

# Governance Committee

Monday, 12th February,  
2024 at 5.00 pm

## PLEASE NOTE TIME OF MEETING

Conference Room 3

This meeting is open to the public

### Members of the Committee

Councillor P Baillie  
Councillor Chapman  
Councillor Denness  
Councillor Leggett  
Councillor McCreanor (Vice-Chair)  
Councillor McEwing  
Councillor Rayment

### Contacts

Director of Governance, Legal and HR  
Richard Ivory  
Tel. 023 8083 2794  
Email: [richard.ivory@southampton.gov.uk](mailto:richard.ivory@southampton.gov.uk)

Senior Democratic Support Officer  
Judy Cordell  
Tel. 023 8083 2766  
Email: [Judy.cordell@southampton.gov.uk](mailto:Judy.cordell@southampton.gov.uk)

## **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.

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

**Public Representations** At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda

Southampton: Corporate Plan 2022-2030 sets out the four key outcomes:

- Communities, culture & homes - Celebrating the diversity of cultures within Southampton; enhancing our cultural and historical offer and using these to help transform our communities.
- Green City - Providing a sustainable, clean, healthy and safe environment for everyone. Nurturing green spaces and embracing our waterfront.
- Place shaping - Delivering a city for future generations. Using data, insight and vision to meet the current and future needs of the city.
- Wellbeing - Start well, live well, age well, die well; working with other partners and other services to make sure that customers get the right help at the right time

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

**Mobile Telephones:-** Please switch your mobile telephones or other IT devices to silent whilst in the meeting

**Use of Social Media:-** The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, 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. By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public.

Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so.

Details of the Council's Guidance on the recording of meetings is available on the Council's website.

### **Dates of Meetings: Municipal Year 2023/2024**

<b>2023</b>	<b>2024</b>
12 June	12 February
24 July	22 April
25 September	
13 November	
11 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

### 1 **APOLOGIES**

To receive any apologies.

### 2 **ELECTION OF CHAIR**

To elect a Chair for the remainder of the Municipal Year 2024/25.

### 3 **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.

### 4 **STATEMENT FROM THE CHAIR**

### 5 **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

(Pages 1 - 4)

To approve and sign as a correct record the Minutes of the meeting held on 13<sup>th</sup> November 2023 and to deal with any matters arising, attached.

### 6 **REVIEW OF COMPLAINTS POLICY** (Pages 5 - 22)

To consider the report of the Director of Legal and Governance detailing a review and proposed changes to the Complaints Policy.

### 7 **INTERNAL AUDIT PROGRESS REPORT 2023-24** (Pages 23 - 46)

Report of Chief Internal Auditor detailing the progress made to date across the 2023-24 Audit Plan.

### 8 **EXTERNAL AUDIT - VALUE FOR MONEY REPORT 2022/23** (Pages 47 - 78)

To consider the report of the External Auditor detailing the Value for Money Report 2022/23.

### 9 **HUMAN RESOURCES (HR) DATA QUARTER THREE** (Pages 79 - 82)

Report of the Head of Human Resources and Organisational Development detailing Quarter 3 Human Resources Data.

**10 EXCLUSION OF THE PRESS AND PUBLIC - EXEMPT PAPERS INCLUDED IN THE FOLLOWING ITEM**

To move that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of any consideration of the exempt Appendix 2 to the following Item.

The Appendix is considered to be exempt from general publication based on Category 5 of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not in the public interest to disclose this because doing so would prejudice Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

**11 ANNUAL RISK MANAGEMENT REPORT 2023 (Pages 83 - 94)**

Report of the Director of Legal and Governance detailing the Annual Risk Management Report.

Friday, 2 February 2024

Director Legal and Governance

---

## GOVERNANCE COMMITTEE

### MINUTES OF THE MEETING HELD ON 13 NOVEMBER 2023

---

Present: Councillors A Frampton (Chair), P Baillie, Chapman, McCreanor, McEwing and Rayment (Minutes 20 – 25)

Apologies: Councillors Denness

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

**RESOLVED:** that the minutes for the Committee meeting on 2<sup>nd</sup> October 2023 be approved and signed as a correct record.

21. **REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT MID-YEAR 2023/24**

The Committee received and noted the report of the Executive Director Corporate Services (S151 Officer) detailing the Review of the Prudential Limits and Treasury Management Mid -Year 2023/24 particularly the mid-year position, activities and the continued proactive approach which had led to reductions in borrowing costs and safeguarded investment income during the year.

