

Governance Committee

Monday, 15th December,
2014
at 5.00 pm

PLEASE NOTE TIME OF MEETING

Conference Room 3 - Civic Centre

This meeting is open to the public

Members of the Committee

Councillor Burke (Chair)
Councillor Chamberlain
Councillor Daunt
Councillor Inglis
Councillor Keogh (Vice-Chair)
Councillor Noon
Councillor O'Neill

Independent Members

Mr David Blake
Mr Geoff Wilkinson

Contacts

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Democratic Support Officer
Pat Wood
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PUBLIC INFORMATION

Role of the Governance Committee

Information regarding the role of the Committee's is contained in Part 2 (Articles) of the Council's Constitution.

[02 Part 2 - Articles](#)

It includes at least one Councillor from each of the political groups represented on the Council, and at least one independent person, without voting rights, who is not a Councillor or an Officer of the Council.

Public Representations

At the discretion of the Chair, members of the public may address the meeting about any report on the agenda for the meeting in which they have a relevant interest.

Southampton City Council's Priorities:

- .Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Affordable housing
- Services for all
- City pride
- A sustainable Council

Smoking policy – The Council operates a no-smoking policy in all civic buildings.

Mobile Telephones:- Please switch your mobile telephones to silent whilst in the meeting

Use of Social Media:- If, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting

Access – Access is available for disabled people. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

Fire Procedure – in the event of a fire or other emergency a continuous alarm will sound and you will be advised by Council officers what action to take.

Dates of Meetings: Municipal Year 2014/15

2014	2015
14 July	9 February
15 September	27 April
15 December	

CONDUCT OF MEETING

Terms of Reference

The terms of reference of the Governance Committee are contained in Part 3 of the Council's Constitution.

[03 - Part 3 - Responsibility for Functions](#)

Rules of Procedure

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

Business to be discussed

Only those items listed on the attached agenda may be considered at this meeting.

Quorum

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

DISCLOSURE OF INTERESTS

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

DISCLOSABLE PECUNIARY INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

- (i) Any employment, office, trade, profession or vocation carried on for profit or gain.
- (ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

- a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

AGENDA

Agendas and papers are now available via the Council's Website

1 APOLOGIES

To receive any apologies.

2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

3 STATEMENT FROM THE CHAIR

4 MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)

(Pages 1 - 2)

To approve and sign as a correct record the Minutes of the meeting held on 17 November 2014 and to deal with any matters arising, attached.

5 RISK MANAGEMENT FRAMEWORK AND REPORTING (Pages 3 - 34)

Report of the Chief Financial Officer detailing the risk management framework and reporting procedures, attached.

6 EXTERNAL AUDITORS - ANNUAL AUDIT LETTER (Pages 35 - 48)

Report of the Chief Internal Auditor detailing the External Auditors' Annual Audit letter for 2013/14, attached.

Friday, 5 December 2014

Head of Legal and Democratic Services

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GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY, 17 NOVEMBER 2014

Present:

Members of the Council

Councillors Burke (Chair), Daunt (Except for Minutes 19-20), Inglis, Keogh (Vice-Chair), Noon and O'Neill

Independent Members

Mr David Blake and Mr Geoff Wilkinson

Apologies

Councillor Chamberlain

19. **DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

All Members declared an interest in the Members Allowance Scheme, Minute 21, under the Code of Conduct, part 4, paragraph (13) (5) (d).

20. **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

RESOLVED: that the minutes for the Committee meeting on 15 September 2014 be approved and signed as a correct record.

21. **MEMBERS' ALLOWANCE SCHEME**

The Committee considered the report of the Head of Legal and Democratic Services seeking comments on the recommendations of the Independent Remuneration Panel's report.

The Committee fully endorsed the report by the Independent Remuneration Panel and considered the pro-rata arrangement for Opposition Group Leaders and increase in carers' allowance to be positive steps for the future.

RESOLVED that a recommendation be made to Council to amend the Members' Allowance Scheme as set out in the report.

22. **TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMIT MID YEAR REVIEW 2014**

The Committee considered the report of the Chief Financial Officer regarding treasury management activity and the mid-year review of cash flow, investment and borrowing.

RESOLVED that:-

- (i) the current and forecast position be noted and any changes be endorsed;
- (ii) the pro-active approach to Treasury Management which had led to reductions in borrowing costs and safeguarded investment income during the year and increased the yield be noted; and
- (iii) that the increase in the non-specified investment limit for institutions be approved, which fall below our minimum investment limit of A-, to £5M, as detailed in paragraph 29 of the report.

Agenda Item 5

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	RISK MANAGEMENT FRAMEWORK AND REPORTING		
DATE OF DECISION:	15 DECEMBER 2014		
REPORT OF:	CHIEF FINANCIAL OFFICER		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Peter Rogers	Tel: 023 8083 2835
	E-mail:	peter.rogers@southampton.gov.uk	
Director	Name:	Mark Heath	Tel: 023 8083 2371
	E-mail:	mark.heath@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
N/A	
BRIEF SUMMARY	
The Governance Committee is responsible for ensuring that an adequate and effective framework for the identification and management of key risks is in place and that appropriate action is being taken to manage risk.	
RECOMMENDATIONS:	
(i)	To note the 'Strategic Risks' for 2014-15 (Appendix 1); and
(ii)	To note the 'Summary of Directorate Risk Registers' (Appendix 2).
REASONS FOR REPORT RECOMMENDATIONS	
1.	This report is presented to the Governance Committee as the member body responsible for providing independent assurance on the adequacy of the risk management framework and the internal control and reporting environment.
2.	In addition, the Committee needs to satisfy itself that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	No alternative options have been considered.
DETAIL (Including consultation carried out)	
4.	The Council has a structured and consistent approach to managing its key business risks which requires that both the Council Management Team ("CMT"), and the individual Directorate Management Teams ("DMTs"), consider and identify the key business risks for the forthcoming period.
5.	The 'assurance style' format of the risk register is intended to present the risks in an accessible way and to prompt an informed discussion as to whether the type and range of 'actions/controls in place' are appropriate and whether the associated 'levels of assurance' are acceptable. It also provides a 'direction of travel' in terms of how the risks are being managed over the period.
6.	It is intended that the Risk Registers are used as a management tool in

	terms of supporting the delivery of key objectives and priorities.
7.	CMT is responsible for identifying the council's 'strategic risks' and for developing and managing the 'Strategic Risk Register'.
8.	The identification and development of the 'Strategic Risk Register' is informed by a review of: <ul style="list-style-type: none"> ▪ The strategic risks identified in the previous period in terms of whether any, or all of them, remain relevant and appropriate; ▪ The 'Council Plan' in terms of key risks associated with the delivery of the council's priorities, opportunities and challenges for the forthcoming period; ▪ The Directorate Risk Registers, in terms of identifying any common themes or issues and/or any risks that may be appropriate to be escalated to the Strategic Risk Register for CMT oversight; and ▪ The Strategic Risk Registers of 'Core Cities' in order to reflect on any common themes or issues identified by peer authorities.
9.	CMT meets at least three times per annum, at appropriate points in the year, to review both the strategic and directorate risks. These 'Risk Review Workshops' provide an opportunity for CMT to consider and review how the risks are being managed and to reflect whether there are any new or emerging risks that need to be considered.
10.	The individual DMTs review their respective risk registers on a similar basis and frequency.
11.	The 'assurance style' format of the risk register is intended to present the risks in an accessible way and to highlight any potential areas of concern. It is then for the CMT or the respective DMT to determine whether, or what, action may be required in order to ensure that the risk is managed in accordance with the risk appetite.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
12.	None
<u>Property/Other</u>	
13.	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
14.	The Accounts and Audit (England) Regulations 2011 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.
<u>Other Legal Implications:</u>	
15.	None
POLICY FRAMEWORK IMPLICATIONS	
16.	None

