

We consider the valuation of IAS 26 to be of a higher degree of inherent risk because of the level of estimation uncertainty resulting from the calculation using a number of underlying assumptions. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables.

Our response: Key areas of challenge and professional judgement

### We will:

- Agree the disclosure to the IAS 26 actuarial statement and reporting requirements.
- Engage auditor's specialists to review the IAS 26 calculation approach and comment on the underlying assumptions.
- Review the work of the management specialist (the actuary) and auditor's specialist.



## 03 Audit materiality

# Materiality

## Materiality

For planning purposes, materiality for 2022/23 has been set at £6.911m. This represents 1% of the Fund's net assets in the draft 2022/23 financial statements. We consider net assets, to be the appropriate basis of materiality for the Fund due to the scale and interest to users of the financial statements. We have provided supplemental information about audit materiality in Appendix C.

Net Assets  
**£691m**

Planning materiality  
**£6.911m**

Performance materiality  
**£5.183m**

Audit differences  
**£0.346m**

Page 24

We request that the Audit and Governance Committee confirm their understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at 75% of planning materiality. This is based on our expectation of few misstatements for the audit.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount.





# 04 Scope of our audit

# Assessment of Internal Control and our obligations under the Code of Audit Practice

## Obligations under the Code of Audit Practice

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

### Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of its assets and liabilities for 2022/23; and
- whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Consistency statement:

- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Isle of Wight Council.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

### Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

# Assessment of Internal Control and our obligations under the Code of Audit Practice

## Changes to auditing standards – ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent.

The aims of the revised standard is to:

- Page 27
- Drive consistent and effective identification and assessment of risks of material misstatement
  - Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
  - Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
  - Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

The key impacts are:

- Significant increase in work on entity's use of IT in business and system of internal control.
- Clearer workflow within the standard to highlight the importance of the auditor's understanding of the entity and environment, the applicable financial reporting framework, and system of internal control.
- New concepts: e.g. inherent risk factors, spectrum of inherent risk
- Changed definitions: notably, the definition of 'significant risk', which is an identified risk of material misstatement:
  - For which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur; or
  - That is to be treated as a significant risk in accordance with the requirements of other ISAs (UK)

See Appendix D for our assessment of the impact of ISA (UK) 315 on the current year audit.

# Assessment of Internal Control and our obligations under the Code of Audit Practice

## Changes to auditing standards – ISA (UK) 240: The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements

Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional and involves deception or is unintentional. ISA (UK) 240 deals with the auditor’s responsibilities relating to fraud in an audit of financial statements.

The revision to the standard is effective from FY 2022/23 aims to clarify the obligations of auditors to identify and assess the risk of material misstatement due to fraud, as well as including supplemental requirements and guidance to enhance the auditors’ procedures.

Key changes are:

- The objectives of the auditor have been revised to emphasise the requirement to obtain reasonable assurance about whether the financial statements are free from material misstatement due to fraud.
- There is a greater focus on professional scepticism including that audit approaches don't show bias to looking for corroborative evidence or excluding contradictory evidence.
- There are new requirements for the auditor to determine whether the engagement team requires specialised skills or knowledge to perform their work on fraud, including their assessment of fraud risk, associated procedures and evaluation of the evidence obtained.
- There is additional guidance regarding the discussion required by ISA (UK) 315 among the audit engagement team. This is to discuss the susceptibility of the entity's financial statements to material misstatement due to fraud or error. The revised ISA (UK) 240 emphasises the need for an exchange of ideas among all engagement team members about fraud risk factors.
- The auditor shall make inquiries of management, or others within the entity who deal with fraud allegations, to determine whether they have knowledge of any actual, suspected or alleged fraud, including cases of fraud raised by employees or other parties.
- Auditors are to hold a discussion with those charged with governance regarding the risks of fraud in the entity and to consider the implications for the audit.
- The auditor must communicate with those charged with governance matters relating to fraud (unless prohibited by law or regulation) and the auditor's assessment of the risks of material misstatement due to fraud.
- Auditors must evaluate whether their assessment of the risk of material misstatement due to fraud remains appropriate at audit conclusion, that sufficient appropriate audit evidence has been obtained, and that the financial statements are not materially misstated as a result of fraud.

The auditor's report shall explain to what extent the audit was considered capable of detecting irregularities, including fraud.

# Assessment of Internal Control and our obligations under the Code of Audit Practice

## Assessment of Internal Control

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts;
- ▶ Reliance on the work of other auditors where appropriate; and
- ▶ Reliance on the work of experts in relation to areas, such as disclosures based on actuarial reports.

For 2022/23 we plan to follow a substantive approach to the audit, as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Governance Committee.

Internal audit:

We will review internal audit plans and the results of their work.






05

Audit team

# Audit team

Audit team structure :

Kevin Suter Lead Audit Partner	
Jason Jones Manager	
Khurram Riaz Lead Senior	

# Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where management and EY specialists are expected to provide input for the current year audit are:

Area	Specialists
IAS 26	Management Specialist - Hymans Robertson EY Specialist - PWC as consulting actuary and EY Pensions

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





06

# Audit timeline

# Timetable of communication and deliverables

## Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2022/23.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Committee Chair as appropriate.

Audit phase	2023 Timetable	Deliverables
Planning: Risk assessment and setting of scopes	November	This audit planning report to be presented to the 11 December meeting of the Audit and Governance Committee.
Walkthrough of key systems and processes	November	
Execution of audit procedures on the financial statements	November - December	
Audit Completion procedures	December - January	Draft audit results report shared with management and, in turn, committee.
Audit Conclusion	December - January	Audit opinion and completion certificates.  We intend to present our final audit results report to the 18 March meeting of the Audit and Governance Committee.



07

# Independence

# Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, your audit engagement partner, and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in the Authority. Examples include where we have an investment in the Authority; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

Page 37  
None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. For accounting period ended 31 March 2023 non-audit fees subject to the fee cap cannot exceed 70% of the average audit fees for the past three years.

At the time of writing, there are no non-audit fees associated with Isle of Wight Pension Fund. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

# Relationships, services and related threats and safeguards

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.  
There are no other threats at the date of this report.

## EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2023 and can be found here:

[ey-uk-2023-transparency-report.pdf](#)



# 08 Appendices

# Appendix A – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As part of our reporting on our independence, we set out here a summary of the expected fees for the year ended 31 March 2023.

Scale fee variations are agreed when we incur work in addition to the planned level of work built into the scale fee.

For the Isle of Wight Pension Fund audit, we do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise and therefore we expect to agree a scale fee variation with management and PSAA for the 2022/23 audit.

	Current Year 2022/23	Prior Year 2021/22
	Proposed fee £	£
Scale Fee – Code work	22,523	16,235
Scale Fee Variation – see Note 1	23,427	29,715
<b>Requested rebased fee sub-total</b>	<b>45,950</b>	<b>45,950</b>
Valuation of Level 3 investments - see Note 2	7,000	7,218
IAS 19 standard work – see Note 2	1,000	1,000
Additional core fees for ISA 540 communicated by PSAA	1,900	1,899
IAS 19 triennial valuation – see Note 2	-	8,777
ISA 315 enhanced requirements – see Note 3	TBC	-
<b>Total fees</b>	<b>55,850</b>	<b>64,844</b>

*All fees exclude VAT*

Note 1 – In order to meet regulatory and compliance audit requirements not present at the time of PSAA awarding the audit contract, we assessed that the recurrent cost of additional requirements to carry out our 2021/22 audit should increase by £29,715. While PSAA have increased the scale fee in 2022/23, we still need to undertake the same work to the level underpinning our rebasing request. Therefore, we expect to submit a rebasing request similar to those in previous years, to request a rebased fee level of £45,950.

Note 2 – Due to the late finalisation of the 2021/22 audit, we have not yet submitted our in-year scale fee variation to PSAA but the additional fees has been communicated to management. For 2022/23 we have included an initial estimate as we expect similar work to be performed in the same areas. This excludes the IAs19 triennial valuation work incurred during 2021/22, as this will not be required again until the next triennial valuation as at March 2025.

Note 3 – As set out on page 17, we expect the implementation of ISA315 Revised to require additional work to meet the enhanced requirements. We are unable to provide an estimate at this time.



# Appendix B – Required communications with those charged with governance

We have detailed the communications that we must provide to those charged with governance.

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by those charged with governance of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit planning report – November 2023
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>▶ Significant difficulties, if any, encountered during the audit;</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management;</li> <li>▶ Written representations that we are seeking;</li> <li>▶ Expected modifications to the audit report; and</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process.</li> <li>▶ Findings and issues regarding the opening balance on initial audits.</li> </ul>	Audit results report – March 2024

# Appendix B – Required communications with those charged with governance (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty;</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>▶ The adequacy of related disclosures in the financial statements.</li> </ul>	Audit results report – March 2024
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation.</li> <li>▶ The effect of uncorrected misstatements related to prior periods.</li> <li>▶ A request that any uncorrected misstatement be corrected.</li> <li>▶ Material misstatements corrected by management.</li> </ul>	Audit results report – March 2024
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist.</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected.</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.</li> <li>▶ Any other matters related to fraud.</li> </ul>	Audit results report – March 2024

# Appendix B – Required communications with those charged with governance (cont'd)

## Our Reporting to you

### Required communications

### What is reported?

### When and where

#### Related parties

- ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable;
- ▶ Non-disclosure by management;
- ▶ Inappropriate authorisation and approval of transactions;
- ▶ Disagreement over disclosures;
- ▶ Non-compliance with laws and regulations; and
- ▶ Difficulty in identifying the party that ultimately controls the entity.

Audit results report – March 2024

#### Independence

Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.

Audit planning report – November 2023  
Audit results report – March 2024

Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:

- ▶ The principal threats;
- ▶ Safeguards adopted and their effectiveness;
- ▶ An overall assessment of threats and safeguards; and
- ▶ Information about the general policies and process within the firm to maintain objectivity and independence.

Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.

- ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit;
- ▶ Details of any inconsistencies between the Ethical Standard and Fund's policy for the provision of non-audit services, and any apparent breach of that policy;
- ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard; and
- ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence.

# Appendix B – Required communications with those charged with governance (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations; and</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit results report – March 2024
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur; and</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of.</li> </ul>	Audit results report – March 2024
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit results report – March 2024
Representations	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance.</li> </ul>	Audit results report – March 2024
Material inconsistencies and misstatements	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.</li> </ul>	Audit results report – March 2024
Auditors report	<ul style="list-style-type: none"> <li>▶ Key audit matters that we will include in our auditor's report; and</li> <li>▶ Any circumstances identified that affect the form and content of our auditor's report.</li> </ul>	Audit results report – March 2024

# Appendix C – Additional audit information

## Regulatory update

Our objective is to form an opinion on the Fund's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Mayor. The audit does not relieve management or those charged with governance of their responsibilities.

## Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the financial statements. Reading other information contained in the financial statements and the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the audit committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

# Appendix C – Additional audit information (cont'd)

## Other required procedures during the course of the audit

### Other procedures

- We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

## Purpose and evaluation of materiality

Page 46 For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

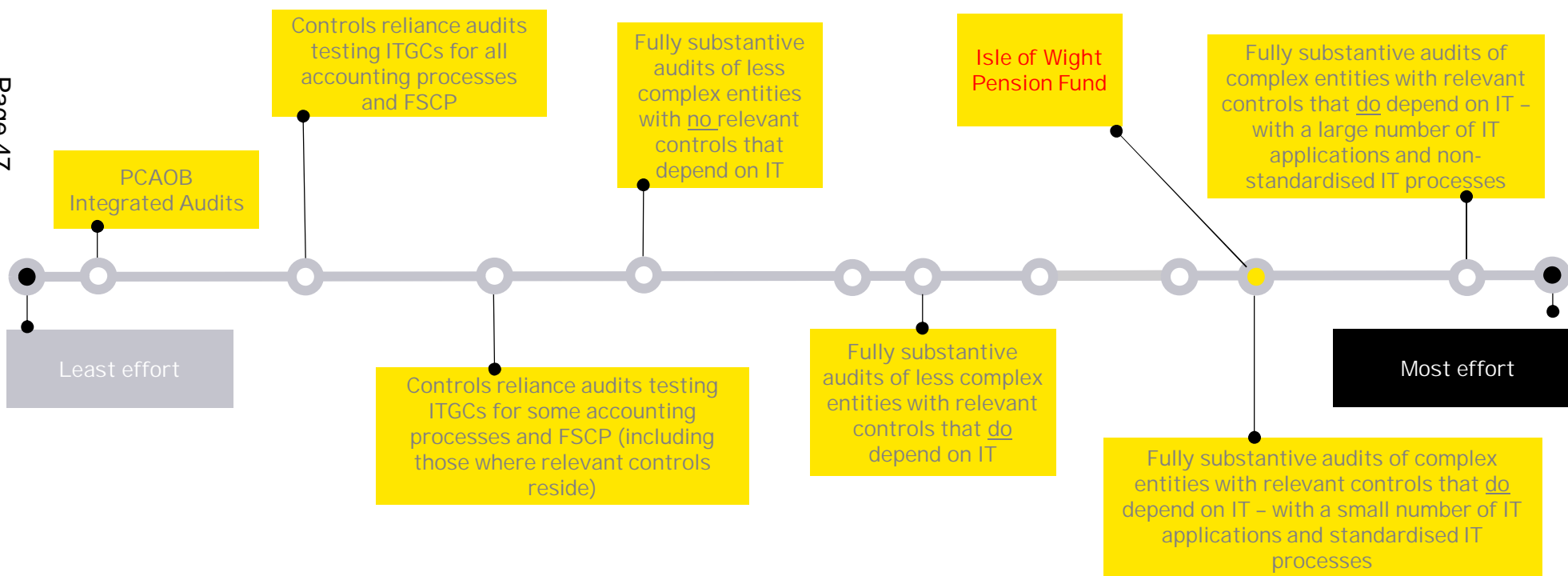
The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

# Appendix D – Impact of ISA (UK) 315 (Revised)

## Other required procedures during the course of the audit

The graphic below indicates where we have anticipated that the audit of Isle of Wight Pension Fund falls on the spectrum of effort as it applies to the new requirements of the revised standard relating to understanding the effect of the entity's use of IT. The level of effort is displayed relative to the circumstances applicable to Isle of Wight Pension Fund, and why that level of effort may differ to that required on the audits of entities with different circumstances.

Page 47



## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2022 Ernst & Young LLP. Published in the UK.

All Rights Reserved.

UKC-023026 (UK) 04/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

[ey.com](https://ey.com)



## Committee Report

### ISLE OF WIGHT COUNCIL

Committee	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Date	<b>11 DECEMBER 2023</b>
Title	<b>INTERNAL AUDIT PROGRESS REPORT</b>
Report of	<b>CHIEF INTERNAL AUDITOR</b>

---

#### 1. Executive Summary

- 1.1 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.
- 1.2 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.

#### 2. Recommendation(s)

- |   |
|---|
| 2.1 That the report of internal audit be noted. |
|---|

#### 3. Background

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

#### 4. Corporate Priorities and Strategic Context

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

##### Provision of affordable housing for Island Residents

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

### Economic Recovery and Reducing Poverty

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

### Impact on Young People and Future Generations

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

### Corporate Aims

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

## 5. Consultation And Engagement

- 5.1 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.

## 6. Financial / Budget Implications

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

## 7. Legal Implications

- 7.1 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.

## 8. Equality And Diversity

- 8.1 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.

## 9. Property Implications

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

## 10. Risk Management

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

## 11. Appendices Attached

### 11.1 Appendix 1 – Internal Audit Progress Report – December 2023.

Contact Point: Elizabeth Goodwin, Chief Internal Auditor

☎ 821000 e-mail [Elizabeth.Goodwin@portsmouthcc.gov.uk](mailto:Elizabeth.Goodwin@portsmouthcc.gov.uk)

CHRIS WARD

*Director of Finance and Section 151 Officer*

CLLR ANDREW GARRATT

*Chairman of the Audit and Governance  
Committee*

This page is intentionally left blank



## Internal Audit Progress Report 10 November 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 10 November 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
<b>Assurance</b>	<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>
<b>Reasonable Assurance</b>	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
<b>Limited Assurance</b>	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
<b>No Assurance</b>	<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
<b>Low Risk (Improvement)</b>	<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>
<b>Medium Risk</b>	<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>
<b>High Risk</b>	<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>
<b>Critical Risk</b>	<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

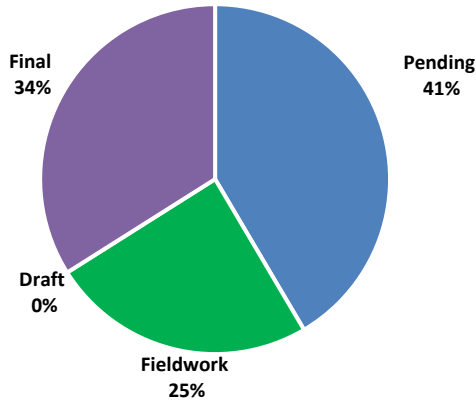
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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	22
Fieldwork	13
Draft	0
Final	18
<b>TOTAL</b>	<b>53</b>

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.

### Strategic Fleet

#### Exceptions Raised

Critical	High	Medium	Low
0	1	2	2

#### Overall Assurance Level

Reasonable Assurance

#### Assurance Level by Scope Area

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

The high-risk finding raised relates to the Council's longer term, fleet planning. While significant work has been carried out to meet the Council's net zero objectives there has been limited engagement from service areas with requests from the central team regarding their longer term, three to five year, needs. This will be required to fully meet the Council's wider strategic objectives, for example to minimise future vehicle use.

Issues were also identified regarding the need to fully plan for any potential increased costs from the move to electric vehicles, for example insurance premiums and progress an appropriate charging infrastructure, to support the increasing use of electric vehicles.

Lower risk issues were identified, regarding the need to take a more robust approach to assessing residual vehicle values and assessing potential costs, associated with the maintenance of electric vehicles.

### Holy Cross Catholic Primary School

#### Exceptions Raised

Critical	High	Medium	Low
0	0	6	1

#### Overall Assurance Level

Reasonable Assurance

#### Assurance Level by Scope Area

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

The school is required to put a contract register in place and ensure that purchasing authorisations are always recorded. Income management also needs to be enhanced, for example by documenting and taking a consistent approach to debt collection.



The Estate management should be approached more holistically, with all relevant information easily available in one place (in line with current DFE guidance). Associated with this reactive maintenance needs to be better recorded (as identified in a recent external best practice review).

Regarding IT the emergency plan should be updated, to include backup and restoration arrangements. A general data cleansing and review of logins should also be carried out, to ensure only current staff have access to systems, using unique logins.