The Committee referred to page 7 of the report and the identified savings and requested the cumulative figure of these which were not detailed within the report but would be shared with Members of the Committee outside of the meeting.

22. **CIPFA REVIEW**

The Committee received and noted the report of the Executive Director Corporate Services detailing the CIPFA review, the conclusions from it and the ongoing work to promote the updated financial strategy.

The Committee referred to paragraph 24 of the report and requested if this included new commitments identified within the Medium-Term Financial Strategy Update that would be presented to the forthcoming Cabinet meeting. In addition, the Committee also referenced £500k identified within the report as being nonportfolio based and questioned what this was as all monies should be aligned to a portfolio. It was noted that the Executive Director for Corporate Services would share with Members of the Committee outside of the meeting the revised table 1 and what the nonportfolio based monies referred to.

The Committee also referred to appendix 3 of the report and the establishment of the Southampton Renaissance Board with the remit focussed on growth, strategic skills, sustainable development, and investment and requested that a progress report be submitted to a future meeting of the Committee.

23. **EXTERNAL AUDIT ANNUAL AUDIT REPORT**

The Committee received and noted the report and appendix of the External Auditors detailing the 2021/22 Annual Report.

24. **ANNUAL REPORT ON LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN COMPLAINTS FOR 2022/23**

The Committee received and noted the report of the Service Director Governance, Legal and HR detailing the 2022/23 Annual Review of the Southampton City Council Ombudsman Complaints and summary of the type and number of complaints including a review for the same period 2021/22.

25. **ANNUAL COMPLAINTS REPORT 2022 - 2023**

The Committee received and noted the report of the Service Director Governance, Legal and HR detailing the Annual Review of Complaints 2022/23. The Committee noted overall complaints registered with the Council had decreased this year (506 this year/537 last year) however there had been an increase in Adult Services complaints with the learning being about communication opposed to any significant issues of service delivery.

26. **STRATEGIC PROCUREMENT ACTIVITY**

The Committee received and noted the joint report of the Executive Directors Corporate Services and Wellbeing and Housing detailing the Council's upcoming Strategic Procurement Activity and the implementation arrangements for and being undertaken during Financial Year 2023/24 to the end of Financial Year 2025/26 by when they needed to be operational by.

27. **HOUSING VOIDS UPDATE**

The Committee received and noted the report of the Executive Director Wellbeing and Housing providing and update on the Housing Voids and Action Plan that had been put into place following areas of limited assurance in a recent audit.

The Committee noted that the report was not good reading identifying Southampton as the 2<sup>nd</sup> worst nationally, whilst an improvement action plan was in place it was not expected to see huge improvement until Quarter 4 2023 when it was expected that performance would start to Plato with clear improvement in Quarter 1 2024.

The Committee requested that a progress report be presented to a future meeting on performance but also detailing the breakdown of voids and by Wards across the City.

28. **EXCLUSION OF THE PRESS AND PUBLIC - EXEMPT PAPERS INCLUDED IN THE FOLLOWING ITEM**

Chair moved that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of any consideration of the exempt appendices to the following Item.

The appendices were considered to be exempt from general publication based on Category 7A of paragraph 10.4 of the Council's Access to Information Procedure Rules.



29. **STRATEGIC CONTRACTS - ANNUAL REPORT**

The Committee received and noted the joint report of the Executive Directors of Corporate Services and Wellbeing and Housing detailing the Strategic Contracts Annual Report covering the period April 2022 to March 2023. The Committee requested that a progress report be presented to the February meeting.

This page is intentionally left blank

# Agenda Item 6

<b>DECISION-MAKER:</b>	Governance Committee
<b>SUBJECT:</b>	Review of Complaints Policy 2024
<b>DATE OF DECISION:</b>	12 February 2024
<b>REPORT OF:</b>	<b>COUNCILLOR FIELKER LEADER</b>