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	Not applicable
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Strategic Risk Register 2014-15
2.	Summary of Directorate Risks
Documents In Members' Rooms	
1.	None.
Equality Impact Assessment	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?	No
Other Background Documents	
Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None

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Strategic Risk Assurance Report 2014-15

LIKELIHOOD	Almost Certain	A						
	Likely	B			04 05	01		
	Possible	C			02 06 08	03		
	Unlikely	D						
	Very Unlikely	E						
RISK RATING MATRIX			5	4	3	2	1	
			Minor	Moderate	Significant	Major	Extreme	
			IMPACT					

Report Version: 06

Report Date:
30th November 2014

Period:
Q3

No	Strategic Risk - Description
01	Failure to address the significant and ongoing financial pressures in a sustainable way and to enable service provision to be on a proactive rather than reactive basis
02	Major incident or service disruption leading to delivery failure that significantly impairs or prevents the Council's ability to deliver key services and/or statutory functions
03	Failure to maintain a robust safeguarding culture across the council
04	Failure to meet our health and safety responsibilities
05	Failure to ensure the City Council's information is held and protected in line with Information Governance policies and procedures
06	The council is unable to quantify the financial impact on both vulnerable individuals and key council services arising from implementation of welfare reforms
07	<i>Financial penalties as a result of a failure to meet obligations regarding climate change and sustainability</i>
08	The contractual arrangements, in respect of those council services commissioned from and delivered by external organisations/partners, are not sufficiently flexible to respond to the council's changing service requirements

Risk Scoring and assessment criteria

Page 8

LIKELIHOOD	Almost Certain	A					
	Likely	B					
	Possible	C					
	Unlikely	D					
	Very Unlikely	E					
RISK RATING MATRIX			5	4	3	2	1
			Minor	Moderate	Significant	Major	Extreme
			IMPACT				

LIKELIHOOD (Probability)	
A - Almost Certain > 95%	Highly likely to occur
B - Likely	Will probably occur
C - Possible 50%	Might occur
D - Unlikely	Could occur but unlikely
E - Very Unlikely < 5%	May only occur in exceptional circumstances

IMPACT (Consequence)					
	5 - Minor	4 - Moderate	3 - Significant	2 - Major	1 - Extreme
Service delivery / key priorities	No noticeable effect	Some temporary disruption to a single service area/ delay in delivery of one of the council's objectives	Regular disruption to one or more services/ a number of corporate objectives would be delayed or not delivered	Severe service disruption on a directorate level / many corporate priorities delayed or not delivered	Unable to deliver most priorities / statutory duties not delivered
Financial Impact	Loss or loss of income < £10k	Loss or loss of income £10k < £500k	Loss or loss of income £500k < £5m	Loss or loss of income £5m < £10m	Loss or loss of income >£10m
Reputation	Internal review	Internal scrutiny required to prevent escalation	Local media interest. Scrutiny by external committee or body	Intense public, and media scrutiny	Public Inquiry or adverse national media attention

RISK No: SRR01

Version No: 06

Last updated: 08/10/2014

KEY STRATEGIC RISK AREA

Budget/Finance

RISK DESCRIPTION

Failure to address the significant and ongoing financial pressures in a sustainable way and to enable service provision to be on a proactive rather than reactive basis.

RISK OWNER

Council Management Team

RISK SCORE

Initial	B2
CURRENT	B2
Target	TBA

LIKELIHOOD IMPACT

Likely	Major
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EXPECTED KEY CONTROLS

Financial

1. Assessment of the council's overall short, medium and longer term financial position

2. Identification and communication of significant in year budget variances and forthcoming pressures.

3. External funding opportunities identified together with any ongoing revenue costs quantified.

4. Profile and baseline of individual service costs (including identification of high spending and/or low performing services and cost for the provision of minimum statutory duties / services).

SOURCE(S) OF ASSURANCE

Medium Term Financial Plan to be agreed by the Council.
Regular monitoring by Overview and Scrutiny Management Committee.

Regular monitoring of capital and revenue budgets, reported to Council Management Team and Cabinet.
Significant pressures identified through regular monitoring of budgets and work plans and the estimates process reported to CMT and Cabinet.

Effective mechanism in place to identify and seek external funding opportunities.
Monitoring of spend and achievements or outcomes, approved income targets and service external funding.

Part of performance management framework and its monitoring mechanism.
Work undertaken in respect of the 'Target Operating Model' for the council will inform the future approach and strategy.

13-14 14-15

ASSURANCE LEVEL

Q4 Q1 Q2 Q3 **Comment Q3**

3	3	3	3	
2	2	2	2	

2	2	2	2	
2	2	2	2	

2	2	2	2	Strategy Board now in place - part of remit includes overseeing external funding opportunities.
3	3	3	3	

3	3	3	3	
2	2	2	2	

Transformation

<p>5. Transformation Strategy and Plan, underpinned by Medium Term Financial Plan, in place and approved with an agreed resource allocation, identified workstreams and agreed timescales and expected outcomes.</p>	<p>Agreed Transformation Strategy and Plan for a 'one council' programme of action in place approved by Cabinet on 15th July 2014</p> <p>Quarterly monitoring of the transformation programme will be implemented. Transformation and Improvement Board ("TIB") in place and has agreed revised governance arrangements as well as a framework to approve projects and monitor</p>	<table border="1"> <tr> <td>-</td> <td>-</td> <td>2</td> <td>2</td> </tr> <tr> <td>3</td> <td>3</td> <td>3</td> <td>2</td> </tr> </table>	-	-	2	2	3	3	3	2	<p>Quarterly monitoring now in place and the revised governance arrangements agreed.</p>
-	-	2	2								
3	3	3	2								
<p>6. Type and level of resources required, in respect of those charged with leading, driving or supporting organisational change, identified.</p>	<p>Resource and capacity of those leading and supporting the Transformation Programme is assessed and actions taken.</p> <p>Plan to be agreed re resources and appropriate learning and development ("L&D") in order to progress and support the HR Transformation Strategy.</p>	<table border="1"> <tr> <td>3</td> <td>3</td> <td>2</td> <td>3</td> </tr> <tr> <td>4</td> <td>4</td> <td>3</td> <td>3</td> </tr> </table>	3	3	2	3	4	4	3	3	<p>3 heads of service and 7 managers had initially be assigned to support the team however the number of managers has since reduced.</p> <p>Resources agreed by TIB and meeting held with Capita to support L&D transformation.</p>
3	3	2	3								
4	4	3	3								
<p>7. Progress and delivery of both the overall Transformation Plan and individual workstreams is monitored and, where necessary, challenged by a board/senior management.</p>	<p>Monthly Transformation and Improvement Board meetings, fortnightly CMT Transformation meetings and monthly Workstream Board meeting in place.</p> <p>Individual Workstream Boards with Director Sponsor and includes Head of Service and Cabinet Member.</p>	<table border="1"> <tr> <td>-</td> <td>-</td> <td>2</td> <td>2</td> </tr> <tr> <td>-</td> <td>-</td> <td>2</td> <td>2</td> </tr> </table>	-	-	2	2	-	-	2	2	<p>Governance Structure agreed by Cabinet and implemented</p>
-	-	2	2								
-	-	2	2								