Two policies on the school’s website require updating (Sports Premium and Equality and Diversity). Minor issues were also identified, regarding the need to better integrate sport and pupil premium funding into the school’s overall financial planning.

**Cowes Primary School**

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

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

Most importantly the school should implement a robust strategy to tackling the deficit position, supported by budget monitoring/forecasting.

Governors oversight is recommended for improvement, for example where staff hold multiple roles and of overtime claims.

Income management needs to be enhanced, for example by ensuring timely recording of income/banking and implementing more comprehensive reconciliation of income.

The school’s approach to petty cash should be formalised. While only minor discrepancies were identified in audit testing the current approach, with petty cash replenished from offsite income at varying value, makes this more complex to reconcile and potentially facilitates fraud. Petty cash should not be used to reimburse staff expenses.

The school should ensure its asset register is up to date and improve its control over portable assets, for example iPads.

Potentially enhancements are necessary to align with the latest DFE guidance on estate management. As a starting point DFE guidance should be reviewed, to identify any changes necessary.



### Family Hubs and Start for Life programme

#### 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.

### Disabled Facilities Grant (sign off)

#### 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 Internal Auditor.



## Follow-up Audits in Period

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

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

The project is now substantively complete with the establishing scheduled to reopen shortly.

1	Medium	<b>Project Health Check, Outstanding Actions</b> A Data Privacy Impact Assessment (DPIA) has been produced for the project. Use of MS Project was evaluated but not progressed, as this would have impacted on the ability of wider team members to contribute to project planning.	Closed: Verified
2	Medium	<b>Risk Management</b> Appropriate support was provided to the Project Manager, to enable them ensure project management was appropriately resourced.	Closed: No Longer Applicable
3	Medium	<b>Communications Plan</b> A revised Communications Plan was provided to Internal Audit, referencing how key stakeholders will be engaged with.	Closed: Verified
4	Medium	<b>Oversight and Reporting</b> Highlight reporting was produced in sufficient detail and shared in advance of board meetings, to enable board members to oversee the project.	Closed: Verified

Fleet and Hire Cars					
Original Exceptions Raised				First Follow-up Level	Second Follow-up Level
Critical	High	Medium	Low	Reasonable Assurance	Reasonable Assurance
0	1	2	0		

Progress has been made regarding providing photographic evidence of accident damage, however progress in other areas is more limited.

1	High	<b>Contract</b> Finalising a contract covering hire cars has been delayed, primarily due to the need to clarify contract terms.	In Progress
2	Medium	<b>Pre and Post Journey Checks</b> Revised logbooks need to be rolled out, to enable staff to record checks with an appropriate level of detail. For example, specifying whether checks are 'pre' or 'post' journey.	Open
3	Medium	<b>Accident and Incident Reporting</b> For 50% of the sample (ten incidents) reviewed by Internal Audit were not reported within the required 48 hours, although photographic evidence was provided for all bar one of the ten incidents reviewed.	In Progress



## 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
<b>Adult Services</b>							
Better Care Fund (subset)	■				Pending		
Homelessness	■				Pending		
Adults Financial Management (Debt Recovery)	■				Fieldwork		
Hospital Team/Discharge Process		■			Suspended		Suspended, due to reorganisation in Service, impacting this team.
Deferred Payments		■			Final	Reasonable	Reported in September.
<b>Children's Services</b>							
Direct Contact & Supervision	■				Fieldwork		
Cowes Primary School	■				Final	Reasonable	Included in this report.
Holy Cross Catholic Primary School	■				Final	Reasonable	Included in this report.
Island Learning Centre (Pupil Referral Unit)	■				Pending		
Out of Area Placements (Care)	■				Fieldwork		
School Financial Management Standard (SFVS)	■				Final	Reasonable	Reported in September.
Children's Key Financial Controls	■				Fieldwork		
Transition, Children to Adults		■			Pending		
St Mary's School		■			Fieldwork		
Oakfield School		■			Pending		
Brighstone School		■			Final	Reasonable	Reported in September.
Early Years		■			Fieldwork		
Family Hubs and Start for Life programme				■	Final	Assurance	Additional grant, included in this report.
Troubled Families (Children's)				■	Fieldwork		



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





Audit	Full	First Follow-up	Second Follow-up	Grant	Status	Assurance Level	Comments
Bereavement		■			Final	Reasonable	Reported in September.
Disabled Facilities				■	Final	Assurance	Included in this report.
Local Transport Capital Funding				■	Final	Assurance	Reported in September.
Bus Subsidy				■	Pending		
<b>Public Health</b>							
Public Health Outcomes		■			Final	Assurance	Reported in September.
<b>Regeneration</b>							
Venture Quay	■				Fieldwork		
Asset Disposals		■			Pending		
Planning and Enforcement		■			Pending		
<b>Strategy &amp; Corporate</b>							
Contract (TBC from across the organisation)	■				Pending		
Budget Savings	■				Fieldwork		
Risk Management (directorate arrangements)	■				Pending		
Gouldings Project		■			Final	Assurance	Included in this report.

This page is intentionally left blank

## Committee Report

### ISLE OF WIGHT COUNCIL

Committee	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Date	<b>11 DECEMBER 2023</b>
Title	<b>ANNUAL FRAUD, IRREGULARITY AND WHISTLEBLOWING REPORT 2022-23</b>
Report of	<b>CHIEF INTERNAL AUDITOR</b>

---

### 1. Executive Summary

- 1.1 This report is to inform the committee of any incidents of fraud and irregularity experienced by the council during the period 1 April 2022 to 31 March 2023. All cases are reported at the conclusion of an investigation and where applicable a prosecution.

### 2. Recommendation(s)

- |  |
|--|
| 2.1 The Audit and Governance Committee notes the report of the Chief Internal Auditor. |
|--|

### 3. Background

- 3.1 The council continues to have a comprehensive array of strategies and associated policies to counter the risk of fraud and corruption, including:

- Counter-Fraud and Corruption Strategy
- Codes of Conduct for employees and for members
- Audit and Governance Committee
- Financial Regulations
- Contract Standing Orders and associated Procurement Code
- Policies and processes, including Gifts & Hospitality
- Monitoring Officer and Section 151 Officer
- Complaints Policy
- Whistleblowing Policy
- National Fraud Initiative
- Internal audit
- External audit
- Compliance with transparency requirements
- Systems and controls which are designed to counter-fraud and error

- Processes for managing risks
- A comprehensive system of budget monitoring

#### 4. Corporate Priorities and Strategic Context

- 4.1 As the steward of public funds and the custodian of public assets, the council must ensure that its operations are protected from fraud. If undetected, fraud will mean that taxpayers' moneys and contributions received from service users will be wasted and not available for spending on services, placing even more pressure on the council's budget.

##### Provision of affordable housing for Island Residents

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

##### Economic Recovery and Reducing Poverty

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

##### Impact on Young People and Future Generations

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

##### Corporate Aims

- 4.5 Supports the Corporate Plan core value of being fair and transparent and the aspiration to Keep the Isle of Wight Council solvent and take all the measures we can to improve the financial position of the council.

#### 5. Work Carried Out

##### General

- 5.1 Joint working with the Department of Work and Pension (DWP) for the year have resulted in six cases being investigated. The DWP take the lead for joint working and determine actions proposed. All six cases are awaiting finalisation.
- 5.2 Twenty-Three cases either Council Tax reduction or Housing Benefits were investigated. Sixteen of those have identified and created overpayments of £2,266 and £8,638 respectively.
- 5.3 Four instances of thefts with an estimated value of below £5,000 occurred where either support was provided to the service to investigate, or an investigation/ audit was performed by Internal Audit. For two of these cases the perpetrators were identified and no longer work for the authority. For the remaining two, the perpetrators could not be identified however control arrangements have been significantly enhanced.
- 5.4 Work is ongoing in several areas which includes the following:
- Coordinating the National Fraud Initiative (NFI) requirements (a mandatory requirement of the Cabinet Office). The biennial data submission results are currently in the process of being reviewed.

- Data analytics using the functions of IDEA (software tool) has been set up for duplicate payments. During the 2022/23 financial year a total of 11 duplicate payments were highlighted, at a total value of £28,838.22. Of this £23,097 has been recovered.
- The reviewing of relevant policies and processes that are in place for the investigation of theft/ fraud and misappropriation across areas of the council.

### Direct Payments

- 5.5 Direct Payments investigations have also continued, with four current cases under investigation. An update will be provided in due course.

### Traffic Offences

- 5.6 Assistance is provided to the Parking Service in relation to the misuse of disabled blue badge. Three cases have resulted in the offender being interviewed under caution, with a further four cases issued warning notices.

### Whistleblowing

- 5.7 There has been no instances of whistleblowing reported during the period 1 April 2022 to 31 March 2023. Arrangements are in place to record concerns raised this includes, a whistleblowing register and unique email address called 'Whistleblowing' which is aimed at providing individuals with a means of formally raising their concerns in a confidential manner.

## 6. Consultation And Engagement

- 6.1 Internal consultation has taken place over this report, liaising with those responsible for receiving and recording incidents of whistleblowing in accordance with policy and with senior management who are often the recipients of allegations of irregularity.

## 7. Financial / Budget Implications

- 7.1 Fraud, if undetected will have a direct impact on the council's financial well-being and will deny the use of resources for service delivery or to meet the council's savings requirements.

## 8. Legal Implications

- 8.1 There are no direct legal implications of this report. The council has a duty to administer its financial affairs in a proper manner. Part of that requirement is that the council must protect itself, taxpayers and service users from the risk of fraud and other irregularity. The council may initiate prosecutions for fraud or liaise with appropriate body depending on the type of offences alleged.

## 9. Equality And Diversity

- 9.1 The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and

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

## 10. Property Implications

10.1 There are no direct property implications of this report.

## 11. Risk Management

11.1 It is important for the council to recognise the risk from fraud. That means it must continue, as a minimum, to use the measures that are set out in paragraph 3 to counter that risk. Investment in anti-fraud measures can be cost-effective in reducing the cost of fraud which has the potential to impact on over £300 million of council spending and income. There is a fraud risk held on the council's risk register intended to manage the risk of fraud and to ensure that controls continue to operate to counter the risk.

Contact Point: Elizabeth Goodwin, *Chief Internal Auditor*, ☎ 02392 834682  
e-mail [Elizabeth.goodwin@portsmouthcc.gov.uk](mailto:Elizabeth.goodwin@portsmouthcc.gov.uk)

CHRIS WARD  
*Director of Finance and Section 151 Officer*

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

## Committee Report

### ISLE OF WIGHT COUNCIL

Committee	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Date	<b>11 DECEMBER 2023</b>
Title	<b>PROCUREMENT ACTIVITY REPORT FOR THE HALF YEAR 1 APRIL 2023 – 30 SEPTEMBER 2023 (Q1&amp;2 2023/24)</b>
Report of	<b>CABINET MEMBER FOR CHILDREN'S SERVICES, EDUCATION AND CORPORATE SERVICES</b>

---

#### 1. Executive Summary

1.1 This report provides the committee with a high-level overview of the council's procurement and contract monitoring activity for the period 1 April 2023 to 30 September 2023 inclusive.

1.2 The committee is asked to note the report.

#### 2. Recommendation(s)

2.1 The Audit and Governance Committee notes the Procurement Activity report.
---

#### 3. Background

3.1 The Procurement and Contract Monitoring Teams (the PCMT) are a central resource, providing advice and guidance to all council departments on procurement and contract monitoring related matters primarily where the contract value is over £25,000. The PCMT is also responsible for drafting the council's contractual terms and conditions with its suppliers and for giving contract management advice and guidance.

3.2 A key role of the PCMT is to ensure compliance with the Public Contracts Regulations 2015 (PCR15). These regulations apply to the majority of procurements with a total value over a specified threshold. Procurements which are below threshold are not covered by the PCR15 but are still subject to the council's own contract standing orders (CSOs).

3.3 The UK's transition out of the European Union ended on the 31 December 2020. On the 15 December 2020, the Cabinet Office published a Green Paper putting forward proposals to transform public sector procurement post transition. The Cabinet Office

has stated that the reform is an “*opportunity to leverage public procurement spend to deliver national and local government priorities to a greater extent than has previously been possible*”. On 26 October 2023, the Procurement Bill received Royal Assent and now passed into law as the Procurement Act 2023. The PCMT will be identifying training and revisions to council process documentation to reflect the requirements of the new legislation ahead of full implementation in the Autumn of 2024.

#### 4. Corporate Priorities and Strategic Context

##### Responding to the Climate change and enhancing the biosphere

- 4.1 The council has set a target to achieve net zero emissions:
- in its business and delivery of services by 2030;
  - across the school estate by 2035; and
  - as an island by 2040.
- 4.2 In order to minimise harm to the environment and to promote conservation of natural resources, commissioners are required to consider climate, environment and UNESCO biosphere impact in the pre procurement planning stages of their project and build appropriate criteria into their procurement documents. The Climate and Sustainable Development Impact Assessment Tool has now been linked into the procurement initiation form that commissioners complete at the outset of the procurement to ensure identification of the key environmental and sustainability requirements for each procurement.
- 4.3 The application of environmental and sustainability requirements in contract performance monitoring/reporting, tender evaluation criteria and specifications must be relevant and proportionate to the subject matter of the contract. Where appropriate, this will be extended to evaluate environmental management through supply chains in relation to how the council’s suppliers will encourage sustainability amongst its sub- contractors.

##### Economic Recovery and Reducing Poverty

- 4.4 Progress towards economic recovery and the reduction of poverty is a key outcome for the council, and this is reflected in the Corporate Plan 2021-25.
- 4.5 The council’s CSOs and Procurement Strategy promotes the use of social value criteria in our procurement processes.
- 4.6 The Public Services (Social Value) Act 2012 requires all service contracts governed by the Public Contracts Regulations 2015 to be subject to appropriate social value criteria. The Act requires that contracting authorities should consider not only how to improve the economic, social and environmental well-being of the local area served by them, but also how to undertake the process of procurement with a view to securing that improvement and measuring it during the life of the contract.
- 4.7 The Council has taken this a step further and has included within its CSOs the requirement to informally apply the Act to all contracts with a whole life value of over £25,000, where appropriate.



- 4.8 Social value cannot be used to discriminate on the basis of geography of a supplier, but they can identify local benefits that can be delivered through the contract being delivered in a specific area for example targeted training and recruitment, local educational support initiatives, community and environmental initiatives, use of local supply chains.

Impact on Young People and Future Generations

- 4.9 Whilst this report has no direct impact on young people and future generations, commissioners are required to consider how their commissioning and procurement activity can contribute to this aim. Strategies to address this will be considered on a project-by-project basis and this could include consultation and coproduction of specifications with young people.

Corporate Aims

- 4.10 Through the procurement process, commissioners will be supported to consider how they can help to deliver the aspirations and priorities sets out in the Corporate Plan [Corporate Plan 2021 - 2025](#).

5. OVERVIEW OF PROCUREMENT ACTIVITY FOR REPORTING PERIOD 1 APRIL 2023 – 30 SEPTEMBER 2023 (QUARTERS 1 AND 2 OF FINANCIAL YEAR 2023/24)

CONTRACTS AWARDED

- 5.1 During the reporting period a total of 33 contracts were awarded. **Table 1** below shows a comparison, by directorate, of the number of contracts awarded in the previous two reporting periods. A detailed breakdown of the contracts awarded can be seen at **Appendix 1**.

5.2 **Table 1**

Directorate	Quantity Q1&2 2023/24	Quantity Q3&4 2022/23	Comparison data Q1&2 2022/23
Adult social care & community well-being	2	21	27
Children’s services	11	20	31
Corporate services	13	11	18
Financial management	-	2	0
Neighbourhoods	2	6	7
Public health	1	1	1
Regeneration	4	17	8
Strategy	-	7	7
<b>TOTAL</b>	<b>33</b>	<b>85</b>	<b>99</b>

5.3 The total whole life value of contracts awarded during the current reporting period is £18.4 million. A breakdown by directorate is provided at **Table 2**.

5.4 **Table 2**

Directorate	Quantity Q1&2 2023/24	Quantity Q3&4 2022/23	Comparison data 2022/23 Q1&2
	£000	£000	£000
Adult social care & community well-being	284	3,681	5,505
Children's services	3,289	2,651	6,502
Corporate services	3,236	1,480	3,636
Financial management	0	63	0
Neighbourhoods	370	1,167	1,086
Public health	1,788	25	158
Regeneration	9,457	4,682	1,476
Strategy	0	360	410
<b>TOTAL</b>	<b>18,424</b>	<b>14,109</b>	<b>18,773</b>

CONTRACT DATABASE

5.5 The Procurement and Contract Monitoring teams maintains a database of contracts with a whole life value of over £25,000. There are currently 387 entries with a whole life value totalling over £1.2 billion, broken down as follows:

**Table 3**

Directorate	Number of contracts	£m
Adult social care & community well-being	73	150
Children's services	89	46
Community Services	66	969
Corporate services	115	24
Finance	6	0.5
Public health	34	26
Strategy	4	17
<b>TOTAL</b>	<b>387</b>	<b>1,233</b>

## WAIVERS OF CONTRACT STANDING ORDERS

- 5.6 Service areas have the ability to request a waiver of the CSOs. Waivers may be sought in unforeseen or exceptional circumstances but must not be sought for reasons of poor planning nor as a means to by-pass the CSOs. Waivers cannot be given if they would contravene the Public Contracts Regulations 2015 or any other applicable legislation. Waivers may be utilised where it can be demonstrated that the ability to act quickly to engage a single supplier would make economic sense and fit with service requirements, in circumstances where there is no more effective way to secure the capacity.
- 5.7 For waivers and contract price variations, the Procurement Board will consider the request. The membership of the board comprises the director of corporate services, procurement and contracts manager, pension fund manager and the strategic manager for legal services.
- 5.8 During the period, 39 waivers were approved. **Table 4** below sets out a high-level overview of the waivers with a comparison to the data collated for the previous two half yearly reports.

**Table 4**

Directorate	Quantity Q1&2 2023/24		Quantity Q3&4 2022/23		Comparison data Q1&2 2022/23	
	Number	£000	Number	£000	Number	£000
Adult social care & community well-being	5	£727	19	£3,472	25	£2,259
Children's services	21	£3,212	19	£2,356	24	£4,092
Corporate services	6	£239	2	£142	3	£185
Financial management	1	£40	1	£38	0	0
Neighbourhoods	3	£138	1	£45	3	£188
Public health	1	£234	1	£25	1	£158
Regeneration	2	£267	5	£271	2	£69
Strategy	0	0	0	0	0	0
<b>TOTAL</b>	<b>39</b>	<b>£4,857</b>	<b>48</b>	<b>£6,349</b>	<b>58</b>	<b>£6,951</b>

- 5.9 The committee will note the much-reduced number of waivers from the adult social care & community well-being needs directorate although Children's Services continues to show a high number.
- 5.10 It should be noted that the waivers from adult social care and children's services are typically for placements where the placement is very urgent or as a result of imminent hospital discharge, or the care setting is determined by service user specific needs, family consideration or court order decisions.
- 5.11 A detailed list of the waivers can be seen at **Appendix 2**.