<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title</b>	Corporate Services	
	<b>Name:</b>	<b>Mel Creighton</b>	Tel: 023 8083 3528
	<b>E-mail</b>	<b>Mel.Creighton@southampton.gov.uk</b>	
<b>Author:</b>	<b>Title</b>	<b>Head of Legal Partnerships</b>	
	<b>Name:</b>	<b>Sarita Riley</b>	Tel: 023 8083 3218
	<b>E-mail</b>	Sarita.riley@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>	
N/A	
<b>BRIEF SUMMARY</b>	
<p>Each year the council undertakes a review of complaints processes to ensure they remain fit for purpose and in line with revised Ombudsman Guidance and case law / precedent.</p> <p>Following the publication of a detailed consultation by the Ombudsman (Local Government &amp; Social Care and Housing Ombudsman) the focus has now shifted on 'putting things right' as early in the complaints process as possible. There is also a focus on ensuring front line services take ownership of learning from complaints from the outset. This confirms the approach taken to resolve complaints through a 'business as usual' approach within services. We are making this a formal part of the complaints process, give service areas greater freedom to resolve complaints at senior level. This will allow the complaints team and Ombudsman Link officer to focus on</p> <ul style="list-style-type: none"> <li>A. the most complex complaints</li> <li>B. areas of the council where complaints processes are determined by legislation</li> <li>C. a critical friend approach where practice around responding to complaints falls below expected performance.</li> </ul>	
<b>RECOMMENDATIONS:</b>	
<b>Governance Committee is recommended</b>	
	(i) To note the content of the report and approve the proposed changes to the Corporate Complaints Policy to take effect from 1 <sup>st</sup> April 2024.
	(ii) To delegate authority to the Director of Legal & Governance to approve any further changes to the Complaints Policy which may be

	required to respond to changes to ombudsman guidance, case law and precedent.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	To ensure the council adapts its complaints policy to meet emerging guidance and changes to recommended best practice published by the Local Government & Social Care Ombudsman (LGSCO) and Housing Ombudsman (HO).
2.	To provide a clear process of accountability and responsibility for complaints and learning from complaints at the earliest stages of the complaints process, improving resolution times and outcomes for customers.
3.	To focus the work of the complaints team on statutory complaints, the most complex complaints and areas of service where there are emerging concerns about service failure or who need additional support due to the multi service impact and volume of complaints received.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
4	To retain the current complaints policy. This has been rejected as the current policy does not comply with the emerging LGSCO / HO guidance on dealing with complaints or achieve the quickest outcome for customers.
<b>DETAIL (Including consultation carried out)</b>	
5	<p>SCC currently have two complaints policies:</p> <ul style="list-style-type: none"> <li>• The Children’s Statutory Complaints policy which is determined by the terms of the Children Act 1989 and is not subject of this report (There are no proposed changes to that policy or process).</li> <li>• The Corporate and Adult Social Care complaints policy, which covers all aspects of council services (including children’s services complaints which do not fall under the statutory policy).</li> </ul>
6	The last full review of the Corporate and Adult Social Care policy was conducted in 2013. Since that time the policy has been reviewed on a yearly basis. Only minor updates have been required since 2013. These minor updates have been in relation to lessons learned internally, changes to administration process and observations fed back to the council from the Ombudsman
7	In 2022 the Housing Ombudsman introduced a new complaint handling code. The council’s complaint policy was largely unaffected by these changes, as it already complied with the new codes and was updated accordingly where it was necessary in 2022. The main impact change was a reduction in the stage one response times from 20 working days to 10 working days. Other stipulations in the new code were in relation to reporting requirements which are undertaken by the Housing Team and do not affect the complaints policy.
8	In 2024 the Local Government and Social Care Ombudsman are introducing their new complaint handling code. This, in the vast majority of points, purposely mirrors the Housing Ombudsman code, again the main impact on the council complaint policy is the reduction of the 20 working days allowed

	for stage one response to 10 working days. It also includes a change in which a complaint is categorised when completed (upheld, partially upheld, and not upheld).
9	The revised Code also contains a presumption in favour of addressing complaints at the earliest possible stage of the complaints process with revised expectations on Council's to reduce the amount of time taken to manage and resolve complaints that are less complex.
10	The main proposed changes to the Corporate and Adult Social Care policy are procedural. The changes determine which officers deal with the stages of the council's complaints policy and recognise the current informal stage the council introduced that successfully resolves the majority of 'minor' or non-complex complaints.
11	<p>The current policy / process is:</p> <ul style="list-style-type: none"> <li>a. Business as Usual or 'Service Recovery' activity is not recognised as part of the formal complaints policy, despite this being where the majority of customer contact is actually resolved.</li> <li>b. When a 'formal complaint' is accepted, all initial enquiries and complaints are dealt with by the service area relevant to the subject matter of the complaint (stage one). The investigating/responding officer is a team leader, manager or in a small number of cases, a service manager of the affected service. Where more than one service is affected then one person is nominated to oversee the investigation and collate the enquires across multiple services and provide one response to the complainant.</li> <li>c. If the complainant remains dissatisfied with the outcome at stage one, complaints are referred to stage two of the process. These are dealt with by the Complaints Resolution Team (CRT), within the legal service. The team provide an independent review of the complaint and respond to the complainant on behalf of the council at the final internal stage of the complaints policy.</li> </ul>
12	<p>The proposed change will result in:</p> <ul style="list-style-type: none"> <li>a. Business as usual and service recovery actions being recognised alongside more formal complaints as stage one. Initial enquiries that can be dealt with immediately, those that are registered as complaints and investigated at stage one of the process will remain the responsibility of the service area team leaders/managers.</li> <li>b. Stage 2 complaints will be allocated to the relevant Director for investigation either by them or their nominee. This will encourage greater ownership and early insight into potential areas of concern regarding service performance. It will allow service greater freedom to provide an early resolution, with a greater range of remedies to customers and a greater control over the costs of remedy.</li> </ul>
13	A small number of stage 2 complaints will remain the responsibility of the Complaints Team mainly those regarding Housing (tenant/leaseholder-landlord matters) and Childrens Services (both statutory and corporate).