Service delivery / demand

<p>8. Understanding and management of customer expectation including identification of services that customers see as a priority and/or of significant value (inc options for charging).</p>	<p>Ongoing communication and consultation programme to raise awareness of council priorities and challenges.</p> <p>Budget consultation exercise and evidence that the feedback has informed the final decisions.</p> <p>City Survey (ICM Research) being undertaken in April 2014 and customer feedback (including complaints) on service standards.</p>	<table border="1"> <tr> <td>3</td> <td>3</td> <td>3</td> <td>3</td> </tr> <tr> <td>2</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>3</td> <td>1</td> <td>1</td> <td>1</td> </tr> </table>	3	3	3	3	2	1	1	1	3	1	1	1	
3	3	3	3												
2	1	1	1												
3	1	1	1												

<p>9. Identification of 'areas / key drivers' where increase in demand is anticipated.</p>	<p>Southampton Profile is updated regularly to reflect any changes and will inform Council Plan refresh in July 14.</p> <p>Work undertaken in respect of the 'Target Operating Model' for the council will inform the future approach and strategy.</p>	<table border="1"> <tr> <td>2</td> <td>2</td> <td>2</td> <td>2</td> </tr> <tr> <td>2</td> <td>2</td> <td>2</td> <td>2</td> </tr> </table>	2	2	2	2	2	2	2	2									
2	2	2	2																
2	2	2	2																
<p>10. Alternative service delivery options identified and understood.</p>	<p>Monitoring take up of digital communication channels and ensuring that those who do not have access still get necessary services. Evidence from customer feedback and 'Stay Connected'.</p>	<table border="1"> <tr> <td>3</td> <td>3</td> <td>3</td> <td>3</td> </tr> </table>	3	3	3	3													
3	3	3	3																
<p>11. Impact assessment on all service reduction to identify any consequential impact or significant unintended consequences.</p>	<p>Impact assessment and feedback from other service areas and partners.</p>	<table border="1"> <tr> <td>2</td> <td>1</td> <td>1</td> <td>2</td> </tr> </table>	2	1	1	2	<p>The quality of the Impact Assessments undertaken is variable</p>												
2	1	1	2																
<p>Workforce / skills</p>																			
<p>12. Effective relations and communications with both staff and unions to secure both understanding, support and acceptance of the need to adopt new ways of working that reflect current and future business need.</p>	<p>Union meetings and business covered in these regular meetings to be more systematic.</p> <p>Communication / sharing of information and documentation reflects genuine consultation approach.</p> <p>Discussions on staff engagement plans have commenced between HR, Communications and the Unions.</p> <p>HR Transformation Strategy and Plan being developed.</p>	<table border="1"> <tr> <td>3</td> <td>3</td> <td>3</td> <td>2</td> </tr> <tr> <td>2</td> <td>2</td> <td>2</td> <td>2</td> </tr> <tr> <td>4</td> <td>4</td> <td>4</td> <td>3</td> </tr> <tr> <td>4</td> <td>3</td> <td>3</td> <td>3</td> </tr> </table>	3	3	3	2	2	2	2	2	4	4	4	3	4	3	3	3	<p>Agreed formal agenda for union meetings</p> <p>Results from Staff Engagement Survey bring worked through</p>
3	3	3	2																
2	2	2	2																
4	4	4	3																
4	3	3	3																
<p>13. An assessment of future staffing levels and the associated required skills set, that is aligned with the future business need including succession planning, staff development, flexible workforce etc.</p>	<p>Work undertaken in respect of the 'Target Operating Model' for the council, to be presented to Cabinet in December, will inform the future workforce strategy.</p>	<table border="1"> <tr> <td>-</td> <td>-</td> <td>3</td> <td>3</td> </tr> </table>	-	-	3	3													
-	-	3	3																

14. Policies and procedures are revised and redesigned in order to support the cultural change needed in order to facilitate the move to a more flexible and mobile workforce.

Current HR policies being revised to support the cultural change needed to facilitate the move to increased mobile and flexible working. The policies are Smart Spaces - Smarter Working, Clear Desk - Clear Screen, Work Life Balance.

A range of IT initiatives, designed to enable new ways of working, are being worked including the introduction of wireless technology, roaming profiles, laptops being wireless enabled with 3G is in place, all tablets wireless or 3G and the introduction of the Bring Your Own Device scheme.

3	2	2	3	Implementation of the revised HR policies has been delayed pending the outcome of the union ballot on 'Pay and Allowances' which has yet to be held.
3	3	3	3	

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps	Evidence of inconsistent application and/or critical weakness(es) within the policy, framework or activity	There is no, or insufficient, evidence of an appropriate policy, framework or activity.

RISK No: SRR02

Version No: 06 Last updated: 26/11/2014

KEY STRATEGIC RISK AREA

Business Continuity / Emergency Planning

13-14 14-15

ASSURANCE LEVEL				Comment Q3
Q4	Q1	Q2	Q3	
2	3	3	3	A recent internal audit report on business continuity planning concluded 'limited assurance'. An action plan is in place and being progressed, however its successful implementation will depend upon BC work being incorporated into new organisational change (e.g. Business Support project) and an officer in each Directorate being tasked with taking BC forward.
-	-	-	3	
2	3	3	2	

2	2	2	1	New plans have been developed to address our new Public Health responsibilities. Existing plans and procedures have been well tested, debriefed and improved.
2	2	2	1	

RISK DESCRIPTION

Major incident or service disruption leading to delivery failure that significantly impairs or prevents the Council's ability to deliver key services and/or statutory functions.

EXPECTED KEY CONTROLS

1. Business Continuity Plans are in place for key service areas and are tested periodically.

SOURCE(S) OF ASSURANCE

Reports of Emergency Planning and Business Continuity Manager to Emergency Planning and Business Continuity ("EP & BC") Management Board which are minuted and action plans approved.

Implementation of Business Continuity action plan arising from Internal Audit review.

Report to EP & BC Management Board of learning from dealing with live incidents and test exercises.

RISK OWNER

Stuart Love

RISK SCORE

Initial

C3

CURRENT

C3

Target

C3

LIKELIHOOD

IMPACT

Possible

Significant

2. Range of Emergency Response plans in place to address or respond to legal or statutory obligations.

Full range of emergency response plans are in place with periodic reports from the Emergency Planning and Business Continuity Manager to EP & BC Management Board regarding the status of the plans.