## 6. PROCUREMENT STRATEGY 2022-2025

- 6.1 The Procurement Strategy (the strategy) was approved by Cabinet at its meeting on the 13 October 2022. The principal purpose of the strategy is to set the overall context for procurement and contract management in the council. The strategy builds on existing good practice and maps the future developments and likely improvements in the way the council approaches its procurement and contract management activities. It is increasingly important that the council ensures value for money and identifies the full potential of procurement and contract management as a tool for delivering the council's long-term goals set out in the Corporate Plan.
- 6.2 Through the delivery of the strategy the council will help local (including small) businesses and suppliers wherever and insofar as overriding rules allow, and particularly in a way that supports the delivery of the council's strategic priorities. This includes generating economic growth, helping our communities recover from the Covid-19 pandemic, and supporting the Biosphere and Mission Zero.
- 6.3 The Strategy is focused around four key themes:
- Local community wealth building
  - Climate and environment
  - Commercial approach
  - Skills and capabilities
- 6.4 The strategy maps out planned activities for the three-year term in the form of an action plan linked to each of the four themes. A copy of the action plan and progress made against the strategy can be seen at **Appendix 3**.
- 6.5 In the first year of the strategy, good progress has been made against the strategy actions with several actions being complete and now forming part of 'business as usual'.
- 6.6 Due to team capacity over the reporting period and the recent appointment of the new permanent Procurement team leader, a review of the target dates will be undertaken during Q3 and Q4 of financial year 2023/24.
- 6.7 One area that has been progressed during the reporting period covered by this report is the link of the council's Climate and Sustainable Development Impact Assessment Tool with the Procurement Initiation form to provide guidance and assistance to service areas on how to consider the impact from the proposed procurement.

## 7. CONTRACT MONITORING

- 7.1 The council's contract monitoring system is used to ensure that suppliers to the council are fulfilling their contractual obligations and will highlight where contracts are not performing. This will allow early intervention to remedy issues and will automatically flag to senior management where a supplier's performance is falling below an acceptable level.
- 7.2 The monitoring system also trigger alerts for reviews, it asks contract managers to confirm that they have received their supplier monitoring reports and it is a central location for contract data to be stored.

- 7.3 There are currently 90 contracts loaded in the contract monitoring system with a combined total of 2,186 performance measures. **Table 5** breaks this down by directorate.

**Table 5**

<b>Directorate</b>	<b>Number of contracts</b>	<b>Number of KPIs</b>
Adult social care & community well-being	30	1,060
Children's services	35	722
Corporate services	8	119
Financial management	0	0
Public health	2	53
Community Services	15	232
Strategy	0	0
<b>TOTAL</b>	<b>90</b>	<b>2,186</b>

- 7.4 As well as monitoring contract performance against each key performance indicator, the system provides an overall RAG (red, amber, green) rating for each contract. During the reporting period, there were 7 red KPIs and 4 amber KPIs across all contracts, two within the adult social care & community well-being directorate, seven in Children's Services and 2 in Community Services. The system clearly shows where the issues are occurring and allows for early intervention to work with the suppliers to remedy the issues in accordance with the contract.
- 7.5 Contracts that are not yet loaded into the contract monitoring system are being managed by each service and each contract manager is responsible for ensuring the contract is performing as it should and that appropriate records are being kept as evidence.
8. Consultation And Engagement
- 8.1 This report is for information purposes regarding the council's procurement activity and does not require consultation to have been undertaken.
9. Financial / Budget Implications
- 9.1 There are no direct financial or budgetary implications arising from this report although all procurement decisions directly contribute to the council's total expenditure and therefore any reduction in the amount of spend as a result has a direct beneficial impact on the council's budget position.

## 10. Legal Implications

- 10.1 Procurement by public bodies is subject to a rigorous regulation principally via the Public Contracts Regulations 2015 (which came into force on 26 February 2015). In addition, the council has its own contract standing orders. The council is also required to comply with other legislation when conducting procurements, for example that relating to equality, modern slavery and social value.

All procurements with a whole life value over £25,000 are overseen by the PCMT ensuring robust governance of the council's procurement activity in accordance with our contract standing order requirements.

## 11. Equality And Diversity

- 11.1 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.

- 11.2 There are no direct equality and diversity implications arising from this report. However, commissioners are required to consider equality and diversity matters in the pre procurement planning stages of their project and build appropriate and proportionate criteria into their procurement documents.

## 12. Property Implications

- 12.1 There are no property implications arising from this report. Any considerations would be made as part of individual procurements and commissioners are required to consider these in the pre procurement planning stages of their project and seek appropriate specialist advice.

## 13. Risk Management

- 13.1 Failure to observe the relevant legislation and the council's contract standing orders has the potential to pose a significant threat to the council's financial health and reputation. Such risk could take many forms including the risk of legal challenge resulting in financial penalties and the potential for negative publicity together with the risk that a contract could be deemed to be void.

- 13.2 These risks are mitigated with the involvement of the PCMT in all procurements valued over £25,000. The risks are considered higher at this value as this is the trigger for advertised open market competition where the risk of challenge is greater.

- 13.3 Any purchase order valued over £20,000 is sent to the PCMT. This is an additional approval step prior to financial approval where the PCMT will check that the spend complies with the relevant procurement rules and regulations.

- 13.4 In Q4, 2023/24, a refresh and re-commencement of in-house training programme for commissioners and service managers is planned. This programme is designed to build understanding of the need to comply with to the council's CSOs and also the Public Contracts Regulations 2015.
14. Evaluation
- 14.1 No options are being proposed as part of this report which is for information only.
15. Appendices Attached
- 15.1 Appendix 1 - Contracts awarded in the period 1 April 2023 to 30 September 2023 (Q1 and Q2 2023/24).
- 15.2 Appendix 2 – Details of waivers approved in the period 1 April 2023 to 30 September 2023 (Q1 and Q2 2023/24).
- 15.3 Appendix 3 – Procurement strategy action plan update

Report Author: Alice Hadridge, Interim Procurement Team Leader  
Contact Point: Lesley Kinnear, Procurement Team Leader, ☎ 821000 e-mail  
[Lesley.kinnear@jow.gov.uk](mailto:Lesley.kinnear@jow.gov.uk)

CLAIRE SHAND  
*Strategic Director of  
Corporate Services*

CLLR JONATHAN BACON  
*Cabinet member for Children's Services,  
Education and Corporate Services.*

This page is intentionally left blank



**APPENDIX 1 - Contracts awarded in the period 1 April 2023 to 30 September 2023  
(Q1 and 2 2023/24)**

Directorate	Contract title	Contract value £000
Adult Social Care & Community Well-Being	Information, Advice and Guidance Service <i>Service for Adults on the island offering advice and guidance around areas such as housing, welfare and benefits, debt, legal and consumer rights, employment, health and wellbeing, caring and care options.</i>	919
	Voluntary, Community Social Enterprise Service <i>Service supporting island based VCSE organisations to help them develop and grow their services, recruit/retain volunteers, demonstrate impact and social value, optimise longer term financial stability.</i>	250
	TRI-X (Adult Social Care online practitioners guidance)	35
Children's services	Food Voucher Scheme <i>As part of the connect4communities project provision of food voucher scheme to eligible residents over the 2023-2024 financial year</i>	946
	High Needs School Demand and Capacity Consultancy Services	295
	Attendance Monitoring Service And Attainment Data Collection For Children In The Care of The Isle Of Wight Council	61
	ePEP Electronic Personal Education Plan <i>this is part of a Looked After Child's care plan written and agreed jointly by the young person, the school and the local authority. Led by Hampshire and Isle of Wight Virtual schools</i>	36
	Support and Maintenance of Existing Licences for Management Information System for Education and Childrens Services (EMS) - DN330113 to include Early Year Modules (EMS) - DN453270	79
	Fire Doors and Compartmentation Works at Hunnyhill Primary School	59
	Replacement roof, kitchen canopy and fire alarm at Carisbrooke Primary school	493
	Creation of a new pathway to the school field and steps to the playground at Haylands Primary school	58
	Medina House School Internal Alterations and Boiler Replacement	507
	Medina College Fire Alarm	300
	The Bay Replacement Roof	415
Broadlea Primary School: Block demolition, classroom remodelling and fire safety works, demolition of Nissan hut and relay playground	573	
Corporate Services	Adobe Licence <i>Purchase of Adobe licence for users across the council</i>	55
	Microsoft Enterprise Licences <i>Purchase of 3 year licences to use Microsoft products</i>	1,595
	Granicus - eNewsletter Platform <i>Continuation of e-news facility providing direct email to users that have signed up to receive council updates on news and services</i>	19
	Office Supplies <i>3 year contract for provision of office suppliers across the council based on a core list of products with others as required.</i>	133
	Supply of Lenovo laptops <i>Contract for purchase of new laptops for council staff</i>	657

Corporate Services	Supply of Mobile Phones <i>Contract for purchase of new mobile phones for council staff</i>	101
	Mobile Phone (service/calls) contract <i>Contract for mobile phone call charges and network service provider</i>	104
	Core Network Switch Replacement <i>Purchase of replacement network switches for the Data Centre Cores and ongoing support and maintenance</i>	212
	New Server Hardware <i>Purchase of two new servers</i>	32
	First Aid Training <i>Three year contract for first aid training for a range of learners, all island based, including provision at council, residential care or school environments.</i>	165
	DSI Billing <i>The provision of a hybrid offsite mail solution to cater for the printing and mailing of documents for the Business Centre to include council tax and business rate notices, benefit notification letters, Invoices, general letters, care billing and settlement statements. This will cover annual bills for the authority and all adhoc mailings from the Business Centre</i>	120
	Cyber Security Training <i>Purchase of in person CISM and CISSP cyber security training courses, utilising DLUHC funding.</i>	44
	PEN Testing <i>Cyber security penetration testing providing an authorised simulated attack on ICT assets to identify vulnerabilities and risks.</i>	44
Neighbourhoods	Commercial Waste and Recycling from IW Council Offices	TBC
	New Catafalque and Furniture Refurbishment at Isle of Wight Crematorium	70
Property Services	Replacement Close Control Cooling for Data Centre <i>Replacement cooling equipment at the data centre</i>	144
Public Health	Integrated Domestic Abuse and Sexual Crime Service - LOT 1 (victims and survivors), <i>Service providing community and safe accommodation based crisis and longer term support services and training, prevention and awareness-raising activities.</i>	1,7889
	Integrated Domestic Abuse and Sexual Crime Service - LOT 2 (for people using abusive behaviours)	176
	Tier 2 Weight Management service <i>Service provides for behavioural weight management support to adults including healthy weight administration and referral hub, information and signposting, face to face and digital weight management programmes.</i>	236
Regeneration	Gas Supply to Isle of Wight Council (Multiple Sites)	2,000
	Flexible Electricity Supply to Isle of Wight Council (Multiple Sites) both Half Hourly and Non Half Hourly	6,800
	Replacement Windows at County Hall (Old Building)	506
	Newport Harbour Cultural Centre Feasibility Study	152

**APPENDIX 2 - Details of waivers approved in the period 1 April 2023 to 30 September 2023 (Q3 and 4 2022/23)**

<b>Contract title</b>	<b>Value £000</b>	<b>Directorate</b>	<b>Details of the waiver</b>	<b>Long term action plan</b>
Mainland Residential Placement	116	Adult Social Care & Community Wellbeing	Mainland placement to enable hospital discharge. No island placement available or able to meet the complex care needs of the individual.	The frequency of mainland placements continues to be monitored. Currently not considered frequent or predictable enough to justify a full open tender competitive procurement. Also, individual needs dictate the facilities used.
Mainland Supported Living Placement	358	Adult Social Care & Community Wellbeing	Service user transitioned from Childrens services and was placed in a supported living unit on the mainland however this did not work for the individual and an urgent move to an alternative facility was required, also on the mainland to ensure close to college attended.	
Mainland Residential Placement	57	Adult Social Care & Community Wellbeing	Mainland residential placement required to support Service user currently in island home but wishes to move to be closer to family.	
Mainland Residential Placement	124	Adult Social Care & Community Wellbeing	Mainland residential placement to enable service user to be closer to family	
Support for Winter Pressure	234	Adult Social Care & Community Wellbeing	Domiciliary care contract to provide additional market capacity (6 staff from mainland to supplement on island care staff) to support Winter pressures and support a 'home first' approach and avoid need for higher cost residential placements.	Longer term recruitment strategy in place but further capacity needed in short term. Quotations were obtained so some competition was demonstrated.

Home-Start Isle of Wight	72	Children's Services	The contract is for Home-Start to work with families that have a child under the age of 5. They will work with them intensively for up to 12 months. The worker will provide support to the whole family under the selected Supporting Families criteria headings and provide evidence of outcomes for Department of Levelling Up, Housing and Communities Payment by Result. Very limited market on island with this being sole supplier able to deliver on island support.	Due to very limited market, contract extension option agreed as part of waiver up to 31/3/25, subject to funding.
Supported Lodgings	130	Children's Services	Placement with a current framework provider but a different property not yet included. The provider have applied for this venue to join framework.	
Supported Lodgings Placement	130	Children's Services	Extension of existing short-term waiver agreed for 3 months approved on 23.01.23, noting that the overall total for this placement is £293,330.57 (including extension)	
Supported Lodgings	130	Children's Services	Placement with a current framework provider but a different property not yet included. The provider has applied for this venue to join framework.	
Supported Lodgings	130	Children's Services	Placement with a current framework provider but a different property not yet included. The provider has applied for this venue to join framework.	
Mainland Supported Lodgings	82	Children's Services	Mainland placement to support needs of service user.	
Supported Lodgings placement	260	Children's Services	Extension of current contract no possible so new waiver required	
Residential placements	309	Children's Services	Move to residential placement from IFA foster carer due to needs of the child escalating	
Residential Placement	116	Children's Services	These are care leavers placements previously paid to the carer directly but now	

			transacted by the council with the provider.	
Care Leaver Supported Lodgings	130	Children's Services	Move from foster care, Placement with a current framework provider but a different property not yet included. The provider has applied for this venue to join framework.	
Care Leaver Supported Lodgings placement	130	Children's Services	Move from foster care, Placement with a current framework provider but a different property not yet included. The provider has applied for this venue to join framework.	
Supported Lodgings placement	400	Children's Services	P&C placement required to assess parenting skills, for 3 month period.	
P&C Residential placement	499	Children's Services	Residential Crisis Assessment Placement – Solo with 2:1 staffing. No framework placement available to offer this level of support	
Residential Placement	0.99	Children's Services	Previous provider gave immediate notice due to increasing behaviours, no mainland supported lodgings available via a framework	
Mainland Supported Lodgings	49	Children's Services	Previous provider gave immediate notice, no mainland supported lodgings available via framework	
Mainland Supported Lodgings	103	Children's Services	Previous provider gave immediate notice, no supported lodgings available via framework on mainland	
Mainland Supported Lodgings	103	Children's Services	Previous provider gave immediate notice due to increasing behaviours, no mainland supported lodgings available via a framework	
SEN Education Placement - Beechfield School	38	Children's Services	This is a specialist setting that meets the SEN needs specific to this student. This pupil is Looked After and needs to stay with foster parents. The Local Authority (Staffordshire) have found this specialist settings to place this pupil. We need to support this placement under the "Belonging Regulations" as the pupil's family live on	

			the island. The young person has been successfully placed since November 2021	
SEN Residential Placement - Aspris Group - Coxlease School	216	Children's Services	This is a specialist setting that meets the SEN needs specific to this student	
Upton Park Speech and Language Therapy Ltd	32	Children's Services	This is a specialist setting that meets the SEN needs specific to these students. The Council has a few students with Education Health and Care Plans that require this specialist service. Once written in a plan the council must deliver the service and this provider has a lot of experience in working with children who have Speech and Language difficulties.	
Mainland Supported Lodgings	41	Children's Services	Service user needed to move to a mainland location for which no framework is available.	
SEN Educational Placement - Yarrow Heights	183	Children's Services	This is a specialist setting that meets the SEN needs specific to this student. The council consulted with schools on and off island, this is the best solution for this young person.	
SIP Trunk & Leased Line Contract Of Service	27	Corporate Services	Extension of support and maintenance agreement for SIP trunks which support IWC council telephony system for inbound and outbound calling capabilities	Extension while plans for new customer contact system are developed.
Purchase of 2 second-hand minibus currently used by schools	69	Corporate Services	The purchase of two second-hand minibus from the lease company at expiry of lease at advantageous pricing.	One off purchase.
Mobile Phone Contract	28	Corporate Services	Further waiver to continue mobile phone contract with EE while new competition via CCS framework is concluded.	New contract now in place following competitive process against framework. No further waiver expected.