	<p>Housing is experiencing a significant upsurge in complaints, predominantly driven by disrepair claims and the sheer volume of complaints mean that assistance is required together with some independent trend analysis as a 'critical friend' for this service area at this time.</p> <p>The Complaints Team will adapt support when</p> <ul style="list-style-type: none"> <li>• housing complaints decrease</li> <li>• other service area complaints increase,</li> <li>• key areas of service failure are identified</li> </ul> <p>This will only be considered following consultation with Executive Directors for the relevant service areas.</p>
14	<p>The Complaints Team will also investigate “<i>complex, multi-agency or multi department complaints</i>” following consultation with the relevant service Director. This will be at the discretion of the Complaints Team Manager / Head of Legal Partnerships where capacity allows and where the independent investigation by this team will provide efficiency for the council and value for the customer.</p>
15	<p>In terms of how the proposed changes compare to other local authorities, it should be noted:</p> <p>The majority of local authorities in England operate a system where both stage one and stage two complaints are dealt with by the service area affected by the complaint subject.</p> <p>Some authorities operate a single stage process (which will now be changed as a result of the LGSCO changes- who highlight a two-stage process as best practice).</p> <p>A number of authorities have a team similar to the Complaint Resolution Team, however these teams do not provide an investigation service. They provide advice and guidance to stage one and two to investigating officers</p>
16	<p>In order to support these changes, the Complaints Team will be providing a number of measures including:</p> <ul style="list-style-type: none"> <li>• Updated packages of template letters to service areas (including decision templates to help record decisions for customers)</li> <li>• Drop in training and advice workshops</li> <li>• Advice and assistance to individual service areas if needed</li> <li>• A 'sounding board' for service areas on complaints they are unsure how to resolve or what an appropriate remedy may be.</li> </ul>
17	<p>The team currently consists of 3 FTE's (one staff post is currently vacant pending the outcome of these proposals). The approval of these changes will allow the vacant post to be deleted providing a budget saving to the Council of circa £57k.</p>
18	<p><u>Complaints Statistics</u></p>
	<p>Complaints recorded at stage one of the policy (all services) – 506.</p>

Complaints requiring investigation at stage two of the policy (all services) – 149.

Stage two complaints breakdown by area –

Service	Area	Number	Total
<b>Children and Learning Service</b>			<b>26</b>
<b>Adults</b>			<b>12</b>
<b>Housing</b>			<b>51</b>
	<b>Repairs</b>	<b>16</b>	
	<b>Leaseholders</b>	<b>6</b>	
	<b>Allocations</b>	<b>10</b>	
	<b>Supported Housing</b>	<b>4</b>	
	<b>LHO and investment</b>	<b>15</b>	
<b>All other</b>			<b>56</b>
	<b>Council Tax/Benefits</b>	<b>15</b>	
	<b>Planning</b>	<b>8</b>	
	<b>Parking</b>	<b>6</b>	
	<b>Parks (mainly allotments)</b>	<b>14</b>	
	<b>Waste</b>	<b>3</b>	
	<b>Regulatory Services</b>	<b>5</b>	
	<b>School transport</b>	<b>1</b>	
	<b>Highways</b>	<b>4</b>	
<b>General</b>	<b>Multiple areas</b>	<b>4</b>	<b>4</b>

19

Good Practice

To ensure good practice the Complaints Team will continue to provide advice and guidance to service areas and yearly service level training input as well as attend team and department training days on request or where complaints training is required as a result of investigations into complaints.