Reporting of outcome of any corporate, or joint exercise with other agencies, to EP & BC Management Board, Southampton Joint Health Protection Forum & HIOW Local Resilience Forum.

<p>3. IT Disaster Recovery Plan that covers IT hardware resilience and applications / systems that support key services and is tested periodically.</p>	<p>IT Disaster Recovery Plan in place that covers 8 key applications as agreed by the Council Management Team. The IT DR Plan is tested annually in conjunction with Capita and users. A report is then prepared for the Head of IT to confirm that all systems were available in a disaster environment. An action plan is also produced to ensure the process continues to evolve.</p>	2	2	2	2	<p>Several ad-hoc disruptions to IT services have necessitated response work and subsequent debriefs have highlighted improvement actions, including emergency communication of IT problems to SCC management via use of SMS broadcasting. These are under way.</p>
	<p>Report to EP & BC Management Board of learning from dealing with live incidents and test exercises.</p>	2	2	2	2	
	<p>Regular reports from IT (Client and Capita) on planning for incidents as well as feedback on learning points following major incidents.</p>	2	2	2	2	
<p>4. A process to monitor both the performance and financial standing of key suppliers [including both significant commercial partners and other suppliers of key services e.g. joint commissioning of social care services].</p>	<p>All key commercial contracts (Capita, Highways and Street Lighting, Leisure and Sports contracts, Skills and Learning programmes) have Strategic Boards (involving both Members and CMT). Each contract is subject to an internal audit review (on average every 18 months). The more minor/less risky contracts (Guildhall, St Mary's Sports Hall and the wireless network concession all have quarterly contract monitoring meetings.</p>	2	2	2	2	<p>It is anticipated that this process will be in place and operational before the end of the 2014-15 Financial Year.</p>
	<p>In respect of key commercial contracts a process is being developed to ascertain the current financial standing of key partner organisations on a cyclical basis and to use this as a tool to assess and mitigate risks to the council.</p>	-	-	-	3	

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Note: 'Source of assurance' to be extended to include the key suppliers of social care services e.g. residential and domicilliary care.

-	-	-	-
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Appropriate wording to articulate the current position is being developed in consultation with the council's Integrated Commissioning Unit.

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps	Evidence of inconsistent application and/or critical weakness(es) within the policy, framework or activity	There is no, or insufficient, evidence of an appropriate policy, framework or activity.

RISK No: SRR03

Version No: 06

Last updated: 02/10/2014

KEY STRATEGIC RISK AREA Safeguarding

RISK DESCRIPTION

Failure to maintain a robust safeguarding culture across the council.

EXPECTED KEY CONTROLS

1. Robust Safeguarding Policy aligned with good practice and including clearly defined roles and responsibilities which is subject to regular review.

SOURCE(S) OF ASSURANCE

Safeguarding Adults (Multiagency) Policy published May 2013).
 Safeguarding Policy for Children including publication of threshold document which informs early help and Children's Social Care statutory services.
 Southampton Safeguarding Adults Board in place.
 Southampton Local Safeguarding Children Board ("LSCB") in place along with a LSCB Business Plan that outlines priority areas and associated actions to be taken by the LSCB in 2014/15.

13-14 14-15
ASSURANCE LEVEL

Q4	Q1	Q2	Q3	Comment Q3
2	2	2	2	Note: the Safeguarding Policy for Children is in place and has been positively received by Ofsted. The current assurance level reflects the need to ensure that the policy is fully embedded.
3	3	3	3	
2	2	2	2	
2	2	2	2	

RISK OWNER

Alison Elliott

RISK SCORE

Initial	C2
CURRENT	C2
Target	C2
LIKELIHOOD	IMPACT
Possible	Major

2. Communication and training to ensure that all relevant staff and other key partners fully understand the Safeguarding legislation and procedures that underpin this. In addition, all staff understand what is expected of them in terms of when and how concerns should be reported.

Safeguarding Training is to form part of the 2014-15 corporate training offer. A training needs analysis has been undertaken to determine both the content and format of the training. This will include targeted and mandatory elements.
 Range of safeguarding modular training available to staff from all agencies which is monitored by the relevant boards.
 Multi-agency Safeguarding Working Groups in place that underpin the work of the Safeguarding Boards.

-	-	3	3	
3	3	3	3	
2	2	2	2	

3. Early assessment and planning in place for safeguarding concerns across Children's and Adult's Social Care.

Multi-Agency Safeguarding Hub ("MASH") in place and operating for Children's and Families for April 2014. Single assessment currently in place.

3	3	2	2	
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	Safeguarding Adults team in place from April 2014 to oversee all individual safeguarding situations. Strong links with Integrated Commissioning Unit quality team which is overseeing the quality of all provider organisations.	3 3 2 2	
4. Safeguarding concerns identified by and reported to the Council are reviewed and communicated as appropriate both internally and with other agencies.	Safeguarding Adults reporting and investigation process involves all appropriate agencies. Provider services safeguarding list is maintained and available to all partner agencies. The MASH brings together staff from the council and key agencies to further improve the early identification of safeguarding concerns.	2 2 2 2 2 2 2 2	
5. Robust assessment of current and future staffing requirement with a contingency arrangement in place in respect of unforeseen pressures or staff shortages.	Adult Social Care remodelling is based on assessment of current and future need and to manage future staff reductions. Children's Transformation Improvement Plans, informed by OFSTED requirements, are in place and being overseen by workstreams reporting to the Transformation and Improvement Board.	3 3 3 3 3 3 3 3	

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps	Evidence of inconsistent application and/or critical weakness(es) within the policy, framework or activity	There is no, or insufficient, evidence of an appropriate policy, framework or activity.

RISK No: SRR04

Version No: 06

Last updated: 15/10/2014

KEY STRATEGIC RISK AREA

Health and Safety

RISK DESCRIPTION

Failure to meet our health and safety responsibilities

EXPECTED KEY CONTROLS

1. Roles, responsibilities and accountabilities of staff at all levels are defined and understood including the role of members

SOURCE(S) OF ASSURANCE

H&S Policy : Statement of Intent' signed by Directors as are the other key polices on the major H&S risks [Fire, Water Quality and Asbestos]. Published documents state next review date as Sept 2013.

Job descriptions for managers to be reviewed to make them more accountable in terms of their responsibilities for actioning and enforcing H&S actions.

Governance arrangements comprise the H&S Committee (including the Trade Unions) and the H&S Board which involves H&S (both client and Capita) and the key Heads of Service as regards H&S.

		13-14		14-15		Comment Q3
		ASSURANCE LEVEL				
Q4	Q1	Q2	Q3			
-	-	3	3	The 'Statement of Intent' and other signed policies on Fire, Water Quality and Asbestos are being updated.		
3	3	3	3			
3	2	2	2			
-	3	3	2	There is increasing take up of the e-learning training offer.		
-	2	2	2			
-	3	3	3	The Learning and Development portal is now fully functional		
-	3	3	2			

RISK OWNER

Mark Heath

RISK SCORE

Initial B2

CURRENT B3

Target D3

LIKELIHOOD IMPACT

Likely Significant

2. Appropriate guidance, training, policies and procedures are in place and in accessible format and are subject to periodic review.