Business Rates Rateable Value finder and Appeals Forecasting tool	38	Corporate Services	Provision of software services for the Revenues and finance departments to utilise specialist services to locate business rates properties which are not currently valued for rates. Also, the service is used by finance department to forecast how the number of appeals received may affect revenue budgets	Specialist provider
Developing Leaders Programme	50	Corporate Services	This contract is for the provision of a self-managed leadership programme for those in leadership roles (or aspiring to be) from across the IWC. Waiver requested to use the same provider as the pilot programme to allow the council to continue to refine and improve, learning from and building on the success of the previous programme.	Future programme requirements should be procured competitively to ensure best value can be demonstrated.
Purchase of Aruba Wireless Access points for the Gouldings	27	Corporate Services	Purchase of Aruba Wireless access points and mounting brackets for full wireless coverage at the Gouldings as part of the refurbishment. Competitive quotes were obtained by the department without procurement input as anticipated to be below £25k, but quotes came in over the threshold.	One off contract
Treasury Management Advisors	40	Finance	Provision of treasury management advisory services Joint procurement exercise with other LA's not successful and not awarded. Waiver to extend again to allow time for new procurement.	Intention is to reprocur competitively
Floating Bridge 6 – review of chain depth issue and operation	47	Neighbourhoods	Continued work to review and address issues with the floating bridge. Waiver requested to have continuity of provider of chain repairs.	Wider discussions on floating bridge options being held.
Food Inspection Programme	41	Neighbourhoods	A waiver to support continued provision of the service by a competent person as specified by the Food Standards Agency FSA to	Service area have agreed to compete this requirement for

			assist the team in delivering food hygiene inspections.	the new financial year.
Delivery of LUF projects & development of bids/ business case for LUF 3.	50	Neighbourhoods	To oversee the delivery of the councils LUF project in East Cowes (including Venture Quays) and develop a bid and/or business case for LUF 3 , which is due to be announced later in the Autumn.	The requirement had been sourced via Matrix but candidate did not turn up.
St Helens Primary School boiler replacement	37	Regeneration	To replace the boilers at St Helens Primary School that are at the end of their economic life and could fail at any time.	One off contract
Development consultancy services contract	230	Regeneration	To complete property related work on behalf of IWC's Regeneration team, in particular work relating to the sale of three high value and complex IWC sites, where sales are agreed and with lawyers, where contracts are likely to be signed in the next six months. No internal experienced capacity to support. Supplier has previously worked on these projects so has relevant experience.	Competitive procurement to be run for April 24



# Local Community Wealth Building Action Plan

How will we deliver this theme?	We will do this by:	Target date
<p>We will be explicit in our expectations of suppliers in meeting our Local Community Wealth objectives and we will seek commitments from them through the procurement process.</p>	<p>Updating our tender documentation to capture more information about the local benefits that will be delivered as part of our contracts.</p>	<p>By January 2023</p> <p><b>UPDATES:</b></p> <p><b>November 2022</b> - Where relevant, tender evaluation criteria is specifically tailored to require suppliers to set out the local benefits that the delivery of the contract will bring. For contracts that are managed using the council's contract monitoring system, the commitments are captured and monitored to ensure the successful delivery of the commitments made. Where a contract is managed outside of the system, the commissioner is required to implement appropriate processes to monitor the delivery of the local benefits.</p> <p><b>April 2023</b> - The council's tender documentation has been updated to require suppliers to inform whether they are a Category 1 or Category 2 supplier. This information has been collected for all contracts awarded via open market competition/framework agreement call off from 1 April 2022 and will be routinely collected for all contracts awarded, including waivers of contract standing orders going forward.</p> <p><b>October 2023</b></p> <p>The Climate and Sustainable Development: Impact Assessment tool will be added to the Procurement Initiation Form checklist to prompt service areas to complete the tool due to be launched in the council in November 23)</p>

	<p>Working with commissioners to encourage evaluation criteria that clearly sets out what the Council sees as valuable in our local area and seeks supplier commitments that meets the council's corporate objectives.</p>	<p>By December 2022</p> <p><b>UPDATES:</b></p> <p><b>26/11/2022</b> – workshop delivered to commissioners which explained the strategy, theme and implementation of these. Also available on the learning hub for others to watch.</p> <p><b>November 2022</b> - Where relevant, tender evaluation criteria is specifically tailored to require suppliers to set out the local benefits that the delivery of the contract will bring. For contracts that are managed using the council's contract monitoring system, the commitments are captured and monitored to ensure the successful delivery of the commitments made. Where a contract is managed outside of the system, the commissioner is required to implement appropriate processes to monitor the delivery of the local benefits.</p> <p><b>13/12/2022</b> - Updated Procurement Initiation Form with guidance about linking social value to corporate plan with example questions that can be included.</p> <p><b>April 2023</b> – waiver form has been updated to require commissioners seeking a waiver of contract standing orders to set out the local benefits that their contract can deliver and to demonstrate how these meet the objectives set out in the corporate plan and the procurement strategy.</p> <p><b>October 2023</b> – the roll out of the impact assessment tool will further support service areas in identifying aspects of their requirements that can bring local benefits.</p>
	<p>Implementing the findings of the Community Wealth Building</p>	<p>TBA based on CLES report.</p>

	work that CLES (Centre Local Economic Strategies) has done with the Council.	
We will include specific, measurable, realistic and timebound targets that will be used to capture the amount of community wealth being delivered as a result of the Council's procurement activity.	Updating our tender documentation to capture information about the local benefits that will be delivered as part of our contracts in a consistent and meaningful way.	By January 2023 <b>UPDATES:</b> <b>November 2022</b> - Where relevant, tender evaluation criteria is specifically tailored to require suppliers to set out the local benefits that the delivery of the contract will bring. For contracts that are managed using the council's contract monitoring system, the commitments are captured and monitored to ensure the successful delivery of the commitments made. Where a contract is managed outside of the system, the commissioner is required to implement appropriate processes to monitor the delivery of the local benefits. <b>October 2023</b> the roll out of the impact assessment tool will further support both tailoring of evaluation criteria relevant to the contract, but ensure relevant commitments are incorporated in the contract which can be monitored.
	Ensuring that where community wealth and social value expectations and criteria has been built into a procurement, we will also include key performance indicators /reporting measures which will require the supplier to report on	Ongoing <b>UPDATES:</b> <b>November 2022</b> - Where relevant, tender evaluation criteria is specifically tailored to require suppliers to set out the local benefits that the delivery of the contract will bring. For contracts that are managed using the council's contract monitoring system, the commitments are captured and monitored to ensure the successful delivery of the commitments made. Where a contract is managed outside of the system, the commissioner is required

	<p>their progress in delivering the benefits throughout the lifetime of the contract.</p>	<p>to implement appropriate processes to monitor the delivery of the local benefits.</p> <p><b>October 2023</b></p> <p>the roll out of the impact assessment tool will further support the identification of key performance indicators that can be used to report progress.</p>			
<p>We will develop reporting processes to capture the number of contracts awarded locally and the amount of spend with local suppliers. The aim will be to see this increase throughout the term of the Strategy as community wealth building activities start to embed.</p>	<p>Developing processes within the procurement and contracts team to collate and report on data relating to local spend (direct and indirect) and local contract awards.</p>	<p>By March 2023</p> <p><b>UPDATES:</b></p> <p><b>March 2023</b> – Two categories have been created to classify local suppliers:</p> <table border="1"> <thead> <tr> <th>Category</th> </tr> </thead> <tbody> <tr> <td><b>Category 1</b> – is a local supplier whose registered office is on the Isle of Wight.</td> </tr> <tr> <td><b>Category 2</b> – is a supplier who doesn't fall into the Category 1 classification but who has a local base and is employing local people to deliver the contract.</td> </tr> </tbody> </table> <p>This information is being captured for contracts awarded where the whole life value of the contract is over £25,000 and for contracts awarded via a waiver.</p> <p>The data forms part of the QPMR reporting</p>	Category	<b>Category 1</b> – is a local supplier whose registered office is on the Isle of Wight.	<b>Category 2</b> – is a supplier who doesn't fall into the Category 1 classification but who has a local base and is employing local people to deliver the contract.
Category					
<b>Category 1</b> – is a local supplier whose registered office is on the Isle of Wight.					
<b>Category 2</b> – is a supplier who doesn't fall into the Category 1 classification but who has a local base and is employing local people to deliver the contract.					
<p>We will work with anchor institutions to ensure, as far as possible, the adoption of the</p>	<p>Implementing the findings of the Community Wealth Building work that CLES (Centre Local Economic Strategies) has done</p>	<p><b>October 2023</b></p> <p>No further progress has been made.</p>			

Community Wealth principles within their organisations.	with the Council, which will include work with Anchor Institutions.	
We will ensure that our procurement processes are structured in such a way to support the delivery of this theme, where possible.	Promoting the use of Prior Information Notices to engage SMEs prior to the commencement of the procurement process.	<p>Ongoing</p> <p>Prior Information Notices are routinely used by commissioners to give prior notice to the market of our forthcoming contract opportunities. Early market engagement and intelligence gathered during this process is also used to help inform the subsequent procurement process.</p> <p><b>UPDATES:</b></p> <p><b>May 2023</b> – the Procurement Initiation Form has been updated to educate commissioners on the benefits of issuing a Prior Information Notice and to ask them to confirm whether they want to utilise it as part of their process.</p> <p><b>October 2023</b></p> <p>There will be a need to consider the impact of the upcoming Procurement Bill legislation once passed ahead of implementation in Autumn 2024.</p>
	Being mindful of the way in which we run and structure a procurement, such as breaking up larger contracts into smaller packages of work, so that our contract opportunities are accessible for SMEs.	<p>Ongoing</p> <p><b>UPDATES:</b></p> <p><b>May 2023</b> – the Procurement Initiation Form has been updated to require commissioners to consider breaking down their contracts into Lots. If they chose not to, justification must be provided.</p> <p><b>October 2023</b></p> <p>There will be a need to consider the impact of the upcoming Procurement Bill legislation once passed ahead of implementation in Autumn 2024.</p>

We will ensure that our procurement documents are streamlined and easy to understand	Reviewing the council's suite of procurement documents and refreshing the format and language used.	By February 2023 This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course when the Procurement and Contracts Manager replacement is in post in June 2023.
We will ensure that our procurement policy supports the delivery of this strategy theme.	Reviewing Contract Standing Orders to ensure they maximise the benefit to Island-based local partners/businesses to create a cyclical model of community wealth generation.	<b>October 2023</b> It is recommended that the Contract Standing Orders are reviewed and refreshed to reflect the upcoming Procurement Bill legislation once passed ahead of their implementation in Autumn 2024.

## Climate and Environment Action Plan

How will we deliver this theme?	We will do this by:	Target date
We will be explicit in our expectations of Suppliers in meeting our Climate and Environment objectives and we will seek commitments from them through the procurement process.	Updating the Procurement Initiation Document to be clearer to commissioners on the importance of including climate and environment related evaluation criteria, specification requirements and performance	By November 2022 <b>26/11/2022</b> – workshop delivered to commissioners which explained the strategy, theme and implementation of these. Also available on the learning hub for others to watch. <b>December 2022</b> – The Procurement Initiation Form has been updated to provide additional guidance to commissioners in relation to the council's climate and environment aspirations and how these can be incorporated in to their procurement process and contract requirements. This is a mandatory consideration and evaluation criteria, specification requirements and contract

	<p>measures. This will include making it a mandatory consideration for every procurement run by the council.</p>	<p>performance monitoring criteria will be built in to the procurement documents where relevant and in a proportionate way.</p> <p><b>Work in progress -</b></p> <p>Further work with Climate and sustainability officer has been instigated to see if the document can be further enhanced with signposting/education literature, specialist support for commissioners to maximise the benefits of including climate and environment expectations in the council's procurement process.</p> <p><b>October 2023</b></p> <p>The Climate and Sustainable Development Impact Assessment tool and associated resources is being incorporated as a link into the Procurement Initiation Form for use once the tool has been adopted formally by the council (expected November 23)</p>
	<p>Updating our tender documentation to require tenderers to demonstrate their strategies to reduce carbon in their operations and in their supply chain.</p>	<p>By November 2022</p> <p><b>UPDATES:</b></p> <p><b>December 2022</b> – The Procurement Initiation Form has been updated to provide additional guidance to commissioners in relation to the council's climate and environment aspirations and how these can be incorporated in to their procurement process and contract requirements, including carbon reduction initiatives.</p> <p><b>Work in progress -</b></p> <p>Further work with Climate and sustainability officer has been instigated to see if the document can be further enhanced with signposting/education literature, specialist support for commissioners to maximise the benefits of including climate reduction strategies in a relevant and proportionate way.</p> <p><b>15/05/23</b> – The need for further involvement from the council's climate and environment expertise has been highlighted to the Climate and Environment</p>

		<p>Programme Delivery Group for consideration. The relevant officers from the Waste and Environment service will be meeting with the Procurement team to agree a suitable approach to building this into the procurement process. A revised completion date will be set when the meeting has taken place.</p> <p><b>October 2023</b> – the Climate and Sustainable Development Impact Assessment tool will support the identification of how carbon reduction can specifically be built into the service specification for bidders to respond to.</p>
<p>We will include specific, measurable, realistic and timebound targets that will be used to capture the activities contributing to the Council's net carbon zero aspirations that are being delivered through the Council's procurement activity.</p>	<p>Ensuring that where climate and environment expectations and criteria has been built into a procurement, we will also include key performance indicators/reporting measures which will require the supplier to report on their progress in delivering the benefits throughout the lifetime of the contract.</p>	<p>Ongoing</p> <p><b>UPDATES:</b></p> <p><b>November 2022</b> - Where climate and environment expectations and criteria has been built into a procurement, the commitments are captured and monitored to ensure the successful delivery of the commitments made through the council's contract monitoring system. Where a contract is managed outside of the system, the commissioner is required to implement appropriate processes to monitor the delivery of the commitments made.</p> <p><b>October 2023</b> the roll out of the impact assessment tool will further support both tailoring of evaluation criteria relevant to the contract, but ensure relevant commitments are incorporated in the contract which can be monitored.</p>
	<p>Working with the sustainability team and the climate change team to put in place a process for collecting carbon</p>	<p>By February 2023</p> <p><b>UPDATES:</b></p> <p><b>15/05/23</b> – The need for further involvement from the council's climate and environment expertise has been highlighted to the Climate and Environment Programme Delivery Group for consideration. The relevant officers from the</p>



	<p>emissions data from Suppliers that are within scope (where they are not already reporting on this information).</p>	<p>Waste and Environment service will be meeting with the Procurement team to agree a suitable approach to building this into the procurement process. A revised completion date will be set when the meeting has taken place.</p> <p><b>October 2023</b> the Climate and Sustainable Development impact assessment tool will be incorporated into the procurement initiation form to prompt service areas at the start of a procurement and help identify the priority areas for a particular procurement including where carbon emissions data could be part of the contract reporting requirements.</p>
--	--	--

## Commercial Approach Action Plan

How will we deliver this theme?	We will do this by:	Target date
<p>We will work with Commissioning staff to consider delivery models, route to market and contracting mechanisms.</p>	<p>Working with the commercialisation agenda lead officer to update the Procurement Initiation Form to provide a framework of considerations and options that can help inform their procurements.</p>	<p>By November 2022</p> <p><b>UPDATES:</b></p> <p>This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course when the Procurement and Contracts Manager replacement is in post in June 2023.</p> <p><b>October 2023</b></p> <p>The upcoming Provider Selection Regime (expected January 24) and the new Procurement Bill legislation (due for implementation October 24) will impact on this theme of the strategy in varying ways. The new permanent Procurement Team Leader will consider the impact of the new regime and legislation and update accordingly.</p>

<p>We will promote the Council's Contract Management Framework and Toolkit 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.</p>	<p>Promoting the Contract Management Framework and Toolkit through the Vine, Manager's Brief and commissioner network</p>	<p>Ongoing</p>
<p>We will continue to develop the Council's Contract Monitoring System which will be a central system whereby the contract performance will be monitored, allow the early detection of poor performance which can be remedied quickly in line with the contract arrangements.</p>	<p>Engaging with commissioners pre procurement to demonstrate the benefits of the system and encourage its use to monitor contract performance.</p>	<p>Ongoing</p>
	<p>Engaging with contract managers to encourage existing contracts to be added to the system.</p>	<p>Ongoing</p>
<p>We will use contract monitoring data to assist with greater strategic planning for contracts that are due to expire, enabling effective options appraisal to be undertaken and new/creative solutions to be identified.</p>	<p>Working with commissioners and contract managers to demonstrate the benefits of using the data in the Contract Monitoring System and develop the use of the reporting aspects of the system.</p>	<p>Ongoing</p>

<p>We will ensure that our procurement policy supports the delivery of this strategy theme.</p>	<p>Reviewing Contract Standing Orders to ensure they are fit for purpose and supportive of this Procurement Strategy, the Commercialisation Strategy and the Corporate Plan.</p>	<p><b>October 2023</b></p> <p>The upcoming Provider Selection Regime (expected January 24) and the new Procurement Bill legislation (due for implementation October 24) will impact on this theme of the strategy in varying ways. The new permanent Procurement Team Leader will consider the impact of the new regime and legislation and work with the Monitoring officer to review the Contract Standing Orders accordingly.</p>
---	--	--

## Skills and Capabilities Action Plan

	How will we deliver this theme?	We will do this by:	Target date
<b>Staff</b>	<p>We will do this by reviewing and enhancing the training offered to staff involved in procurement and contract management activities and will cover all aspects of the procurement life cycle.</p>	<p>Working with learning and development to add bitesize training packages to the Learning Hub.</p>	<p>By September 2023</p> <p><b>October 2023</b></p> <p>This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course once the new Procurement Team leader has reviewed the current training offer.</p>
		<p>Setting up regular 'drop in' sessions to be set up for commissioners on key procurement and contract matters.</p>	<p>By April 2023</p> <p><b>October 2023</b></p> <p>This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course once the new Procurement Team leader has reviewed the current training offer.</p>

		Updating the in-house four-day training programme to cover the themes of this strategy.	By February 2023 <b>October 2023</b> This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course once the new Procurement Team leader has reviewed the current training offer.
We will review and enhance the guidance available to staff to assist with procurement and contract management activity. This will have a particular focus on how to deliver the aims of this Strategy and the Council's Corporate Plan.		Creating guidance on climate and environment considerations for Council staff involved in procurement and contract activity to assist them with their understanding of environmental issues and the benefits that it can bring when applied appropriately in a procurement process. This will also include guidance on managing a supplier to ensure delivery of their climate and environment contract commitments.	By April 2023 <b>UPDATES:</b> <b>15/05/23</b> – The need for further involvement from the council's climate and environment expertise has been highlighted to the Climate and Environment Programme Delivery Group for consideration. The relevant officers from the Waste and Environment service will be meeting with the Procurement team to agree a suitable approach to building this into the procurement process. A revised completion date will be set when the meeting has taken place.
		Creating guidance on the inclusion of community wealth building and social value criteria into the procurement process and the	By April 2023 <b>October 2023</b> This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in

		subsequent management of the supplier in relation to their commitments.	due course once the new Procurement Team leader has reviewed the current training offer.
		Creating guidance for Council commissioning staff on the different delivery models, routes to market and contracting mechanisms.	By April 2023 <b>October 2023</b> This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course once the new Procurement Team leader has reviewed the current training offer.
	We will develop training and guidance for sub £25,000 procurement and contract management activity.	Providing templates and guidance for commissioning and contract management staff to use for sub £25k procurements.	By September 2023 <b>October 2023</b> This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course once the new Procurement Team leader has reviewed the current training offer.
		Working with learning and development to create a training module to go on to the Learning Hub for sub £25k procurements.	By September 2023 <b>October 2023</b> This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course once the new Procurement Team leader has reviewed the current training offer.
	We will ensure that the procurement and contracts team keep up to date with forthcoming changes to the public sector procurement	Taking advantage of the learning and development programme that will be run by the Cabinet Office to support	TBC – dependent on Cabinet Office timetable <b>October 2023</b> The procurement team are starting to attend webinars related to the new regime and the new Procurement Team leader will

## Suppliers

	regime to enable the changes to be implemented successfully.	those operating within the new regime.	determine what other learning and development is needed more broadly across the council in relation to the upcoming changes.
	We will do this by reviewing our procurement processes to ensure they are fit for purpose and accessible to SMEs and VCSEs.	Reviewing of Contract Standing Orders to ensure they enable processes that are accessible to SMEs and VCSEs.	By August 2023 <b>October 2023</b> The upcoming Provider Selection Regime (expected January 24) and the new Procurement Bill legislation (due for implementation October 24) will impact on this theme of the strategy in varying ways. The new permanent Procurement Team Leader will consider the impact of the new regime and legislation and work with the Monitoring officer to review the Contract Standing Orders accordingly
		Reviewing stage 1 evaluation criteria to ensure there are no unnecessary barriers to SMEs and VCSEs.	By January 2023 <b>UPDATES:</b> <b>January 2023</b> – A review has been carried out of the stage 1 evaluation criteria to ensure that there are no unnecessary barriers in the procurement process that would hinder SMEs or the VCS from being able to engage with the council’s procurement processes. It has been concluded that the process is appropriate in its current form. Commissioners are required to ensure that their expectations of suppliers are relevant and proportionate, such as the setting of insurance levels. Suppliers have a number of ways that they are able to demonstrate financial standing and experience which is also supportive of SMEs, VCS organisations and new start-ups.