20

It has been noticeable that the quality of stage one responses has significantly improved over the last five years, in certain areas of the council. These are generally in the areas where the service area work is governed by legislation which is prescriptive in its nature. Stage two investigation, where required, in these areas, requires minimal review due to the quality of the stage one responses produced at stage one.

In undertaking this review a comparison of stage 1 (service area) and stage 2 (complaints team) responses has been carried out (dip testing for quality assurance) across the various service areas to support the above conclusions, together with drawing on the knowledge and experience of the complaints team and their knowledge of the cases they have handled over the last 12-18 months. In the majority (circa 90%) of cases the stage 1 response provided by the service area resulted in only minor changes or recommendations at stage 2, with the majority of minor changes to address new information provided by the claimant to further support their claim or argue against the stage 1 findings . In all cases these did not result in a

	<p>change in the outcome or findings. The primary difference in responses is a format matter where the stage 2 review follows a template that is closer to the consideration undertaken, and format followed by, the relevant Ombudsman and under these proposals this template, together with training on its use, will be provided to service areas to follow.</p> <p>The areas where a significant difference between the stage 1 and stage 2 responses (again using the knowledge and experience of the team together with quality assurance dip testing of cases) has resulted in the areas chosen for more intensive support being identified. These areas are those where there remains a significant benefit in having a review carried out outside the service area, either due to the volume and complexity of complaints, cross service implications or the large number of faults found in investigations.</p> <p>In reaching these conclusions the Complaints Team has used their knowledge and experience in cases, quality assurance dip testing and maintains a full record of all cases over the last 6 years in the Legal Partnerships dedicated case management system which does not just store information, but also (through use of workflows) allows bespoke reporting on outcomes and recommendations from complaints to inform and identify patterns of behaviour and learning having regard to a range of parameters (date range, service area, types of complaint, geographical impact etc).</p>
21	<p>The areas of improved quality include planning, council tax and benefits, adult social care charging, housing allocations and parking (incl. Itchen Bridge). It is predicted that stage two reviews in these areas will not require substantial investigation. The impact will reduce the amount of work undertaken by front line officers and speed up responses due to:</p> <ul style="list-style-type: none"> <li>a) Not having to supply information and records to the Complaints Team (who do not have access to systems and records and rely on records being retrieved and sent to the team) as senior managers will be able to access records themselves in order to complete a review.</li> <li>b) The information contained within the stage one response is generally thorough and referenced (legislation, policy, previous legal cases setting precedent) and therefore senior managers will have a base line in which to conduct the review (which is anticipated to be desktop review in the majority of cases rather than a full re-investigation).</li> </ul>
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
22	The proposals, if approved, will result in a budget saving of £57k in the Complaints Team.
	No other financial implications identified.
<b><u>Property/Other</u></b>	
23	Not Applicable.
<b>LEGAL IMPLICATIONS</b>	



<b><u>Statutory power to undertake proposals in the report:</u></b>	
24	S.111 Local Government Act 1972 and S.1 Localism Act 2011.
<b><u>Other Legal Implications:</u></b>	
25	The review of the Complaints Policy fully accords with the Equality Act 2010 and the Human Rights Act 1998.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
26	There is a risk that the proposed changes result in a drop in quality of stage 2 complaints responses. The advice training, templates etc provided to support implementation of the changes should provide sufficient support to service areas to maintain quality of responses. It should be noted that complaints are increasing generally, regardless of the changes proposed, as a result of cost of living impacts, financial challenges to services and changes to services to meet budget requirements. The impact of the changes will continue to be monitored and delegated authority is sought to make further changes to the Policy in the event that we need to shift resources to support other service areas or address any emerging trends in service failure / learning from complaints.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
27	The proposed policy changes are full consistent with the Council's published Policy Framework and will contribute to the Council priorities of building a strong, sustainable organisation and providing good quality services to our customers and residents.

<b>KEY DECISION?</b>	<b>No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
1.	Proposed Complaints Policy
2.	