All policies and procedures are published on the intranet and are readily accessible. Policies and procedures are updated at least annually or as changes come in, major changes are consulted on.

There is a full suite of e-learning courses as well as bespoke delivered courses available via learning and development.

3. Minimum level of knowledge and competency identified relevant to roles and responsibilities which is reflected in the H&S training that individuals' are required to undertake.

H&S training needs analysis should be carried out for all staff (and/or staff groups) to ascertain what training they require to carry out their duties.

Update of required training (including refresher training) can be monitored by line managers via the Learning & Development Portal

4. Senior manager oversight in terms of compliance with H&S responsibilities.

H&S report to CMT on a quarterly basis highlighting any areas of significant concern together with an end of year report .

Any non-compliance is escalated to CMT on an 'as and when' basis. SCC H&S Manager attends Directorate Management Teams (as required) and can raise issues directly with senior management.

For schools, non-compliance is escalated to the Children Services Team and the respective head teacher. Reports show that H&S audits have been carried out on the schools.

JCGs highlight any issues or areas of non-compliance.

-	2	2	2	Escalation within the wider council works quite well as does the JCG items but within schools it is a weaker as the level of control that the council is able to exert is more limited.
2	3	3	2	
2	3	3	3	
2	3	3	3	

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps	Evidence of inconsistent application and/or critical weakness(es) within the policy, framework or activity	There is no, or insufficient, evidence of an appropriate policy, framework or activity.

RISK No: SRR05

Version No: 05 Last updated: 09/07/2014

KEY STRATEGIC RISK AREA

Information Governance

RISK DESCRIPTION

EXPECTED KEY CONTROLS

SOURCE(S) OF ASSURANCE

13-14 14-15

ASSURANCE LEVEL

Q4 Q1 Q2 Q3

Comment Q3

Failure to ensure the City Council's information is held and protected in line with Information Governance polices and procedures.

1. Robust Information Governance Policy aligned with good practice and subject to regular review. Appropriate guidance and/or sources of information, advice or support available.

Freedom of Information ("FOI") and Data Protection ("DP") policies are in place and reviewed regularly.
A senior solicitor is the lead for Information Governance across the organisation and is supported by a Information Compliance Officer ("ICO"). Senior Information Risk Officers ("SIROs") are in place for each Directorate.
All relevant polices and guidance are on the intranet under the Information Governance page.

1	1	1	-
1	1	1	-
1	1	1	-

SEE NEW SRR05

RISK OWNER

Mark Heath

2. Directorates implement the Information Governance Framework put in place.

Directorates have internal processes in place with regard to how information is held and managed, which are robust and regularly reviewed.
Directorates implement remedial actions identified as a result of any data breaches.

3	3	3	-
3	3	3	-

RISK SCORE

Initial B3

CURRENT B3

Target D3

LIKELIHOOD IMPACT

Likely Significant

3. Process to monitor or review both understanding/compliance.

FOI and DP stats are reported quarterly by the SIROs to their Directorate Management Teams with an annual report submitted to the Governance Committee setting out the statistics for FOIs, DP, and RIPA activity.
Information Governance e-learning (including Data Protection, Freedom of Information and Protecting Information) mandatory for all staff and new employees
Statistics re take up of the compulsory e-learning to be collated, discussed with the SIROs, shared with Directors and as part of IG reporting, CMT will have oversight.

2	2	2	-
3	3	3	-
3	3	3	-

4. Breaches or potential breaches reported, collated and reviewed.

All breaches are investigated by a senior solicitor who produces a remediation report containing recommendations of good practice and sets out actions and target dates for completion which are followed up by the lead solicitor.

1	1	1	-
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	The Council self reports significant breaches to the ICO and details of ICO findings are discussed at the quarterly joint meeting between the senior solicitor, the Information Compliance Officer and the SIROs.	1	1	1	-
	Breach log and reporting procedure in place. Reporting form is being refreshed and relaunched [<i>timescale??</i>]	1	2	2	-
	The SIROs meet each quarter with the senior solicitor and ICO to discuss DP/FOI compliance, quality and DP breaches.	2	2	2	-

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps	Evidence of inconsistent application and/or critical weakness(es) within the policy, framework or activity	There is no, or insufficient, evidence of an appropriate policy, framework or activity.

RISK No: SRR05

Version No:6 Last updated: 21/11/14

KEY STRATEGIC RISK AREA Information Governance

RISK DESCRIPTION

Failure to ensure the City Council's information is held and protected in line with Information Governance polices and procedures.

RISK OWNER

Mark Heath

RISK SCORE

Initial	D3
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CURRENT	B3
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Target	E3
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LIKELIHOOD	IMPACT
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High	Significant
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EXPECTED KEY CONTROLS

1. A Strategic Information Governance Board is in place with agreed Terms of Reference, appropriate membership and reporting structure into a senior management team.

SOURCE(S) OF ASSURANCE

Terms of Reference are agreed by the Council Management Team and are reviewed annually.

The Information Governance Board ("IG Board") is Chaired by the Corporate Senior Information Risk Owner "SIRO" (Director for Corporate Services). The meetings are held every six weeks and are attended by the three directorate SIRO's, the Corporate Solicitor, Head of IT, and the Records Management Officer.

The Head of Legal reports to CMT each quarter on breaches.

13-14		14-15		Comments Q3
Q4	Q1	Q2	Q3	
-	-	-	1	
-	-	-	1	The level of assurance will change by the end of Q4. It will not be possible to maintain substantial assurance in the medium term as the current SIRO structure will change as part of Business Support Review. From the new Job Descriptions the new SIRO's will not attend the IG Board or be part of policy development in this area. Depending on the appointees it could take up to 9 months before the new SIRO's are able to demonstrate a satisfactory level of competence in this area due to the increased level of training and experience needed.
-	-	-	1	The current SIRO's report and investigate breaches and these inform the CMT breach report. There may be a delay in breach investigation and reporting as this function settles into the new Business Support structure.