	<p>We will develop guidance for Suppliers to help them understand the Council's procurement processes. This will have a particular focus on how they can help the Council to realise this Strategy through the delivery of their contracts for the Council.</p>	<p>Creating guidance on climate and environment to assist Suppliers with their understanding of the Council's aspirations in relation to this theme. This will also include supporting SMEs to develop processes to capture carbon emission data and guidance on activities to reduce their carbon footprint.</p>	<p>By June 2023 <b>October 2023</b></p> <p>This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course once the new Procurement Team leader has reviewed the current training offer.</p>
		<p>Creating guidance on Local Community Wealth Building and social value to assist Suppliers with their understanding of the Council's aspirations in relation to this theme. This will include setting out what the Council sees as being valuable locally which will assist Suppliers with their tender submissions.</p>	<p>By June 2023 <b>October 2023</b></p> <p>This action has not progressed due resource constraints and other priorities in the Procurement Team. A revised date will be set in due course once the new Procurement Team leader has reviewed the current training offer.</p>

This page is intentionally left blank





Purpose: For Noting

## Committee Report

**ISLE OF WIGHT COUNCIL**

Meeting	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>
Date	<b>11 DECEMBER 2023</b>
Title	<b>TREASURY MANAGEMENT QUARTER 2 REPORT 2023-24</b>
Report of	<b>CABINET MEMBER FOR HOUSING AND FINANCE</b>

---

### 1. Executive Summary

- 1.1 In accordance with the council's Treasury Management Strategy 2023-24, this is a report on treasury management policies, practices and activities for the six months to 30 September 2023.
- 1.2 In March 2023, the committee approved the Treasury Management Strategy for 2023-24 and this is the second of the regular progress reports on treasury management activities for this year.
- 1.3 The council's activities have fallen within the boundaries of the prudential indicators set for the year.
- 1.4 The committee is asked to note this report and highlight any areas which may need to be addressed in the forthcoming year.

### 2. Recommendation(s)

- |  |
|--|
| 2.1 That the committee notes the performance for the six months to 30 September 2023 against the treasury management indicators. |
|--|

### 3. Background

- 3.1 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.

- 3.2 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 six months to 30 September 2023, and its performance against the prudential indicators that were approved as part of the Treasury Management Strategy.
- 3.3 Appendix 1 also includes a summary of the economic outlook provided by Arlingclose, based on information on 3 October 2023. Since then, the Bank of England decided to maintain the rate at 5.25% at their October meeting.
- 3.4 Arlingclose's latest interest rate forecast (07 November 2023) is suggesting that they are not expecting a further interest rate increase and anticipate that the rate will start to slowly reduce from September 2024 to a position of 3.0% in September 2026.
- 3.5 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."*
- 3.6 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.
- 3.7 Detailed information on the council's performance in respect of these items is set out in Appendix 1 to this report.

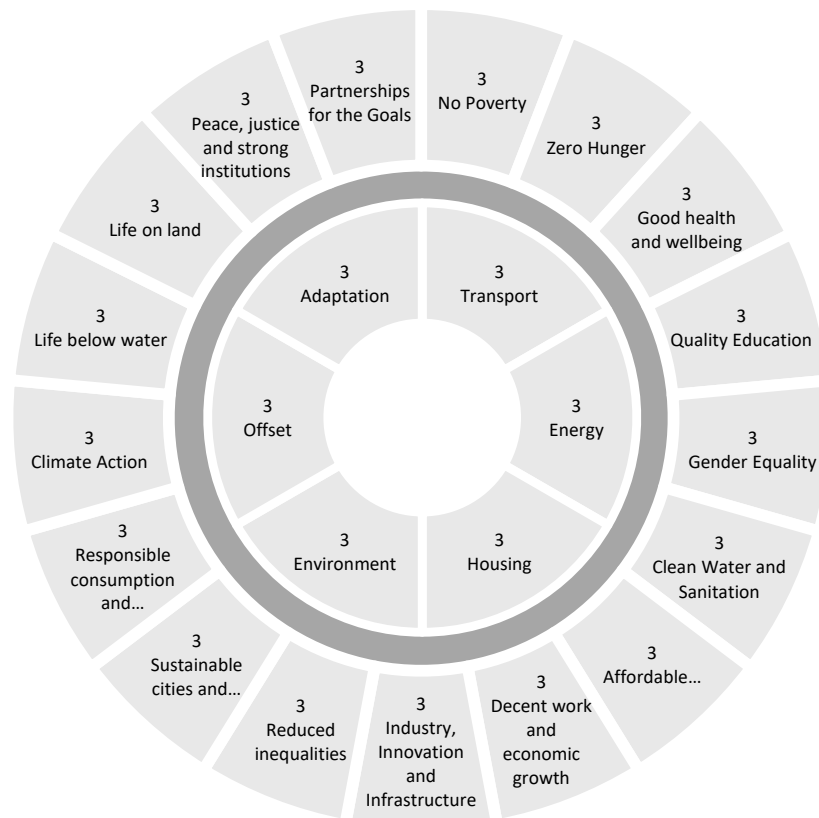
#### 4. Corporate Priorities and Strategic Context

- 4.1 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](#).
- 4.2 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.

4.3 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

4.4 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.



4.5 As can be seen above the treasury activities that are included in this report have a neutral impact on the climate change and environmental goals of the council.

Economic Recovery and Reducing Poverty

4.6 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

4.7 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

- 4.8 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](#).

## 5. Consultation And Engagement

- 5.1 There has been no external consultation in the preparation of this report, but it has been prepared using a template provided by Arlingclose Limited, the council's investment consultants.
- 5.2 This template provides us with the information that is required so that we are compliant with the requirements of the CIPFA code.
- 5.3 The treasury management report for the six months to 30 September 2023, has been considered by senior accountants within the Financial Management team, including both the Director of Finance and the Assistant Director of Finance.

## 6. Financial / Budget Implications

- 6.1 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.
- 6.2 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.
- 6.3 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. Existing long-term borrowing is not affected by rising interest rates.
- 6.4 The actual level of investments has increased by £15 million during the six-month period due to the timing of income received in advance of expenditure. Increasing interest rates on our investments have generated higher returns, increasing from an average of 4.20% to 5.28% over the period.
- 6.5 The combination of reduced borrowing costs and increased investment income has resulted in a forecast net saving of £1.8 million which will contribute towards to overall financial position of the council for 2023-24.
- 6.6 In addition to investing money market funds the council has advanced funds to another local authority. Close attention is taken to the financial situation of other

local authorities, and no loans have been made to any authority that has issued a S114 notice.

## 7. Legal Implications

7.1 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.

7.2 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.

## 8. Equality And Diversity

8.1 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.

8.2 The annual treasury management report has no implications for any of the protected characteristics.

## 9. Property Implications

9.1 There are no property implications relating to the report at Appendix 1.

## 10. Risk Management

10.1 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.

10.2 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).

10.3 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.

- 10.4 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.
- 10.5 It also operates protocols for maintaining financial controls. The treasury management function is reviewed by the council's internal auditors on a periodic 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.
- 10.6 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.
- 10.7 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.

## 11. Evaluation

- 11.1 The council's treasury management activities for the six months to 30 September 2023 have fallen within the boundaries of the agreed strategy for 2023-24

## 12. Appendices Attached

- 12.1 Appendix 1 – Treasury Management 2023-24 half year report

## 13. Background Papers

- 13.1 Treasury Management Strategy 2023-24 (Audit Committee 20 March 2023, Item 1) ([Public Pack](#))[Agenda Document for Audit Committee, 20/03/2023 10:00 \(moderngov.co.uk\)](#)

Contact Point: Jo Cooke, Pension Fund & Treasury Management Accountant, ☎ 821000  
e-mail [jo.cooke1@iow.gov.uk](mailto:jo.cooke1@iow.gov.uk)

CHRIS WARD  
*Director of Finance  
and Section 151 Officer*

COUNCILLOR IAN STEPHENS  
*Cabinet Member for Housing and Finance*

## Treasury Management Mid-Year Performance Report 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 report includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators.

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 3 October 2023)

**Economic background:** UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee (MPC) continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK (a market research company) measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data



showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

**Financial markets:** Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

**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. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

### **Local Context**

On 31 March 2023, the council had net borrowing of £171.2 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

	31.03.23 Actual £m	31.03.24 Forecast £m
<b>Total CFR **</b>	394.7	384.2
Less Other Debt Liabilities *	(92.6)	(87.6)
<b>Borrowing CFR</b>	<b>302.1</b>	<b>296.6</b>
External Borrowing	(198.2)	(176.6)
<b>Internal borrowing</b>	<b>103.9</b>	<b>120.0</b>
Less Balance Sheet Resources **	(131.0)	(136.3)
<b>Net Investments</b>	<b>(27.1)</b>	<b>(16.3)</b>

\* 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 September 2023 and the change over the year to date is shown in Table 2 below

Table 2: Treasury Management Summary

	31.03.23 Balance £m	Movement £m	30.09.23 Balance £m	30.09.23 Average Rate %
Long-term borrowing				
- PWLB	168.2	(4.3)	163.9	3.19%
- LOBO	5.0	0.0	5.0	4.27%
Short-term borrowing	25.0	(3.0)	22.0	4.24%
<b>Total borrowing</b>	<b>198.2</b>	<b>(7.3)</b>	<b>190.9</b>	<b>3.23%</b>
Short term Investments	(27.0)	(15.0)	(42.0)	5.99%
<b>Total investments</b>	<b>(27.0)</b>	<b>(15.0)</b>	<b>(42.0)</b>	<b>5.99%</b>
<b>Net borrowing</b>	<b>171.2</b>	<b>(22.3)</b>	<b>148.9</b>	<b>2.79%</b>

There has been an increase in investments throughout the first half of the year, 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 was a substantial rise in the cost of both short- and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. Bank Rate was 2% higher than at the end of September 2022.

UK gilt yields were volatile, mainly facing upward pressure since early April following signs that UK growth had been more resilient, inflation stickier than expected, and that the Bank of England saw persistently higher rates through 2023/24 as key to dampening domestic demand. Gilt yields, and consequently PWLB borrowing rates, rose and broadly remained at elevated levels. On 30th September, the PWLB certainty rates for maturity loans were 5.26% for 10-year loans, 5.64% for 20-year loans and 5.43% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

At 30 September the council held £190.9 million of loans, a decrease of £7.3 million when compared to 31 March 2023, as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30 September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.03.23 Balance £m	Net Movement £m	30.09.23 Balance £m	30.09.23 Weighted Average Rate %	30.09.23 Weighted Average Maturity (years)
Public Works Loan Board	168.2	(4.3)	163.9	3.19%	18.17
Banks (LOBO)	5.0	-	5.0	4.27%	14.03
Banks (fixed term)	-	-	-		
Local authorities (long-term)	-	-	-		
Local authorities (short-term)	25.0	(3.0)	22.0	4.24%	0.42
<b>Total borrowing</b>	<b>198.2</b>	<b>(7.3)</b>	<b>190.9</b>	<b>3.23%</b>	<b>12.09</b>

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 September 2023 on £22 million was 4.24%, 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 £10 million of forward starting loans with fixed interest rates averaging 5.7% for the delivery of cash in between 2- and 5-months' time, details of which are below.

Table 4: Forward starting loans

	Amount £m	Rate %	Loan Period (days)	Forward Period (Months)
West Midlands Combined Authority	5.0	5.2	364	5
Oxford City Council	5.0	6.2	364	2
<b>Total borrowing</b>	<b>10.0</b>	<b>5.7</b>		

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.

As market interest rates have risen, there is an increased probability of call options on the LOBO being exercised by lenders. The £5m LOBO loan had an annual/semi-annual call option date during the six-month period to September 2023, however the lender did not exercise their option. The next option date is in November 2023. At the time of writing this report we have been notified that there is a strong chance that Commerzbank will exercise their option at this time.

The council has liaised with treasury management advisors Arlingclose over the likelihood of the options being exercised. If the option is exercised and an increased rate proposed, the council plans to repay the loan at no additional cost as accepting the revised terms would mean the council would still have refinancing risk in later years. If required, the council will repay the LOBO loans with available cash or by borrowing from other local authorities or the PWLB.

### **Other Debt Activity**

During the first half year of 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 September 2023, taking total debt to £283.5 million.

### **Treasury Investment Activity**

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority'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 £51 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.03.23 Balance £m	Net Movement £m	30.09.23 Balance £m	30.09.23 Income Return %	30.09.23 Weighted Average Maturity days
Banks & Building societies (unsecured)	-	-	-		
Covered bonds (secured)	-	-	-		
Govt (incl local authorities)	-	(5.0)	(5.0)	5.45%	61
Isle of Wight Council Pension Fund	-	-	-		
Corporate bonds and loans	-	-	-		
Money Market Funds	(27.0)	(10.0)	(37.0)	5.99%	1
Other Pooled Funds	-	-	-		
<b>Total Investments</b>	<b>(27.0)</b>	<b>(15.0)</b>	<b>(42.0)</b>	<b>5.28%</b>	<b>8</b>

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 money market funds will be maintained to diversify risk and boost investment income.

Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. 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 5.36%

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 %
30.09.2022	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%
30.09.2023	4.59	A+	88%	8	5.40%
<b>Similar LAs</b>	<b>4.57</b>	<b>A+</b>	<b>65%</b>	<b>42</b>	<b>4.93%</b>
<b>All LAs</b>	<b>4.47</b>	<b>AA-</b>	<b>59%</b>	<b>13</b>	<b>4.92%</b>

### 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 Draft Statement of Accounts 2022/23 which is available on the council's website.

These 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	(0.9)	(0.2)	(0.7)	4.70%	4.92%	-0.22%
Total Cost of Borrowing	7.7	8.8	(1.1)	3.80%		3.80%
<b>GRAND TOTAL</b>	<b>6.8</b>	<b>8.6</b>	<b>(1.8)</b>	n/a	n/a	n/a

## Compliance

The Director of Finance and Section 151 Officer reports that all treasury management activities undertaken during the half-year 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	30.09.23 Actual £m	2023/24 Counterparty Limit £m	Complied?  Yes/No
Any single organisation, except the UK Government	13.5	7.5	<b>16</b>	Y
Money Market Funds	13.5	7.5	<b>16</b>	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

	6 mths to 30.09.23 Maximum £m	30.09.23 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied ?
Borrowing	200.7	190.9	324.0	410.0	✓
PFI and Finance Leases	97.1	92.6	105.0	130.0	✓
<b>Total Debt</b>	<b>297.8</b>	<b>283.5</b>	<b>429.0</b>	<b>540.0</b>	✓

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.

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

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:

	30.09.23 Actual	Upper Limit	Lower Limit	Complied?
Under 12 months	15%	50%	0%	✓
12 months and within 24 months	3%	30%	0%	✓
24 months and within 5 years	16%	30%	0%	✓
5 years and within 10 years	13%	75%	0%	✓
10 years and above	53%	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.

	30.09.23 Actual	2023/24 Target	Complied ?
Portfolio average credit score	4.59	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.

	30.09.23 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 1.00% from 4.25% on 1 April to 5.25% by 30 September.

<b>Interest Rate Risk Indicator</b>	30.09.23 Actual £m	2023/24 Limit £m	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	(0.2)	(0.3)	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	0.2	0.3	✓

For context, the changes in interest rates during the first half of the year were:

	<u>31/03/23</u>	<u>30/09/23</u>
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.69%
5-year PWLB certainty rate, maturity loans	4.31%	5.22%
10-year PWLB certainty rate, maturity loans	4.33%	5.26%
20-year PWLB certainty rate, maturity loans	4.70%	5.64%
50-year PWLB certainty rate, maturity loans	4.41%	5.43%

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.



Purpose: For Decision

## Committee Report

**ISLE OF WIGHT COUNCIL**

Meeting **AUDIT AND GOVERNANCE COMMITTEE**

Date **11 DECEMBER 2023**

Title **THE COUNCILS RISK PROFILE**

Report of **CHIEF EXECUTIVE**

---

### 1. Executive Summary

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."

### 2. Recommendation(s)

2.1	That the strategic risks of the council as set out in Appendix 1 of the report be approved.
-----	---

### 3. Background

3.1 This is the quarter three update of the Strategic Risk Register within the 2023/24 financial year reporting period.

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.

Regular meetings to discuss, update and monitor service risks are being held across all service areas and are being refreshed against the new organisational structures that came into effect in October.

Strategic risks are referred to within the Quarterly Performance Management Reports (QPMR) that are presented to Cabinet.

#### 4. Corporate Priorities and Strategic Context

- 4.1 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 two report went to the cabinet meeting held on 8 November 2023.

#### 5. Provision of affordable housing for Island Residents

- 5.1 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

#### 6. Responding to climate change and enhancing the biosphere

- 6.1 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.
- 6.2 The relevant mitigations around this theme can be viewed in Appendix 1 – Risk 13 and Risk 17.
- 6.3 The climate decision wheel is neutral as this is a decision to accept a risk register in which the actions are managed by individual service areas and therefore the decision to accept the risk profile is not the point of impact.