**Documents In Members' Rooms**

1.	N/A
2.	

**Equality Impact Assessment**

<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
---	-----------

**Data Protection Impact Assessment**

<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
--	-----------

**Other Background Documents**

**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.		
2.		

**Southampton City Council**  
**Corporate Services (including Adult**  
**Social Care & Housing)**  
**Customer Comments, Compliments and**  
**Complaints Policy**



Southampton City Council  
Corporate Services including Adult Social  
Care



Customer Comments, Compliments and Complaints Policy

Customer Comments, Compliments and Complaints Policy			
<b>Version</b>	4	<b>Approved by</b>	Complaints Resolution Manager
<b>Date last amended</b>	22/08/23	<b>Approval date</b>	
<b>Lead officer</b>	Mark Naylor	<b>Review date</b>	01/12/24
<b>Contact</b>	Complaints.review@southampton.gov.uk	<b>Effective date</b>	

DRAFT

## 1. Introduction

We acknowledge that – despite our best intentions – things do sometimes go wrong. When this happens, we want to put things right. We want our customers to be satisfied with our services. We welcome hearing our customers' comments, compliments, and complaints to better understand how they view our services and to use these valuable opportunities to learn and improve for the future.

## 2. Aims

We aim to deliver comments, compliments and complaints provision that:

- Is simple for everyone to use and understand
- Is led and supported by the very top of the organisation
- Consistently ensures excellent service standards are delivered
- Fulfils the needs of our customers
- Encourages us to learn from customer feedback in order to improve
- Complies with the relevant legislation and council policy
- Focuses on fair, proportionate resolution at the earliest stage
- Works in an open-minded and impartial way

## 3. Comments and Compliments

We understand that customers may wish to share their experiences of using our services, express a concern, or tell us about services which they would like to receive. Sometimes, customers may want to tell us when we're doing something particularly well. Comments of this nature are welcome.

## 4. Complaint Stages

Stage 1 – Service Recovery Response (10 Working days)

Stage 2 – Formal Complaint Response (20 working days – extendable to 30 Working Days in complex cases where this is agreed in writing with the complainant)

Stage 2 Complaints will be investigated and responded to by a Senior Manager within the Service area complained of unless a complaint relates to Children's Social Care matters (separate Policy), some tenant initiated Housing matters (Complaints Resolution Team) or a complex, multi-agency or multi department complaint (in which case the relevant Executive Director and Complaints Resolution matter will discuss whether the Complaints Resolution Team leads on complaints resolution and response.) The person undertaking a stage 2 response must NOT be the same person who responded at stage 1.

Final Stage - Further escalation to the Relevant Ombudsman / Regulator (if appropriate)

## 5. Service Recovery (Complaint Stage 1)

"Requests for service" are not treated as complaints but where a service has not been delivered to the published standard, we will, as the first stage of our complaints process, seek to secure early 'Service Recovery' within the service area itself. For example, if a customer reports a pothole, tells us that a streetlight isn't working or that their bin has not been collected, we will endeavour to arrange for the matter to be dealt with without fuss and in line with a 'service recovery' process. If the service can be successfully delivered through this route, there will be no need to escalate the matter

to the next stage of the complaints process.

## 6. Definition of a Complaint (Stage 2)

A complaint is: “**Any expression of dissatisfaction with our services**”

## 7. Complaints service standards

- We will apply the **Customer Access Strategy or equivalent** to all our dealings with complaints.
- We will protect personal information given to us in the course of a complaint.
- We will work to specific response targets and agree with the customer if we need more time to investigate and resolve the matter.
- We will ensure that customers are informed of the options to request escalation through the complaints process – or signpost to the appropriate body or avenue—if they remain dissatisfied following our response.
- We will ensure that complaint outcomes are communicated to customers and recorded and implemented within the indicated timescale for completion. Services will keep customers informed if there are any delays to expected actions.

## 8. What Stage 2 of the Complaints Scheme covers

Stage 2 will deal with any form of persistent service fault or failure that has not been adequately addressed at Stage 1 Service Recovery. Examples could include:

- Delay
- Omission or failure to act.
- Failure to follow procedures or the law.
- Failure to provide information (Does not include Freedom of Information or requests for Access to Records).
- Failure to keep records or incomplete or inadequate record-keeping.
- Failure to investigate matters reported to the council, without good reason.
- Failure to respond to issues reported/ communications received.
- Issuing Misleading or inaccurate statements.
- Inadequate liaison or consultation.
- Failure to deliver on agreed action
- Behaviour of our staff (Separate HR policy exists for staff issues which may be more relevant dependent on complaint detail).
- Other issues causing unfairness or injustice

## 9. Where special arrangements apply

Sometimes there is a different, more appropriate procedure which must be used instead of the complaint's procedure e.g., Appeals processes, Safeguarding procedures or Human Resources (HR) procedures.