	<p>The Head of Legal Services reports annually to the Governance Committee and the Overview Scrutiny Management Committee.</p>	-	-	-	<p>1</p> <p>It is likely that the assurance level will reduce by the end of Q4 as it is still not clear how the work of the SIRO's will feed into the IG Board.</p>
	<p>Each directorate currently has a SIRO at Senior Officer level who is responsible for IG compliance and assurance.</p>	-	-	-	<p>1</p> <p>It is likely that the assurance level will reduce by the end of Q4 as the current SIRO structure will cease when new arrangements come into force as part of the Business Support Review. There will be a period where it is likely that IG performance levels will drop as the new SIRO's will need training in this area and they will initially be concerned with setting up a new service. Concern has been expressed that, in the proposed changes, the grade of the SIRO's will be reduced and will not be able to operate at the same level of influence and authority as they currently do.</p>
<p>2. Information Governance ("IG") Framework is in place across the organisation which gives a structure for managing IG and ensures a level of assurance which enables the organisation to meet its regulatory requirements.</p>	<p>The IG Framework has been agreed and adopted.</p>	-	-	-	<p>3</p> <p>The framework was adopted at the October IG Board but is not properly rolled out.</p>
	<p>IG Policies are in place and available on the re-vamped Intranet pages. There is now an overarching IG policy in place under which all relevant polices fit.</p>	-	-	-	<p>2</p> <p>The policies are in place but need to be reviewed and updated.</p>

	<p>There is an Information Asset Register in place.</p>	-	-	-	3	<p>Each Directorate has been asked by its SIRO to complete and review the register. The register is in need of a review to ensure that all systems used within the Council care captured. It then needs to be completely reviewed with regard to the information it should hold. Progress is likely to be impeded as a result of the Business Support Review.</p>
	<p>A published Retention Schedule is in place and up to date.</p>	-	-	-	2	<p>The retention schedule framework is in place but there are inconsistencies in practice between what is held on paper and in electronic format. Compliance with all aspects of the schedule is not routinely monitored within Directorates for all information assets. Many staff are not aware of its existence.</p>
	<p>Internal Audit Report provides adequate assurance</p>	-	-	-	2	<p>The recent Internal Audit report gave limited assurance but the action plan requirements have been met and signed off. However, the audit did not fully encompass all areas of suggested compliance hence the current assurance score.</p>

<p>3. The organisation ensures that its staff and those working on its' behalf are adequately trained in all aspects of IG.</p>	<p>Staff training through e-learning and other appropriate methods is provided.</p>	-	-	-	2	<p>There have been technical issues with the e-learning which have prevented accurate reporting on compliance. Whilst a report has now been developed which can monitor staff completion rates for all modules, this does not take into account temporary or interim staff or areas where there is no computer access requirement for the role. Compliance is patchy within the Directorates despite reminders but there is little motivation for staff to complete it when technical issues prevent them from passing the different modules.</p>
	<p>Learning from data breaches is cascaded and embedded in practice.</p>	-	-	-	2	<p>Whilst remediation reports are prepared on completion of each breach investigation, it is difficult to monitor whether follow up actions are taken and there is no measurable way of determining that IG compliance improves as a result of a breach and the lessons learned from it. Breach statistics have improved however and it is hoped that this is as a result of staff undertaking the mandatory training.</p>

<p>4. Information is shared within the organisation, with partners and clients according to the Law and other statutory guidance.</p>	<p>Information sharing protocols and operational agreements are in place, registered and reviewed.</p>	<p>-</p> <p>-</p> <p>-</p>	<p>3</p>	<p>There are a number of protocols in place but it is believed that information sharing on a variety of levels and for differing purposes is undertaken without the appropriate agreements in place. The corporate register is regularly reviewed to identify protocols but its content is only as good as service area's submissions. The intranet pages were recently revamped but there are still known gaps. A number of existing protocols need to be reviewed in light of wider organisational and transformation requirements.</p>
<p>5. Regulatory compliance is met.</p>	<p>Annual Governance Statement needs to reflect the status of the IG assurance statement</p> <p>Public Sector Network compliance certificated</p>	<p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>2</p> <p>1</p>	<p>There is a requirement for enhancements to be made to the Annual Governance Statement process to reflect IG compliance in order to meet the requirements of the IG statement of Compliance V12 for Local Authorities</p> <p>SCC is currently 'PSN' compliant.</p>

	Information Governance statement of compliance achieved at required level	-	-	-	2	Version 11 was achieved at level 2 but there were gaps in evidence that have not been addressed. Version 12 is now published and SCC has converted to the Local Authority model but Leadership of this return is still to be identified due to the change in SIRO's for the People Directorate. The assurance level for Q4 is likely to fall as the completion date for the return is 31-03-14.
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1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps	Evidence of inconsistent application and/or critical weakness(es) within the policy, framework or activity	There is no, or insufficient, evidence of an appropriate policy, framework or activity.

RISK No: SRR06

Version No: 06 Last updated: 31/10/2014

KEY STRATEGIC RISK AREA Welfare Reform

RISK DESCRIPTION

EXPECTED KEY CONTROLS

SOURCE(S) OF ASSURANCE

		13-14	14-15	Comment Q3	
		Q4	Q1		Q2
NA - NEW Risk Q1 14-15				Risk recognises that it is difficult to predict the full consequences of implementation of key policy changes in Welfare Reform, Council Tax and Universal Credit.	
		-	2		
		-	2		
				The timetable for local implementation of Universal Credit and ' Universal Support - Delivered Locally' has been brought forward.	
	-	2			

The council is unable to quantify the financial impact on both vulnerable individuals and key council services arising from implementation of welfare reforms

1. The scope and nature of the reforms is clearly understood.

Working with key partners to develop and co-ordinate implementation timetable and assess local impacts. Multi-agency 'Welfare Reforms Monitoring Group' in place to oversee local response.

RISK OWNER	
Suki Sitaram	
RISK SCORE	
Initial	C3
CURRENT	C3
Target	TBA
LIKELIHOOD	IMPACT
Possible	Significant

2. The number and type of residents that are likely to be most significantly affected by the reforms is understood

Monitoring undertaken quarterly on the number of resident affected by each of the major reforms.

Annual report on Local Impacts of Welfare Reforms produced.

3. Responses in place to reduce welfare dependency across the city and to assist both individuals and communities to be more resilient to welfare changes

Local Welfare Reform Action Plan in place. Information made available regarding changes to welfare benefits.

Advice and support available for finding work, updating skills and training, people back into work, budgeting, managing debt, borrowing money and welfare benefit advice.

4. The potential impact of the reforms, in terms of both pressure on existing council services and council income, has been assessed and communicated	Monitoring of financial impact undertaken. Evidence from pilot areas used to assist in assessing local impacts.	-	2	The impact of the introduction of Local Council Tax Reduction saw a fall of 0.4% in the annual collection rate for Council Tax.
	Exercise, with other stakeholder agencies including anti-poverty services, Supporting People providers and advice services to identify additional service demand.			
	Additional capacity for Housing Income Team in preparation for the implementation of Universal Credit.			

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps	Evidence of inconsistent application and/or critical weakness(es) within the policy, framework or activity	There is no, or insufficient, evidence of an appropriate policy, framework or activity.

RISK No: SRR08

Version No: 06

Last updated: 28/10/2014

KEY STRATEGIC RISK AREA Commissioning

RISK DESCRIPTION

The contractual arrangements, in respect of those council services commissioned from and delivered by external organisations/partners, are not sufficiently flexible to respond to the council's changing service requirements

EXPECTED KEY CONTROLS

1. Understanding of all areas where services have been commissioned and/or may be commissioned in the future

2. Dialogue with current and future suppliers regarding the next for flexibility including service reduction.

3. Standard contractual wording to reflect the need for specifications to be able to be adjusted quickly and easily

4. The performance and financial standing of key suppliers is managed and reviewed throughout the duration of the contract

SOURCE(S) OF ASSURANCE

Contract Management Head of Services heavily involved in the Transformation programme.