Socio-economic Outer Ring	Scores	Environment Inner Ring	Scores
No Poverty	3	Transport	3
Zero Hunger	3	Energy	3
Good health and wellbeing	3	Housing	3
Quality Education	3	Environment	3
Gender Equality	3	Offset	3
Clean Water and Sanitation	3	Adaptation	3
Affordable and clean energy	3		
Decent work and economic growth	3		
Industry, Innovation and Infrastructure	3		
Reduced inequalities	3		
Sustainable cities and communities	3		
Responsible consumption and production	3		
Climate Action	3		
Life below water	3		
Life on land	3		
Peace, justice and strong institutions	3		
Partnerships for the Goals	3		

## 7. Economic Recovery and Reducing Poverty

- 7.1 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.
- 7.2 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.

## 8. Impact on Young People and Future Generations

- 8.1 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.

8.2 Appendix 1 - Risks 5 and contain information relating to this priority. Strategic risk eighteen also addresses the impact of the proposals to end the partnership for children's services with Hampshire County Council.

## 9. Corporate Aims

9.1 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.

## 10. Consultation And Engagement

10.1 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.

## 11. Financial / Budget Implications

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

## 12. Legal Implications

12.1 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.

## 13. Equality And Diversity

13.1 It is considered that there are no direct equality and diversity implications of this report for any of the protected groups. If the report introduces new or revised Policy or Procedure or is a significant decision, an equality impact assessment must be undertaken and the results should be summarised in this section. Usually, the EIA should also be attached.

## 14. Options

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

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



## 15. Risk Management

- 15.1 Updates to the risk profile are requested from all mitigation owners, these updates are then added to the strategic risk register and included in this report.

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.

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.

Updates made since the previous committee report are shown in italics in Appendix 1.

The strategic risk register was most recently circulated to Corporate Management Team (CMT) on 21 November 2023 and all risk owners reviewed the content and verified the current risk ratings. This meeting was observed by the Chair of the Audit and Governance Committee to provide assurance of the process that the management team undertake to review the risk profile.

## 16. Evaluation

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

## 17. Appendices Attached

Appendix 1: Full Strategic Risk Register

Appendix 2: IWC Risk Scoring Matrix

Contact Point: Debbie Downer – Strategic Manager Organisational Intelligence, ☎ 821000  
e-mail [debbie.downer@iow.gov.uk](mailto:debbie.downer@iow.gov.uk)

WENDY PERERA  
*Chief Executive*

COUNCILLOR JONATHAN BACON  
*Cabinet Member for Children's Services,  
Education and Corporate Functions*

This page is intentionally left blank

<b>STRATEGIC RISK 1</b>		
<b>Lack of financial resource and the ability to deliver the council's in-year budget strategy.</b>		
<b>Assigned to: Director of Finance and Section 151 Officer</b>		
<b>Inherent Score</b>	<b>Target Score</b>	<b>Current Score</b>
<b>16 VERY HIGH</b>	<b>5 LOW</b>	<b>9 MEDIUM</b>
<b>Previous scores</b>		
<b>Sep 23</b>	<b>June 23</b>	<b>Mar 23</b>
<b>9 MEDIUM</b>	<b>9 MEDIUM</b>	<b>5 LOW</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<p><b>Close monitoring of both Capital and Revenue spending (including income and savings targets)</b></p> <p><b>Position reviewed at the end of each quarter.</b></p> <p><b>The Council maintains a Corporate Contingency for general and unidentified risk at circa. £4m per annum</b></p> <p><b>Next review will be for Qtr. 3 2023-24</b></p>	<p><b>Revenue Position</b></p> <ul style="list-style-type: none"> <li>As at quarter two the council is forecasting a potential pressure of 3.2m (1.8% of net revenue budget)</li> <li>This most significant pressures forecast are in Adults and Children's Services.</li> <li>Other pressure areas include Leisure Centre income.</li> <li>Actions to mitigate these pressure areas are being developed.</li> <li>This pressure is currently being offset in part by savings in Treasury Management costs, concessionary fares, and the use of contingencies.</li> </ul> <p><b>Capital Position</b></p> <ul style="list-style-type: none"> <li>As at two the capital budget remains fully funded with forecast expenditure of £32.7m and slippage of some £4.6m (representing budgeted spending that will now take place in 2024/25)</li> </ul>	<p><b>Revenue Position</b></p> <ul style="list-style-type: none"> <li>The main pressure areas are within Adults and Children's Services with net forecast overspend of £5.3m and £3.0m respectively but being offset by Treasury Management, concessionary fares and contingencies.</li> <li>£2.1m of the pressure within Adult Social Care and the £0.3m shortfall in income associated with Leisure Services is related to the legacy impact from the pandemic. Therefore, a total of £2.4m will be funded from the Covid-19 contingency.</li> <li>It should also be noted that there is a 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.</li> </ul>

<b>STRATEGIC RISK 2</b>		
<b>Lack of financial resource and the ability to deliver the council's medium-term financial strategy.</b>		
<b>Assigned to: Director of Finance and Section 151 Officer</b>		
<b>Inherent Score</b>	<b>Target Score</b>	<b>Current Score</b>
<b>16 VERY HIGH</b>	<b>9 MEDIUM</b>	<b>9 MEDIUM</b>
<b>Previous scores</b>		
<b>Sep 23</b>	<b>June 23</b>	<b>Mar 23</b>
<b>9 MEDIUM</b>	<b>9 MEDIUM</b>	<b>9 MEDIUM</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<b>A full revision of the budget and future forecast and resulting</b>	<ul style="list-style-type: none"> <li>The process for setting the budget for 2023-24 was completed and</li> </ul>	<ul style="list-style-type: none"> <li>Provisional funding levels from Government are not published until</li> </ul>

<p><b>savings requirements is presented to Full Council each February.</b></p> <p><b>Due date 28/2/24</b></p>	<p>approved by Full Council in February 2023</p> <ul style="list-style-type: none"> <li>• 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 has commenced.</li> <li>• The budget and associated indicative savings proposals will be presented to Full Council for approval in February 2024</li> </ul>	<p>December each year and confirmed in January.</p> <ul style="list-style-type: none"> <li>• Savings requirements are currently estimated at a minimum of £2m per annum for the next three financial years (2024-25, 2025-26, 2026-27)</li> <li>• Service Pressures/ Demographic. Cost pressures including Inflation can be significant. The key pressures generally relate to Social Care (Adults &amp; Children’s) and inflation in particular utility costs and wage costs (including costs passed on from contractors/suppliers)</li> <li>• Reserves need to be maintained at a level that provides sufficient financial resilience to enable the delivery of the Medium-Term Financial Strategy</li> <li>• 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.</li> <li>• 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</li> <li>• 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.</li> </ul>
<p><b>Delivery of:</b></p> <p><b>Income generation / efficiencies</b></p> <p><b>Services reductions and early identification of unavoidable cost pressures/unachievable income targets to allow</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The budget process includes a series of meetings with Directors and Cabinet to explore</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to fund new initiatives that require an initial subsidy. See note above regarding the conditions for borrowing.</li> <li>• 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 schemes that</li> </ul>

<p><b>effective mitigation planning.</b></p> <p><b>Review - ongoing</b></p>	<p>unavoidable cost pressures &amp; undelivered savings, opportunities for income generation, efficiencies &amp; opportunities for transformation bids</p>	<p>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><b>Maintain ultimate Council Tax collection rate at 98.3% &amp; minimise the opportunity for fraud.</b></p> <p><b>Working closely with Portsmouth Fraud team to prosecute those who are accessing the public purse fraudulently.</b></p> <p><b>Review – Ongoing</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Business Centre team working closely with services evaluating the key controls for financial transactions to ensure processes are robust, maximise income and remove any opportunity to defraud.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued increase in the number of residents contacting the council relating payment concerns due to cost of living increases.</li> <li>• 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.</li> </ul>

<b>STRATEGIC RISK 3</b>		
<b>Insufficient staffing capacity and skills</b>		
<b>Assigned to: Director of Corporate Services</b>		
<b>Inherent Score</b>	<b>Target Score</b>	<b>Current Score</b>
<b>16 VERY HIGH</b>	<b>9 MEDIUM</b>	<b>12 HIGH</b>
<b>Previous scores</b>		
<b>Sep 23</b>	<b>June 23</b>	<b>Mar 23</b>
<b>12 HIGH</b>	<b>12 HIGH</b>	<b>12 HIGH</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<p><b>Monitoring Staff Capacity</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• To address sickness levels staff are being signposted to support services such as Maximus and our internal Mental Health Champions network.</li> <li>• A quarterly people management paper reporting on absence is reviewed by CMT.</li> <li>• <i>New senior management restructure implemented; some recruitment is remains ongoing. Phase 2 restructures to commenced within directorates to take place from Oct 2023 -March 2024</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>There are robust plans in place to assist with the exit arrangements for the ceasing of the strategic partnership with Hampshire County Council for the leadership and management of children's services on the Island. There is a project board in place that oversees the delivery of transition plans.</i></li> </ul>

<p><b>Delivery of recruitment and retention strategy and action plan</b></p> <p><b>Delivery Due date</b> 31/03/24</p>	<ul style="list-style-type: none"> <li>• <i>Work commenced to improve external careers pages and application process.</i></li> <li>• <i>Apprenticeships continue to be promoted across the Council.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>As a result of significant new funding for key projects, there will be a requirement for focused recruitment to project management positions to ensure we have capacity to manage and implement.</i></li> </ul>
<p><b>Regular monitoring, analysis, and review of organisational health indicators</b></p> <p><b>Review date</b> 31/12/23</p>	<ul style="list-style-type: none"> <li>• <i>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></li> <li>• <i>Monitoring and review of Absence &amp; Wellbeing Strategy Action Plan</i></li> </ul>	
<p><b>Workforce planning</b></p> <p><b>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.</b></p> <p><b>Completion Date</b> 31/03/24</p>	<ul style="list-style-type: none"> <li>• <i>There will be a refreshed People and Organisation Development Strategy aiming for October 2023.</i></li> <li>• <i>Workforce plan development to follow on from refresh of Council Plan</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>New completion date has moved from October 2023 to March 2024 linked to the review/update of the Corporate Plan, following which the workforce planning exercise will be done.</i></li> </ul>

<b>STRATEGIC RISK 4</b>		
<p><b>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.</b></p> <p><b>Assigned to: Director of Corporate Services</b></p>		
<b>Inherent Score</b>	<b>Target Score</b>	<b>Current Score</b>
<b>16 VERY HIGH</b>	<b>6 LOW</b>	<b>12 HIGH</b>
<b>Previous scores</b>		
<b>Sep 23</b>	<b>June 23</b>	<b>Mar 23</b>
<b>12 HIGH</b>	<b>8 MEDIUM</b>	<b>8 MEDIUM</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<b>Leadership and management development</b>	<ul style="list-style-type: none"> <li>• <i>Management career pathway has been mapped and will be published on the Learning Hub</i></li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>

<p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• <i>Developing Leaders Programme 2 is in planning for delivery from January 24</i></li> <li>• <i>We will retain the Developing Leaders Cohort Meeting to affect change in the organisation.</i></li> <li>• <i>Workshop has taken place between IWC and NHS to understand our leadership programme offer and to identify any gaps.</i></li> <li>• <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></li> </ul>	
<p><b>Workforce development programmes/ Initiatives</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• <i>Planning for the cessation of the Hampshire and IW formal partnership has begun and support for Ofsted themed visits.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Fortnightly project boards are taking place to deliver the operational plans for the ending of our strategic partnership with Hampshire County Council in the leadership and management of children's services on the Island. This work may impact capacity to deliver other areas of work</i></li> </ul>
<p><b>Delivery of ONE COUNCIL Action Plan</b></p> <p><b>Review Date 31/01/24</b></p>	<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Culture change work will require senior manager support and staff capacity to deliver</i></li> </ul>

<b>STRATEGIC RISK 5</b>		
<b>Failure to improve educational attainment.</b>		
<b>Assigned to: Director of Children's Services (DSC).</b>		
Inherent score	Target score	Current Score
16 VERY HIGH	6 LOW	10 MEDIUM
Previous Scores		
Sept 23	June 23	Mar 23
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><b>Building on the improvements in standards</b></p>	<ul style="list-style-type: none"> <li>• An analysis of the GCSE results and attendance demonstrates the correlation between good attendance and attainment. <i>In 2022, for those children with regular attendance their GCSE grades were above</i></li> </ul>	<ul style="list-style-type: none"> <li>• Analysis of the data shows that the gaps between the attainment of the whole cohort and those experiencing</li> </ul>

<p><b>Review Date 31/12/23</b></p>	<p>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.</p> <ul style="list-style-type: none"> <li>• Workstreams to support improved outcomes for pupils in schools are well underway in all key stages, with the 2023 examination season starting shortly.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>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.</p> <ul style="list-style-type: none"> <li>• 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</li> </ul>
<p><b>Ensuring schools are good (as rated by Ofsted) for all children.</b></p> <p><b>Review Date 31/10/24</b></p>	<ul style="list-style-type: none"> <li>• <i>There have been a number of inspections in which schools have remained good, however there has been one inspection (Greenmount primary school) in which a school was awarded a requires improvement judgement, and this represents the 3% drop.</i></li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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</li> </ul>



<p><b>Leading a cohesive system for children based on effective partnership working.</b></p> <p><b>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.</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• Continue the positive work on transition that began between primary and secondary schools during the pandemic, and between schools and post-16 providers.</li> <li>• <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></li> <li>• <i>A paper regarding the proposed transfer of the Safety Valve (SV) management arrangements has been received by the Isle of Wight team. It includes a recommendation that a post is recruited to that will replace the current TP oversight of the programme.</i></li> </ul>	<ul style="list-style-type: none"> <li>• The workforce pressures around driving and delivering the complex Safety Valve (SV) programme need careful management, and great care needs to be taken to ensure that all Isle of Wight headteachers are involved and on board.</li> <li>• <i>Not recruiting to the role that oversees the SV programme will present a substantial risk to its continuation.</i></li> </ul>
--	---	---

<b>STRATEGIC RISK 6</b>		
<b>Failure to identify and effectively manage situations where vulnerable children are subject to abuse.</b>		
<b>Assigned to: Director of Children’s Services (DCS).</b>		
<b>Inherent score</b>	<b>Target score</b>	<b>Current Score</b>
<b>16 VERY HIGH</b>	<b>5 LOW</b>	<b>9 MEDIUM</b>
<b>Previous scores</b>		
<b>Sep 23</b>	<b>Jun 23</b>	<b>Mar 23</b>
<b>9 MEDIUM</b>	<b>9 MEDIUM</b>	<b>7 MEDIUM</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<p><b>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.</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• <i>There are nineteen apprentice social workers completing their training in Children’s services. This includes all eight of CAST family practitioners and one family practitioner from CWD. One apprentice completed his training this year and is now employed by Children’s Services, as a social worker.</i></li> <li>• <i>Six apprentices are due to qualify as social workers in July 2024, one in Sept 2024, six in July 2025 and six in July 2026.</i></li> <li>• <i>Two step-up students starting in January 2024 will qualify in July 2025.</i></li> <li>• <i>Three final year social work students who are due to qualify in Spring 2024.</i></li> <li>• <i>This should allow us to fill leaving social workers over the next few years with newly qualified staff who have completed their training with us and reduce our need to rely on agency workers. We have invested in senior social workers to support these staff to develop and as our apprentices have a range</i></li> </ul>	<ul style="list-style-type: none"> <li>• The recruitment of both permanent and agency social workers remains a challenge locally and nationally.</li> <li>• 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.</li> <li>• The lack of private rented accommodation and social housing has meant young people who are ready to move on from supported accommodation are</li> </ul>

	<p><i>of previous experience they are starting with a level of skill and experience to build upon.</i></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 short notice. This will not be possible after the partnership has ended and therefore there is an associated risk here. <i>IOW Service Managers are beginning to prepare Team Manager's to deputise for them to add resilience in the Service manager cohort, similar arrangements are in place to support the area director.</i></li> <li>• 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.</li> </ul>	<p>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>
<p><b>Corporate Parenting Board</b></p> <p><b>Corporate parenting board meetings taking place quarterly and includes contributions from health, education and social care in children and adults.</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Multi-agency integrated commissioning board</b></p> <p><b>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.</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• <i>The partnership between HCC and IOW Childrens Services Department will not have an impact on the ICB operating model.</i></li> <li>• <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></li> </ul>	
<p><b>Quarterly Performance reports are viewed regularly by the Policy and Scrutiny</b></p>	<ul style="list-style-type: none"> <li>• All managers review daily/weekly and monthly performance management data to maintain oversight over practice and</li> </ul>	<ul style="list-style-type: none"> <li>• The sustained Increase in demand (referrals/assessments) puts pressure on the</li> </ul>

<p><b>Committee for Children’s Services, Education and Skills.</b></p> <p><b>Review Date 31/12/23</b></p>	<p>performance and to identify and address areas for improvement.</p> <ul style="list-style-type: none"> <li>• <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></li> </ul>	<p>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>
<p><b>Caseloads continue to be scrutinised by senior management on a daily basis and fortnightly by the Director of Childrens Services and Deputy Director.</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• <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></li> </ul>	<ul style="list-style-type: none"> <li>• There continues to be an increase in demand and caseloads had been higher as a result, but additional recruitment of social workers and family practitioners has enabled these to come down.</li> </ul>
<p><b>Quality assurance framework (monthly case audits concentrating on quality of practice).</b></p> <p><b>The senior management team also undertake an audit of audits on a monthly basis to quality assure the auditing process.</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• <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></li> </ul>	
<p><b>Annual self-assessment and annual conversation between Director and Ofsted.</b></p> <p><b>The Quality Improvement Plan was reviewed and updated in January 2023 and the self-assessment for 2022/23 has been completed.</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• <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.</i></li> <li>• <i>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></li> <li>• <i>Children’s Services had a fully graded 2 week Ofsted Inspection of Local Authority Children’s Services w/c 23 October 2023. The final moderated report and judgment will be published on 15 December 2023.</i></li> </ul>	

<b>STRATEGIC RISK 7</b>		
<b>Failure to recruit acceptable quality of professional practice across Adult Social Care (ASC) and Housing Needs</b>		
<b>Assigned to: Director of Adult Social Care</b>		
<b>Inherent score</b>	<b>Target score</b>	<b>Current Score</b>
<b>14 VERY HIGH</b>	<b>6 LOW</b>	<b>6 LOW</b>
<b>Previous scores</b>		
<b>Sep 23</b>	<b>Jun 23</b>	<b>Mar 23</b>
<b>8 MEDIUM</b>	<b>8 MEDIUM</b>	<b>8 MEDIUM</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<b>Addressing especially hard to recruit roles.</b>  <b>Robust recruitment plan now in place to support recruitment to 'hard to fill' roles.</b>  <b>Review Date 31/12/23</b>	<ul style="list-style-type: none"> <li><i>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.</i></li> </ul>	<ul style="list-style-type: none"> <li><i>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.</i></li> </ul>
<b>ASC recruitment and retention</b>  <b>Review Date 31/12/23</b>	<ul style="list-style-type: none"> <li><i>Vacancy monitoring is reviewed monthly.</i></li> </ul>	<ul style="list-style-type: none"> <li><i>As above. The IWC is not only in competition with other local authorities for but also with other industries where pay rates have increased post pandemic (e.g., hospitality).</i></li> </ul>