If this applies, we will advise the customer of the appropriate

procedure. Here are some examples:

- Complaints relating to the Council's Whistleblowing - Duty to Act or Health & Safety policies. Page 16
- Refusal of a planning application, or the failure to make a decision

within the given period - Appeals process for the applicant (Where applicable).

- The conduct of Councillors; these are dealt with according to the Members' Code of Conduct.
- Some Children's Social care complaints - follows a statutory procedure.
- Schools' attendance, admissions or exclusion - appeal process available.
- Special Educational Needs (SEND) provision - appeal process available.
- Freedom of Information or Data Protection Act matters
- Any other matters for which an alternative statutory or Constitutional appeals mechanism exists (including parking fines, Universal Credit claims etc.)
- Safeguarding procedures – proceedings under Safeguarding Adults procedures may warrant the Local Authority deferring consideration of some complaints or aspects of complaints.
- The customer is seeking compensation through the Council's insurers.
- The customer or Local Authority has started legal proceedings.
- Complaints by an employee of the Local Authority about any matter relating to that employment.
- Decisions made by Approved Mental Health Professionals (not employed by SCC) - dealt with via the appeals procedure under the Mental Health Act

## 10. Direct Payments and Self-funded services

Complaints, which are about direct payments and individual budgets (Social Care), are excluded from the procedures, once the service user has taken control of their care provision. There are procedures in place to appeal decisions.

This does not apply to complaints about the processes involved in the application, e.g., assessment, allocation of funds, or the support available to enable people to manage the payments.

## 11. other/concurrent procedures

Occasionally, a complaint may require us to start another procedure, such as an internal disciplinary procedure. In the interests of fairness, it may not be possible to provide a full response to the complaint until those proceedings have been completed. We will endeavour to keep complainants updated of the progress of their complaint, if this occurs.

## 12. Exclusions

The following issues **cannot** be dealt with under the Complaint procedure:

- The complaint is about services or matters which fall outside the control of the Council.
- Complaints regarding schools – each school has its own complaints process
- Complaint by another professional body or organisation.
- Complaints which relate to contractual arrangements or other business arrangements made with the local authority.
- Services delivered for or on behalf of other local authorities or partner organisations (that partner / organisation complaints policy must be used instead).
- Complaints where the subject matter (or substantially the same subject matter) has previously been investigated under these procedures or previous procedures prior to this one.

- Any complaint which is being or has previously been investigated by the relevant Ombudsman or other relevant body.
- Where a court or a tribunal has made, is making, or is about to make, a determination on the specifics of the complaint (please consult with the Complaints Resolution Manager and/or legal team)

### 13. Who Can Complain?

- Any individual receiving or looking to receive a service from the Council.
- Any person acting on behalf of an individual or group of individuals, provided they have written consent to do so; (this includes, Advice Agencies and other advocacy groups).
- In regard to matters raised by MP's and Councillors on behalf of a constituents – those matters will generally be treated as a representation and dealt with outside the complaints process.
- Where MP's and Councillors have gained specific signed consent to advocate for a vulnerable member of the public as a formal complainant these matters will be dealt with under the complaint's procedure.

### 14. Help from someone else to make a complaint

A complainant may wish to involve someone else to help and support them through the process of making a complaint. Written signed consent **will** be required from the complainant. The complainant may wish to choose one of the following:

- Friend
- Relative
- Neighbour
- Independent Advocacy Service

The Local Authority do not provide advocacy services (except where the complaint falls under the Children's Statutory process). However, there are a number of organisations and voluntary groups who provide such services dependant on the complainant's needs for support.

### 15. Anonymous complaints

The Local Authority does not accept or investigate anonymous complaints. However, any anonymous complaints relating to safeguarding issues will be considered and where necessary referred to the appropriate Executive Director to progress as a safeguarding investigation.

### 16. Access and Equalities

Customers may make a comment, compliment or complaint in the simplest way for them using any of the following contact methods:

- By using the online forms found on the Council's website <http://www.southampton.gov.uk/council-democracy/have-your-say/comments-complaints/complaints.aspx>
- Email ([customer.services@southampton.gov.uk](mailto:customer.services@southampton.gov.uk))
- By using the form with a leaflet or factsheet (Available from Libraries, Local Housing Offices and Gateway/Civic Reception)
- By letter
- By Telephone (written confirmation will be required)
- In person



the details and forward them to the involved service area manager.