Contract Management leading a review of the cost, value for money and benefits of all major commercial contracts. The key contracts in scope are those with Capita, Balfour Beatty, SSE, DC Leisure, Live Nation, Solent University and Mytime Active. All contracts are delivering what is required of them and have change mechanisms built in to varying degrees.

Contract change notices and variation notices available to allow us to change the service needs as required. The ability to invoke contract changes exists and is proven to work. Partnerships working collaboratively with the council to implement change.

Procedures are in place to review the financial standing annually. Key performance indicators for all contracts are monitored monthly and review and escalation processes are in place.

		13-14	14-15	Comment Q3
		ASSURANCE LEVEL		
Q4	Q1	Q2	Q3	
-	-	2	2	
-	-	2	2	
-	-	2	2	
-	-	2	2	

RISK OWNER

Stuart Love

RISK SCORE

Initial C3

CURRENT C3

Target D3

LIKELIHOOD IMPACT

Possible Significant

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps	Evidence of inconsistent application and/or critical weakness(es) within the policy, framework or activity	There is no, or insufficient, evidence of an appropriate policy, framework or activity.

Version Control (2014-15)

VERSION HISTORY						
Version No	Reviewed by	Review date		Version No	Reviewed by	Review date
1	Council Management Team	17/06/14				
4	Council Management Team	15/07/14				
5	Council Management Team	04/11/14				
6	Governance Committee	15/12/14				

SIGNIFICANT CHANGES TO STRATEGIC RISK REGISTER		
Version	RISK /COMMENTS	ACTION
v4	SRR7 - Draft risk further reviewed with the conclusion that it is a 'Directorate' as opposed to a Strategic Risk	Delete SRR7
v5	SRR5 - 'Key Controls' and 'Sources of Assurance' rewritten	New version of SRR5

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SUMMARY OF DIRECTORATE RISKS Appendix 2

Note: There is no standalone risk register for **Corporate Services Directorate** as it is considered that the key directorate risks are reflected in the council's Strategic Risk Register. This reflects the type and nature of the services provided by this directorate to the corporate body.

Place Directorate, Risk Register (@ November 2014)

Description of risk	
1.	Insufficient re-skilling and apprenticeships created to meet the emerging needs of the future growth sectors of the City economy.
2.	Unable to deliver sustainable and resilient services for all against a backdrop of significant and ongoing budget savings.
3.	Health & Safety arrangements not actively monitored and lessons learned from incidents not properly applied.
4.	Insufficient progress on VIP Regeneration projects (City centre and estates) leading to reputational damage, lack of economic growth and/ or continuation of substandard Council housing in some areas.
5.	Delays or barriers to introducing HMO Licensing schemes maintaining continued poor housing conditions in parts of the private rented sector.
6.	Unable to fully deliver Waste Transformation Programme leading to future additional budget pressures and missed targets for recycling/landfill reduction.
7.	Not being able to identify financially sustainable models of operation for Museums, Art Galleries and Libraries leading to closure of facilities and services.
8.	Road maintenance backlog exceeds acceptable levels.
9.	Structural maintenance backlog leads to failure of strategic infrastructure.
10.	Ability to cope with congestion on the road network.

People Directorate, Risk Register 2014-15 (@ October 2014)

Description of risk	
1.	The resources available to the Directorate financially/capital assets/staffing are not adequate to provide minimum/current levels/future/statutory service levels.
2.	The processes in place to safeguard the sensitive and personal information that the Directorate holds regarding Clients/Residents does not meet legislative requirements and/or best practice guidance leading to misuse/data breaches/data loss and potential monetary fines from the Information Commissioners Office.
3.	The failure of services/design of services/errors in practice/inability to share information leads to the death or significant harm of an individual/individuals currently in receipt of Council support/eligible for support/resident of the City, under current legislation.
4.	The Providers that the People Directorate works with are unable to fulfil their contractual /framework/spot purchase obligations due to service failure/poor service design/errors in practice.
5.	The Directorate is unable to carry out day to day activities due to a major incident/service based incident/emergency situation that diverts staff and other resources.

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Agenda Item 6

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	EXTERNAL AUDIT – ANNUAL AUDIT LETTER		
DATE OF DECISION:	15 DECEMBER 2014		
REPORT OF:	CHIEF INTERNAL AUDITOR		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Neil Pitman	Tel: 023 8083 4616
	E-mail:	Neil.pitman@southampton.gov.uk	
Director	Name:	Mark Heath	Tel: 023 8083 2371
	E-mail:	Mark.heath@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

N/A

BRIEF SUMMARY

The Annual Audit Letter presents the key issues arising from the external auditors statutory audit of the Council's 2013/14 financial statements and the assessment of arrangements to achieve value for money in the Council's use of resources.

RECOMMENDATIONS:

- (i) To note the External Auditors' Annual Audit Letter.

REASONS FOR REPORT RECOMMENDATIONS

1. Under the statutory Code of Audit Practice, the external auditors are required to issue a report to those charged with governance, summarising the conclusions from their audit work.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None.

DETAIL (Including consultation carried out)

3. Under Regulation 27 of the Accounts and Audit (England) Regulations 2011 the Annual Audit letter must be published and reported to Members of the Council.
4. The Annual Audit letter attached at Appendix 1 sets out the external auditors conclusions of the Council's 2013/14 accounts.
5. The Annual Audit Letter confirms:
 - o an unqualified opinion on the Authority's 2013/14 financial statements;
 - o an unqualified value for money conclusionThe Annual Audit Letter, as attached Appendix 1, has been discussed and agreed with the appropriate officers.
6. The external auditor will be in attendance at the Committee meeting to answer any questions.

RESOURCE IMPLICATIONS

Capital/Revenue

7. None

Property/Other

8. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

9. Local Government Act 1999

Other Legal Implications:

10. None

POLICY FRAMEWORK IMPLICATIONS

11. None

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

Appendices

1.	Annual Audit Letter – Year ending 31 March 2014
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Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