<b>STRATEGIC RISK 8</b>		
<b>Failure to identify and effectively manage situations where vulnerable adults are subject to abuse.</b>		
<b>Assigned to: Director of Adult Social Care and Assistant Director of Operations</b>		
<b>Inherent score</b>	<b>Target score</b>	<b>Current Score</b>
<b>16 VERY HIGH</b>	<b>6 LOW</b>	<b>8 MEDIUM</b>
<b>Previous scores</b>		
<b>Sep 23</b>	<b>June 23</b>	<b>Mar 23</b>
<b>8 MEDIUM</b>	<b>8 MEDIUM</b>	<b>8 MEDIUM</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<b>Protecting Vulnerable Adults</b>  <b>Review Date 31/12/23</b>	<ul style="list-style-type: none"> <li><i>Targeted activity in relation to reviews continues.</i></li> <li><i>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.</i></li> </ul>	<ul style="list-style-type: none"> <li><i>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.</i></li> </ul>

<p><b>'Deprivation of Liberty Safeguards' (DoLS) backlog clearance programme</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>The number of applications awaiting assessment continues to be managed and robust triage systems are in place.</li> </ul>	
<p><b>Mental Health Action Plan</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>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.</li> </ul>	

<b><u>STRATEGIC RISK 9</u></b>		
<p><b>Failure to secure the required outcomes from the integration of adult social care and health.</b></p> <p><b>Assigned to: Director of Adult Social Care</b></p>		
Inherent score	Target score	Current Score
16 VERY HIGH	5 LOW	5 LOW
Previous scores		
Sep 23	June 23	Mar 23
5 LOW	5 LOW	5 LOW
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p><b>Transformation programme and operational integration</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li><i>The 2023/2025 Better Care Fund plan has been submitted for approval by the regional team in line with national requirements</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Agreement in relation to the allocation of mandatory funding from the ICB continues to be challenging.</i></li> </ul>
<p><b>Responsiveness to hospital escalations</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>The System Resilience Board, takes ownership of the programmes of work arising from escalation and monitors the delivery of actions in a timely way.</li> </ul>	

<b><u>STRATEGIC RISK 10</u></b>		
<p><b>Independent Social Care Sector Sustainability (Care Homes and Home Care)</b></p> <p><b>Assigned to: Director of Adult Social Care</b></p>		
Inherent score	Target score	Current Score
16 VERY HIGH	6 LOW	9 MEDIUM
Previous scores		
Sep 23	June 23	Mar 23
9 MEDIUM	9 MEDIUM	12 HIGH
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period

<b>IW Market Position Statement</b> <b>Due date 31/12/23</b>	<ul style="list-style-type: none"> <li>Work to update the Market Position Statement is underway and we remain on target for the refresh to be delivered in Autumn 2023.</li> </ul>	<ul style="list-style-type: none"> <li>Independent provider fragility</li> <li>Lack of central government funding</li> <li>Affordability of care based on increased levels of dependency in the community</li> </ul>
<b>Levels of Fees</b> <b>Review date 31/12/23</b>	<ul style="list-style-type: none"> <li>Planning for 2024/2025 financial year is underway.</li> </ul>	
<b>Workforce pressures</b> <b>Review Date 31/12/23</b>	<ul style="list-style-type: none"> <li>Locally recruitment pressures have eased over the past few months.</li> </ul>	<ul style="list-style-type: none"> <li>We continue to monitor the situation and to collaborate with providers around business continuity plans and safe staffing levels.</li> </ul>
<b>Market Capacity – Homecare</b> <b>Review Date 31/12/23</b>	<ul style="list-style-type: none"> <li><i>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.</i></li> </ul>	

<b><u>STRATEGIC RISK 11</u></b>		
<b>Failure of the Highways PFI contract resulting in significant financial and operational disruption for the council and its residents</b>		
Assigned to: Director of Neighbourhoods		
<b>Inherent score</b>	<b>Target score</b>	<b>Current Score</b>
<b>16 VERY HIGH</b>	<b>5 LOW</b>	<b>9 MEDIUM</b>
<b>Previous scores</b>		
<b>Aug 23</b>	<b>Jun 23</b>	<b>Mar 23</b>
<b>9 MEDIUM</b>	<b>7 MEDIUM</b>	<b>7 MEDIUM</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<b>PFI – Establish and deliver available savings.</b> <b>Review Date: 31/12/23</b>	<ul style="list-style-type: none"> <li>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.</li> <li><i>Island Roads are required to assist in identifying an additional £400K of savings for consideration by the council to take effect from 24/25.</i></li> <li><i>Potential savings options are being developed to put before the PFI Board for consideration.</i></li> </ul>	<ul style="list-style-type: none"> <li>Achieving savings from Schedule 32 schemes, in the region of £200k pa, continues to <b>fall further behind</b> schedule due to resourcing and ICT issues within Ringway Island Roads (RIR known as Opc). 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.</li> <li>23/24 saving are £1.9m although IR are still to confirm acceptance of this figure.</li> </ul>

<p><b>PFI - Successfully resolve anomalies in the contract specification.</b></p> <p><b>Review Date: 31/12/23</b></p>	<ul style="list-style-type: none"> <li>Due to <i>the size, complexity, and diversity</i> of the contract there will be ongoing contractual issues throughout the contract, <i>which will be kept under regular review as ongoing business activities.</i></li> </ul>	
---	--	--

<b>STRATEGIC RISK 12</b>		
<b>Failure of the Waste contract resulting in significant financial and operational disruption for the council and its residents</b>		
<b>Assigned to: Director of Neighbourhoods</b>		
<b>Inherent score</b>	<b>Target score</b>	<b>Current Score</b>
<b>16 VERY HIGH</b>	<b>5 LOW</b>	<b>8 MEDIUM</b>
<b>Previous scores</b>		
<b>Aug 23</b>	<b>Jun 23</b>	<b>Mar 22</b>
<b>8 MEDIUM</b>	<b>8 MEDIUM</b>	<b>8 MEDIUM</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<p><b>Regular monitoring of performance of the contract</b></p> <p><b>Review Date: 31/12/23</b></p>	<ul style="list-style-type: none"> <li>Recycling rates and service satisfaction levels remain high.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Contract now moved to Talia Waste Management UK under Ferrovia SE reducing the risk inherent with the sale of Amey Plc UK.</li> </ul>
<p><b>Ensure the delivery of Key Facilities through robust contract management.</b></p> <p><b>Due Date 31/01/24</b></p>	<ul style="list-style-type: none"> <li>The Energy from Waste plant is currently operating and generating power as the commission tests are worked through. <i>The final test certification is expected to be achieved in the end of 2023.</i></li> <li>All and any costs incurred by the delay will be met by the service provider.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Construction risk and cost of residual waste above agreed contract rates sits with <b>Ferrovia SE.</b></li> <li>There is a risk further faults may occur and lead to plant shutdown and more delays. This is a risk to the acceptance test.</li> </ul>

<b>STRATEGIC RISK 13</b>		
<b>Achieving the vision for the Island</b>		
<b>Assigned to: Chief Executive</b>		
<b>Inherent score</b>	<b>Target score</b>	<b>Current Score</b>
<b>14 VERY HIGH</b>	<b>6 LOW</b>	<b>12 HIGH</b>

Previous scores		
Aug 23	Mar 23	Dec 22
13 HIGH	12 HIGH	12 HIGH
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<b>Isle of Wight Corporate Plan 2021-25</b> <b>Review Date 31/01/24</b>	<ul style="list-style-type: none"> <li>Progress against Corporate Plan is reported in the Quarterly Performance Management Report to Cabinet.</li> </ul>	<i>A review of the Corporate Plan is scheduled to take place during late 2023.</i>
<b>Quarterly Performance Management Report (QPMR) updates</b> <b>Review Date 31/01/24</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The 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.</li> </ul>	<ul style="list-style-type: none"> <li><i>A full review of QPMR metrics and redesign of the format of the report is underway with service directors and key stakeholders. Any proposed change in metrics must be agreed with the cabinet member and corporate management team.</i></li> </ul>
<b>Strategic capacity and interventions</b> <b>Review Date 31/12/23</b>	<ul style="list-style-type: none"> <li>Key current themes are affordable housing, biosphere, and net zero; economic regeneration and reducing poverty.</li> </ul>	<ul style="list-style-type: none"> <li>Due to the current budget cost pressures, the organisational redesign required to reduce costs and achieve a structural balance 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.</li> </ul>
<b>Robust Programme Management</b> <b>Review Date 31/01/24</b>	<ul style="list-style-type: none"> <li>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.</li> <li>A comprehensive Project Management training pathway is in place including online internal, and external courses.</li> </ul>	<ul style="list-style-type: none"> <li><i>Changes that have come into effect as a result of the organisational redesign require a refresh of governance arrangements to ensure assurance of projects that are continuing.</i></li> </ul>
<b>Strategic risk register</b> <b>Review Date 31/12/23</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li><i>Changes that have come into effect as a result of the organisational redesign require a refresh of risk management reporting and ownership arrangements, directorates are being supported to get risks and mitigations up to date following the changes.</i></li> </ul>
<b>Increase in levels of unmet Housing Needs – Prevention</b> <b>Review Date 31/03/24</b>	<ul style="list-style-type: none"> <li><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</i></li> </ul>	



	<p><i>in unsuitable accommodation options as defined by legislation.</i></p> <ul style="list-style-type: none"> <li>• <i>Progress continues to be made with the purchase of nine units of refugee housing to be used for families presenting as homeless.</i></li> </ul>	
<p><b>Increase in levels of unmet Housing Needs - Intervention</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• <i>An action plan is being developed and implemented to deliver the aims of the Acquisitions Strategy approved at Cabinet in July 2023.</i></li> <li>• <i>A Service Plan has been developed to capture actions required to maintain and improve the service.</i></li> <li>• <i>The shortage of accommodation, social and private sector, is impacting on the number of families in temporary accommodation and the length of time families are in B&amp;B. A B&amp;B Elimination Plan is being progressed with DLUHC</i></li> </ul>	
<p><b>Increase in levels of unmet Housing Needs - Recovery</b></p> <p><b>Review Date 31/03/24</b></p>	<ul style="list-style-type: none"> <li>• <i>Brownfield Land Release Fund (BLRF) activity continues and is progressing.</i></li> <li>• <i>A further bid for BLRF 2 was submitted for three further sites. This bid was successful and work is progressing for the disposal of these sites.</i></li> <li>• <i>Engagement with Registered Providers is in place and the number of social housing units being and to be built is improving.</i></li> </ul>	
<p><b>Delivery of the Climate Change and Environment Strategy</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>• <i>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</i></li> <li>• <i>As part of the “Green Corridor” the council was successful in its bid bidding for £14 million from the governments next round of levelling up funding. This funding is proposed to be use on a “green link corridor” between Ryde and Yarmouth which will include a number of projects aimed at reducing car journeys and making routes both in town and between town more easily navigable for cyclist and walkers.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Vacant post causing time pressure to complete work to update the strategy and continue offering professional advice. Interviews for the Climate and Energy Manager are in process and the new manager will be in place before the end of the year.</i></li> </ul>
<p><b>The Corporate Management Team provide leadership and focus on</b></p>	<ul style="list-style-type: none"> <li>• <i>Audit and Governance Committee discussion led to reworking of the mitigations in place.</i></li> </ul>	

<p><b><i>maintaining service delivery during periods of potential political sensitivity.</i></b></p> <p><b><i>Robust decision-making processes are in place to support effective decision making through the cabinet process.</i></b></p> <p><b><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></b></p> <p><b>Review: 31/03/24</b></p>	<ul style="list-style-type: none"> <li>• <i>Changes in the administration for the leader and cabinet roles were made on 20<sup>th</sup> September 2023.</i></li> <li>• <i>During a debate at full council all councillors agreed to more collaborative working. The leader made an offer for a number of informal cross party groups to be developed.</i></li> </ul>	
--	--	--

<b>STRATEGIC RISK 14</b>		
<b>Additional demands placed upon the Isle of Wight Council and partners owing to a pandemic or similar large-scale outbreak.</b>		
<b>Assigned to: Director of Public Health</b>		
<b>Inherent score</b>	<b>Target score</b>	<b>Current Score</b>
<b>16 VERY HIGH</b>	<b>12 HIGH</b>	<b>12 HIGH</b>
<b>Previous scores</b>		
<b>August 23</b>	<b>Jun 23</b>	<b>Mar 23</b>
<b>12 HIGH</b>	<b>12 HIGH</b>	<b>12 HIGH</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<p><b>Preparedness for other novel infectious disease (including COVID-19)</b></p> <p><b>The Public Health team regularly reviews surveillance data on novel/emerging infectious diseases provided by national and regional teams within UKHSA.</b></p>	<ul style="list-style-type: none"> <li>• The team’s annual learning and development programme includes training and capacity-building to ensure retention of capability to respond to a pandemic.</li> <li>• The Public Health (PH) 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 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.</li> <li>• <i>In December 2023, the IWC Pandemic Influenza Plan will be ‘stood down’ and replaced by a</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>An internal consultation on the draft IWC Pandemic Framework will take place over the summer months. The Pandemic Framework will be completed by 15 December 2023</i></li> </ul>

<b>Review Date</b> <b>31/12/23</b>	<i>generic IWC Pandemic Framework. The framework will be developed to take into account lessons learnt from the COVID-19 pandemic response and exercised in winter 2023/24 to ensure practical arrangements are tested.</i>	
<b>Partner Organisations</b>  <b>Review Date</b> <b>31/12/23</b>	<ul style="list-style-type: none"> <li>• <i>Reviewing the epidemiological data and communication with partners to establish pressures, including:</i> <ul style="list-style-type: none"> <li>- United Kingdom Health Security Agency (UKHSA)</li> <li>- NHS – Trust and CCG</li> <li>- Multi-agency representative on the Island Resilience Forum</li> <li>- HIOW Integrated Care System</li> <li>- IOW Integrated Care Partnership</li> <li>- Local Resilience Forums (LRF)</li> <li>- Other Local Authorities</li> <li>- His Majesty’s Prison IOW</li> </ul> </li> </ul>	
<b>Internal arrangements</b>  <b>Review Date</b> <b>31/12/23</b>	<ul style="list-style-type: none"> <li>• 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 <b>may</b> provide the framework for initial response arrangements.</li> <li>• A Public Health 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.</li> <li>• 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.</li> </ul>	
<b>External arrangements</b>  <b>Review Date</b> <b>31/12/23</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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</li> </ul>	

	<p>have inputted into the consultation period and will actively participate in the schedule of exercises which will be led by the HIOW LRF.</p> <ul style="list-style-type: none"> <li>The Public Health team will maintain awareness of the partnership between the IOW NHS Trust and PHUT and <i>FUSION</i> and work through the HIOW LHRP and LRF to ensure that impact of organisational changes on pandemic preparedness on the IOW is considered.</li> </ul>	
--	--	--

<b>STRATEGIC RISK 15</b>		
<b>Dealing with threats to business continuity (including cyber incidents)</b>		
<b>Assigned to: Chief Executive</b>		
<b>Inherent score</b>	<b>Target score</b>	<b>Current Score</b>
<b>12 HIGH</b>	<b>6 LOW</b>	<b>9 MEDIUM</b>
<b>Previous scores</b>		
<b>Aug 23</b>	<b>Jun 23</b>	<b>Mar 23</b>
<b>9 MEDIUM</b>	<b>9 MEDIUM</b>	<b>9 MEDIUM</b>
<b>Mitigation in Place / Planned</b>	<b>Update on Mitigation Activity/ Risk Status in the period</b>	<b>Current Pressure Points this period</b>
<p><b>Revised Business Continuity Plans completed.</b></p> <p><b>Review Date 31/12/23</b></p>	<ul style="list-style-type: none"> <li>Plan reviews to be undertaken every 12 months and table-top tested at planned intervals.</li> <li>Business Continuity Policy reviewed and updated August 2023, to reflect learning from Covid 19 and making the policy more generic in approach, preventing the need to amend the document as result of future restructures.</li> <li><i>Review of Business Continuity Plans, in respect of reporting structures, to be undertaken in April 2024, in line with timescales for corporate restructure phase 2</i></li> <li>A cyber security culture exercise was completed in March 2023 to raise awareness of cyber security and everyone's responsibility for it.</li> <li>An emergency planning exercise, led by the strategic manager for ICT and digital services (and SIRO, senior information risk officer) <i>was undertaken in September 2023. This specifically addressed the threat of a cyber-attack.</i></li> </ul>	<ul style="list-style-type: none"> <li><i>Learning and recommendations from the debrief into the Council's response to adverse weather October &amp; November 2023 to be considered in future reviews and exercising of Business Continuity Plans.</i></li> </ul>
<p><b>Secure paper copies of Revised Business Continuity Plans (BCP).</b></p>	<ul style="list-style-type: none"> <li>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.</li> </ul>	

<b>Review date</b> <b>31/12/23</b>	<ul style="list-style-type: none"> <li>All service areas have been reminded of this requirement.</li> </ul>	
<b>IWC - Cyber Incident Response Plan (developed and maintained by ICT)</b>  <b>Plan Review date</b> <b>31/12/23</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The CIRP will be reviewed post corporate structure changes to ensure all contacts are still relevant and all areas represented.</li> <li><i>The Local Government Association cyber 360 security culture review report was received in August. The findings were shared with councillors, corporate management team and key stakeholders. Recommendations from the review form the basis of a cyber security strategy for the council, which is awaiting cabinet approval, together with an associated action plan designed to continue business resilience.</i></li> </ul>	

<b>STRATEGIC RISK 16</b>		
<b>Ability to manage the impact of the cost-of-living crisis (CoLC) on the council's activities and sustain service delivery.</b>		
Assigned to: Chief Executive		
Inherent score	Target score	Current Score
12 HIGH	9 MEDIUM	12 HIGH
Previous scores		
Aug 23	Jun 23	Mar 23
12 HIGH	12 HIGH	12 HIGH
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<b>Additional support and training in the contact centre and help centres to support the increased number of contacts to the council requesting financial support.</b>  <b>Review Date 31/12/23</b>	<ul style="list-style-type: none"> <li>The contact centre is capturing the number of calls received from residents seeking guidance on the impact of cost-of-living crisis.</li> </ul>	