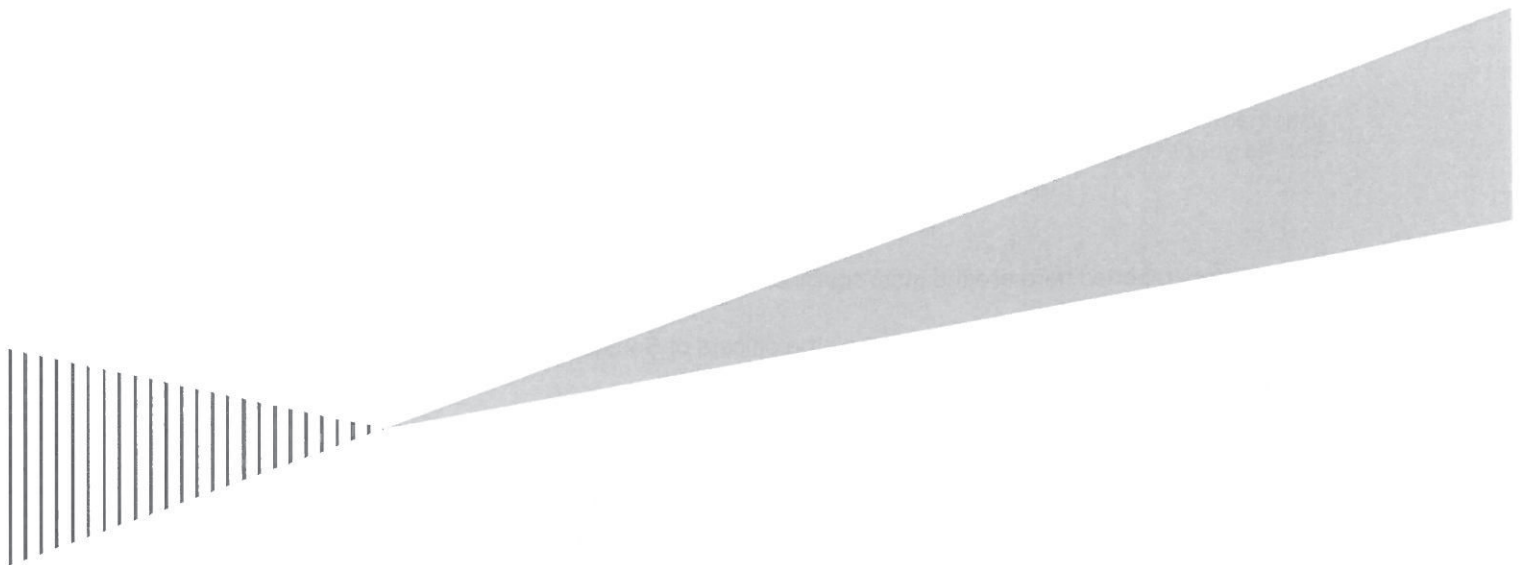
1.	None	
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Annual Audit Letter

Southampton City Council

October 2014

Ernst & Young LLP



Building a better
working world



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The Members
Southampton City Council
Civic Centre
Southampton
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24 October 2014

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Southampton City Council and external stakeholders, including members of the public, the key issues arising from our work which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of the Council in the following reports:

Southampton City Council audit results report for the year ended 31 March 2014	Issued 4 September 2014 and presented to the Governance Committee on 15 September 2014
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The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Southampton City Council for their assistance during the course of our work.

Yours faithfully

Kate Handy
For and behalf of Ernst & Young LLP
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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 14 April 2014 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Southampton City Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 30 September 2014 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 30 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit Committee) communicating significant findings resulting from our audit.	On 4 September 2014 we issued our report in respect of the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 30 September 2014.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.

Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.

No issues to report.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

On 30 September 2014 we issued our audit completion certificate.

2. Key findings

2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 30 September 2014.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good. We believe that there is scope for further improvement and efficiencies in the process that we will be discussing with management in the run up to the preparation of next year's financial statements.

The main issues identified as part of our audit were:

Significant risk 1: Localisation of Business Rates

Issue:

- ▶ There were significant changes in the arrangements for business rates from April 2013. The detailed accounting arrangements were not clear, presenting an audit risk.
- ▶ One of the main changes was that individual councils needed to provide for rating appeals. This includes not only claims from 1 April 2013 but claims that relate to earlier periods. As appeals are made to the Valuation Office, Councils may not be aware of the level of claims and may also find it difficult to obtain sufficient information to establish a reliable estimate.

Findings:

- ▶ The Council's accounting for the new business rate framework, and its disclosures, are in accordance with the CIPFA Code of Accounting Practice.
 - ▶ The Council's provision benchmarks on the high side within its comparator groups. We have assessed the reasonableness of its methodology, and have not judged it to be an unreasonable estimation method.
-

Significant risk 2: Minimum Revenue Provision

Issue:

- ▶ The Council reviewed the calculation of its Minimum Revenue Provision (MRP)

Finding:

- ▶ The Council made an adjustment of £3.9m, to amend the amount charged and audited in prior years.
 - ▶ Having reviewed the Council's previous accounting policies and MRP statements since 2007/08 we did not agree that it had previously made an error, which would be required under accounting standards to support this adjustment.
 - ▶ Therefore, we judged this to be a misstatement for 2013/14. We brought this to the attention of the Governance Committee, who decided not to amend the statements for the issue. This did not prevent us issuing an unqualified opinion as we did not judge the amount to be material.
-

Significant risk 3: Risk of management override

Issue:

- ▶ In all audits we recognise the risk that management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be
-

operating effectively.

Finding:

- ▶ Our work did not identify indications of management override.
-

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 30 September 2014.

We noted the following issues as part of our audit.

Key finding 1: Financial Pressures

- ▶ The Council has put in place arrangements to achieve financial resilience.
 - ▶ Looking forward, the forecast challenge for the Council is a cumulative £75m budget gap up to 2017/18, which is a significant pressure on its finances.
 - ▶ Processes are in place to address this gap. Significantly the Council has put in place arrangements so that the savings are more clearly linked to the overall medium term aims and objectives of the Council that have been formally agreed as of July 2014. This includes the strategy to transform the delivery of the Council services
 - ▶ Although the Council has historically achieved its service-based savings, it does not yet have a track record of achieving a transformational change programme. The programme is also an ongoing process, with elements continuing to be developed and delivered to an outline delivery timetable for the first tranches. As such, the scale of the savings achievable by the transformation programme are yet to be fully quantified and compared to the current overall forecast need. However, the programme has been specifically resourced, including being led by an officer experienced in implementing change management programmes. There is provision in the financial plans to re-invest the 2013/14 savings and other funds into the programme and other infrastructural changes where these are required, for example in changing IT infrastructure, to enable differing ways of working and engagement with the public. There is a commitment to ongoing communication and progress updates with Members.
 - ▶ The development of the transformation programme will require the continuing commitment of both officers and members. The transformation programme and its resultant savings is likely to remain a focus of our work in future years.
-

2.3 Objections received

We received no objections to the 2013/14 accounts from members of the public.

2.4 Whole of government accounts

We reported to the National Audit office, on 30 September 2014, the results of our work performed in relation to the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts.

We reported only the uncorrected error regarding MRP referred to above, as this was above the NAO's reporting threshold of £1 million.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance.

We have no issues to report.

2.6 Use of other powers

We identified no issues during our audit that would necessitate using powers under the Audit Commission Act 1998, including reporting in the public interest.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicated to those charged with governance at the Authority, as required, significant deficiencies in internal control.

We had no issues to report for 2013/14.

We reflected in our report the potential future challenge for the Council due to significant changes in the finance team. However, we highlighted the opportunity in these changes to bring a fresh perspective to the processes and content of the Statement of Accounts.

4. Audit Fees

A breakdown of our fee is shown below.

	Final fee 2013/14 £'000	Planned fee 2013/14 £'000	Scale fee 2013/14 £'000
Total Audit Fee – Code work	189,216	189,216	189,216
Certification of claims and returns ¹	29,036	29,036	29,036

Our actual fee is in line with the agreed fee.

We undertook no non-audit work at the Council in 2013/14.

Notes:

¹ Our fee for certification of grants and claims is yet to be finalised for 2013/14 as the work is ongoing. We plan to report this to those charged with governance within our Annual Certification Report for 2013/14

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