<p><b>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.</b></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 31/12/23</p>	<ul style="list-style-type: none"> <li>The alternative energy rebate schemes open until the end of May continue to provide financial support to residents.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in number of households unable to pay council tax, rents or other paid for services provided by the council.</li> </ul>
<p><b>Adult Social Care, care market sustainability/ Care budget pressure:</b></p> <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 31/12/23</p>	<ul style="list-style-type: none"> <li>Pressure continues to be identified in areas of joint funding and complex needs. We continue to seek to engage with the ICB in relation to this area.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The actual cost of providing these services (e.g., recruiting and retaining staff, service 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.</li> </ul>
<p><b>An increase in child poverty will likely impact the demand on and need for a range of services from early help to child protection.</b></p> <p>Review Date 31/12/23</p>	<ul style="list-style-type: none"> <li>Recruitment of social workers remains a priority and is actively undertaken daily.</li> <li>Childrens services intend to recruit to the family help model which will add some capacity across the service.</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>
<p><b>Additional support and training in the contact centre and help centres to support the increased number of contacts to the council requesting financial support.</b></p> <p>Review Date 31/12/23</p>	<ul style="list-style-type: none"> <li>The contact centre is capturing the number of calls received from residents seeking guidance on the impact of cost-of-living crisis.</li> </ul>	

<p><b><u>STRATEGIC RISK 17</u></b></p>
<p><b>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.</b></p> <p>Assigned to: Director of Neighbourhoods</p>

Inherent Score	Target Score	Current Score
16 VERY HIGH	12 HIGH	12 HIGH
Aug 23	Jun 23	Mar 23
12 HIGH	13 HIGH	15 VERY HIGH
Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p><b>Partnership with the Environment Agency (EA) 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.</b></p> <p><b>These locations are eligible for national government funding (FCERM Grant in Aid).</b></p> <p><b>Review Date 31/01/24</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Yaverland Seawall Refurbishment Scheme: Completion planned for 2026.</li> <li>• Shanklin Seawall Refurbishment Scheme: Completion planned for 2026.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• EA main schemes are not scheduled to start until 2026 at the earliest. Potential for assets to deteriorate/fail during this period.</li> <li>• 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.</li> <li>• The highways roadworks availability matrix conflicts with the environmental constraints for ground investigation works.</li> </ul>
<p><b>Memorandum of understanding with Coastal Partners who are conducting twice annual T28 condition surveys on all IWC maintained coastal assets.</b></p> <p><b>Complete</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Governance structure has been reviewed to provide control and oversight for the programme.</li> </ul>	
<p><b>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.</b></p> <p><b>Review Date 31/01/24</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• <i>Marine license in place, urgent works 5 days ahead of programme which will positively affect the outturn costs.</i></li> </ul>	

**STRATEGIC RISK 18 \* NEW \***

The ending of the partnership between IWC and HCC for Children’s Social Care and associated de-coupling arrangements.

Assigned to: Director of Children’s Services

Inherent Score	Target Score	Current Score
16 VERY HIGH	5 LOW	9 MEDIUM

Aug 23	Jun 23	Mar 23
9 MEDIUM	N/A	N/A

Mitigation in Place / Planned	Update on Mitigation Activity/ Risk Status in the period	Current Pressure Points this period
<p><b>Cross LA Project Board and associated working strands led by all branches in Children’s Services.</b></p> <p><b>Review Date: 31/12/23</b></p>	<ul style="list-style-type: none"> <li>Final partnership end date of 31 January 2024 has been agreed by both Chief Executive’s. <i>A future working arrangement options paper was presented to Cabinet at their meeting of 14 September 2023. Cabinet approved the recommended option to return the leadership and management of all children’s services functions in house, with arrangements for the buyback of specialist services for a minimum period of twelve months.</i></li> <li><i>HCC and IOW senior leaders are engaged in overseeing a cross council programme of work to identify and manage impacts on all related activity for the dissolution of the strategic partnership and recommissioning of specialist buy-back services.</i></li> <li><i>IOW and HCC human resource teams are engaged in the necessary planning and operational delivery for staff who may be affected by the change in business model for the future delivery of services.</i></li> <li><i>There has been a comprehensive programme of work established to manage the transition to the new business model for the operation of children’s services on the Island.</i></li> <li><i>There are project boards in place and regular briefings undertaken with relevant stakeholders, staff and elected members.</i></li> </ul>	



# Risk Prioritisation Matrix

Appendix 2

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

## Committee Report

### ISLE OF WIGHT COUNCIL

Meeting	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
Date	<b>11 DECEMBER 2023</b>
Title	<b>A CHANGED DECISION-MAKING STRUCTURE FOR A CHANGING CULTURE</b>
Report of	<b>CLLR GEOFF BRODIE, ON BEHALF OF THE FUTURE GOVERNANCE WORKING GROUP</b>

---

### INTRODUCTION

1. With a second 'no overall control' administration after the last three IW Council elections, it was becoming clear to some that one-party/group Cabinet decision-making does not reflect the wishes of the Island electorate who appear to want councillors to work together. Many councillors are of the view that this will be the position at future elections, at least in the short to medium term.
2. The current administration's Cabinet consists of 8 councillors from a 'ruling group' of 13, from a 39-member Council, propped up by just about enough members of other groups (and none) to hold the leadership when it matters.
3. This is hardly democratic or stable. It leads to significant cultural difficulties with more than half the Council excluded from the decision-making of the Council; something that could be avoided with a politically-proportionate Committee system.
4. To address this, at the July 2023 Full Council a Motion proposed by Cllr Geoff Brodie for the IW Council to consider moving to a Committee system of decision-making at its January 2024 meeting was agreed unanimously.
5. Consequently and in accordance with the agreed Motion a politically-proportionate working group was established which met fortnightly during September and October. The group consisted of 4 Conservatives, 3 Alliance (including 2 Independents and 1 Green), 1 Liberal Democrat, 1 Empowering Islander and 1 unaligned.

6. At its first meeting Cllr Brodie was elected as the group chair and its mandate from Full Council was agreed in summary as:
  - Make recommendations to Full Council (Jan 2024) regarding moving to a Committee system, including structure, decision-making powers, etc.
  - The intention being to recommend a Committee system for approval and to bring about change on and from 2024 Annual Council.
  - Consider how other Local Authorities have done this and what lessons were learnt.
  - Consider examples of best practice.
7. It was also agreed between Cllr Brodie and the Chair of the Audit & Governance Committee, Cllr Andrew Garratt that a Report from the Group should be submitted to his December Committee meeting for information only and then referred to January Full Council.

## **METHODOLOGY**

8. At the first working group meeting the following study groups were established with a brief to feedback to the wider group regularly and definitively by the end of October. The study groups of 2/3 cross-party members looked at:
  - Changes to a Committee system elsewhere
  - Views of our senior officers/colleagues and elsewhere
  - Possible structures of a Committee system
  - Cabinet-based alternatives to Committees
9. We also had a media release inviting comments from Islanders, with encouragement to participate from Cllrs Brodie and Garratt.

## **FEEDBACK & CONSIDERATION**

10. The study groups reported back to the parent group throughout September and October. This helped inform members in reaching their decision.
11. For example, everyone on the working group had the opportunity to research examples of changes – and decisions not to change - elsewhere. The Chief Executive offered some valuable input via Cllr Quirk, who also spoke to retired officers elsewhere. Cllr Lucioni provided feedback from some of our own officers and from the LGA. Cllrs Garratt and Churchman provided the framework for the recommended future structure of our Council. Cabinet-based alternatives were looked at but did not command majority support.

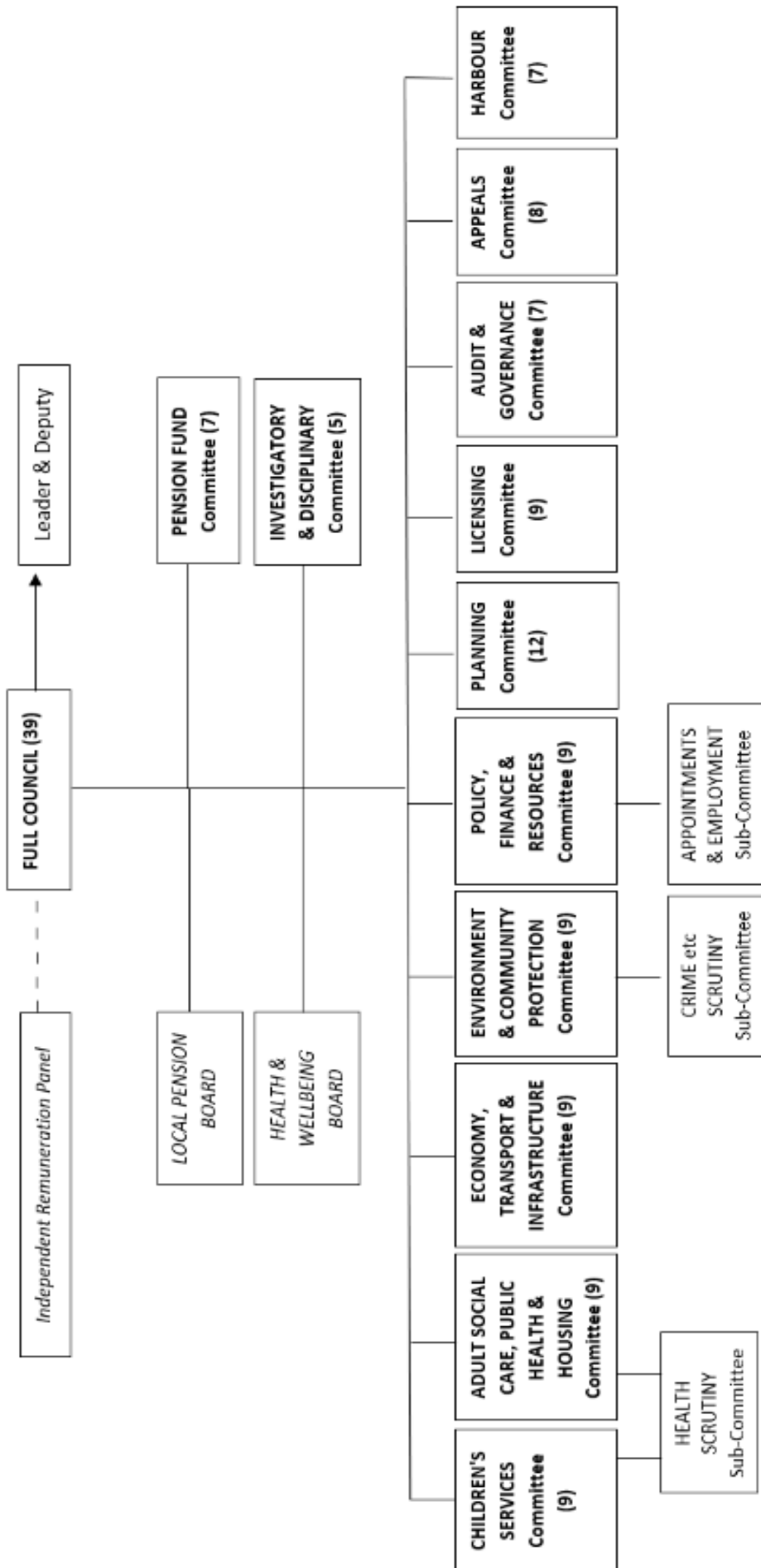
12. There was also some very limited feedback from islanders, which was almost entirely in support of change to a Committee system.

## **GROUP DECISION**

13. After due consideration of the pros and cons of change, at a meeting in late October the group agreed unanimously (with one abstention) the following should inform the composition of this Report: *That the working party will recommend a move to a Committee system in principle from May 2024*
14. Cllr Brodie then drafted this Report, which was presented to group members for comment, criticism and editing in mid-November and then agreed at its final group meeting on 27 November.

## **RECOMMENDATIONS TO JANUARY 2024 FULL COUNCIL**

15. That the Isle of Wight Council will move to a politically-proportionate Committee-system from its annual meeting on 15th May 2024.
16. That the existing politically-proportionate Future Governance Working Group should now work with the Monitoring Officer and other relevant senior officers to agree proposals for constitutional change to enable this transition. There should be a progress report to March 2024 Full Council.
17. Rule changes that need to be addressed are listed at Appendix 1.
18. That the preferred Committee-system structure should match or bear a close relationship to the following:



## **THANKS**

19. My thanks to all the members of the working group. In particular Cllr Bacon and Cllr Quirk who were able to attend all the sessions and always posed important challenge. The others – Cllrs Churchman, Ellis, Garratt, Jarman, Lever, Lucioni, Mosdell and Ward – all made a valuable contribution. The Monitoring Officer, Mr Chris Potter also provided helpful information at the start of the process.
20. Also our thanks to all colleagues, staff (both internal and external) and members of the public who offered us their views and suggestions. Our public consultation did not set the Island on fire, but this consideration is by its very nature quite arcane.

## **APPENDICES**

21. Appendix 1 - Rules requiring review
22. Appendix 2 - Recommended structure notes

**Cllr Geoff Brodie, on behalf of the Future Governance Working Group**

This page is intentionally left blank



## **APPENDIX 1 - RULES REQUIRING REVIEW**

*(not exhaustive)*

- Election of Leader and Deputy by Full Council
- Election of Service Committee Chairs and Vice Chairs by Full Council
- Responsibility for Executive decisions
- Urgent decisions
- Terms of reference for service committees etc
- Meetings – frequency and time length
- Quorums
- Membership of HWB and other Boards etc
- Membership of Policy, Finance & Resources Committee
- Local Choice decisions
- Functions of Service Committee Chairs
- Review Procedural Rules for Full Council and Service Committees
- Communications Protocol

**Also** – there will need to be a review of Special Responsibilities Allowances by the Independent Remuneration Panel

This page is intentionally left blank

## APPENDIX 2 – Notes re. recommended structure

### Service Committees

**Five** service committees are proposed as set out below with indicative responsibilities (not exhaustively listed).

Specific functions could be delivered through sub-committees, which could be constitutionally specified. Some services could also be delivered through two committees working jointly.

#### 1) *Children's Services*

- services for children and young people that provide for their care, well-being, education and health
- functions relating to children in need and child protection
- functions and powers relating to the provision of education, including Special Educational Needs and Disabilities
- supporting schools in raising educational attainment
- overseeing the council's role as a corporate parent
- domestic violence support jointly with Adult Social Care and Well-being

#### 2) *Adult Social Care, Public Health & Housing*

- adult social care services
- adult safeguarding, and adult mental and physical health
- supporting people with learning disabilities
- domestic violence support jointly with Children's Committee
- overseeing the delivery of public health functions not otherwise delegated to another committee
- housing management and delivery including homelessness prevention and housing acquisition

#### 3) *Economy, Transport & Infrastructure*

- economic development across all sectors and for rural and urban areas
- regeneration of unused and under-used assets that sustainably grows and extends the Island economy, in line with the council's housing priorities and cultural aspirations
- workforce skills development and training
- supporting development and growth of newly established businesses
- strategic planning
- highway authority and highways PFI
- rights of way

#### 4) *Environment & Community Protection*

- matters relating to the Isle of Wight as a UNESCO Biosphere, to climate change and sustainability
- waste management and recycling
- coastal protection and flood protection
- leisure, library and cultural services
- public spaces including parks, beaches and rights of way
- community resilience and cohesion

#### 5) *Policy, Finance and Resources*

- providing strategic policy direction through a Corporate Plan developed by it for recommendation to Full Council for adoption, and thereafter monitor performance against key indicators
- to coordinate development of an annual Budget (and medium term financial plan) which it then recommends to Full Council, and thereafter monitor financial performance
- oversight of employment matters, where appropriate
- determine policy on any matter not otherwise delegated to another committee, referred to it by any other committee, or where other committees are not in agreement
- committee to be chaired by Leader with Deputy as Vice Chair. The other 4 service committee chairs to be members, subject to political proportionality.

#### **Scrutiny**

Sections 9JA and 9JB of the Local Government Act 2000 (as amended) relate to overview and scrutiny arrangements under a committee system local authority.

A scrutiny sub-committee will be necessary for scrutiny relating to crime and disorder (section 19 of the Police and Justice Act 2006), health (section 244 of the National Health Service Act 2006), flooding (section 9JB of the Local Government Act 2000).

#### **Remaining committees and boards**

The remaining committees and boards would be:

- Appeals Committee, including sub-committee arrangements
- Appointments and Employment – as a sub-committee of Policy, Finance & Resources Committee
- Audit and Governance Committee
- Harbour Committee
- Investigatory and Disciplinary Committee
- Isle of Wight Pension Fund Committee
- Licensing Committee, including sub-committee arrangements
- Planning Committee
- Health and Wellbeing Board – membership to be constitutionally prescribed, as now
- Local Pension Board

In total we are proposing 100 full Committee places. There are currently 95.

## AUDIT AND GOVERNANCE COMMITTEE WORKPLAN 2023-2025

EXTERNAL AUDIT	Responsibility	11 Dec 2023	18 Mar 2024	July 2024	Sept 2024	Dec 2024	Mar 2025	July 2025	Sept 2025
External Auditors Annual Report	Ernst & Young				✓ 2022-23				✓ 2023-24
External Audit Results – Isle of Wight Council	Ernst & Young				✓ 2022-23				✓ 2023-24
External Audit Results – Isle of Wight Pension Fund	Ernst & Young				✓ 2022-23				✓ 2023-24
External Audit Plan – Isle of Wight Council	Ernst & Young	✓ 2022-23 Slipped from July 2023				✓ 2023-24			
External Audit Plan – Isle of Wight Pension Fund	Ernst & Young	✓ 2022-23 Slipped from July 2023				✓ 2023-24			
ACCOUNTS	Responsibility	11 Dec 2023	18 Mar 2024	July 2024	Sept 2024	Dec 2024	Mar 2025	July 2025	Sept 2025
Final Statement of Accounts	Barry Downer		✓ 2022-23		✓ 2023-24				
INTERNAL AUDIT	Responsibility	11 Dec 2023	18 Mar 2024	July 2024	Sept 2024	Dec 2024	Mar 2025	July 2025	Sept 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	11 Dec 2023	18 Mar 2024	July 2024	Sept 2024	Dec 2024	Mar 2025	July 2025	Sept 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	✓ Q2	✓ Q3	✓ ANNUAL	✓ Q1	✓ Q2	✓ Q3	✓ ANNUAL	✓ Q1
The Council's Risk Profile	Emma Bruce	✓	✓	✓	✓	✓	✓	✓	✓
Review of the Constitution (Verbal update)	Chris Potter	✓	✓	✓	✓	✓	✓	✓	✓

This page is intentionally left blank