## **17. Complaints involving multiple agencies or internal council teams**

Customers may wish to make a complaint which straddles other organisations e.g., National Health Service or Mental Health Services. Also, council complaints may involve several departments. In these cases, investigating manager will liaise with colleagues within the other organisation / department to provide a co-ordinated response.

In these cases, the time taken to respond may exceed the target times given below in the policy. However, in these cases, the complainant will be updated with any delay/extension required.

Data Protection - The Local Authority now deals with a wide variety of partner agencies and companies. The nature of some complaints means that we need to share details of the complaint and possibly complainant's details, to fully investigate complaints, with relevant partners and third parties.

If this is the case, the Investigator will contact you as soon as reasonably practicable to make you aware that we may need share relevant details of the complaint and/or personal details with specified third parties, giving reasons why we feel we need to contact the third parties and the information we need to share. We would ask for your views on this, and whilst we would only ever share the minimum amount of information necessary to investigate the complaint, if there is any information you would not want us to share, you would be given the opportunity to make this known. We would then make a decision about whether or not to share this information, depending on the nature of the complaint.

## **18. Unreasonably Persistent and Vexatious Customer Behaviour**

A copy of our policy can be viewed on our website:

[http://www.southampton.gov.uk/policies/Vexatious-Behaviour-Policy\\_tcm63-361808.pdf](http://www.southampton.gov.uk/policies/Vexatious-Behaviour-Policy_tcm63-361808.pdf)

## **19. Time limit for initiating a complaint**

You must make your complaint within 12 months of the disputed occurrence or incident. We will only investigate complaints relating to issues that are more than 12 months old at the discretion of the relevant Executive Director following consultation with the Complaints Resolution Manager. The complainant will need to explain why it was not possible for the complaint to be raised within the required 12-month period, for matters to be considered.

## **20. Reporting and Feedback**

We produce an annual report which includes information about the council's comments, compliments and complaints experience and learning from complaints (anonymised), which is published on the website.

## **21. Resolution and remedies**

Upheld/Not Upheld/Partially upheld definition

Where a complaint is found to be upheld, consideration will be given to the question of an appropriate remedy. Any remedy should be proportionate in the circumstances and, where possible, put the complainant back in the position they were in before the complained about occurrence.

Where a complaint has been partially upheld, the response will make clear the

elements of the complaint that has been upheld and those that have not and the remedy guidance in this policy applied accordingly.

## 22. Complaint Escalation

The initial Service Recovery (stage 1) and confirmation of action taken is the responsibility of the Service Area responsible for the issue complained of. Where matters complained of cover more than one area, one manager will be responsible for collating individual responses to provide one Local Authority response to the service recovery response.

If the customer receives their response from the service area complained of and remains dissatisfied, they may ask for escalation to Stage 2 (formal complaint investigation by a more Senior Manager in the service area). The escalation process is set out on the Council's website, together with contact details and online forms to assist customers in directing their query as appropriate.

We ask customers to explain, in writing, the reasons for their dissatisfaction and why they are requesting a stage 2 response.

Simply disagreeing with the outcome of Service Recovery without giving further reasoning is insufficient detail to progress to a stage two review. On receipt of the escalation request a Senior Manager within the Service (who did not handle the Service recovery stage) will review the escalation request and arrange for an investigation and response.

Where the matter relates to Local Authority Housing and the complainant is a tenant, the complainant has the option to choose a review by the Tenant's Panel instead of Senior Manager.

The Tenants Panel operated by Southampton City Council is not a Designated Tenants Panel as defined by the Localism Act 2011.

There may be circumstances where the Stage 2 investigation cannot be undertaken by the Service Area and will instead be referred to the Complaints Resolution Team. This may occur where the service area does not have someone who has not been involved in earlier stages or service recovery or the complaint is complex and would merit independent investigation by the Complaints Resolution Team. Where this occurs, the complainant will be informed of the referral to the complaints team and the reasons for that / any changes to timescales needed to enable a thorough investigation of the matter.

In some cases, where it can be shown to be an appropriate and reasonable method of resolving a complaint, the Head of Service / Executive Director of the relevant service area may invite the parties to the complaint to participate in an informal mediation process as an alternative to any stage of the complaints process. The outcome of any such mediation will, nonetheless, be communicated to the customer in writing together with escalation options if they remain dissatisfied.

## 23. Further Escalation

Complainants have the right to contact the relevant Ombudsman or other appropriate body if they remain dissatisfied once **both** stages of the complaint's procedure have been exhausted. The relevant Ombudsman will usually require all stages of the Council's complaints policy to have been concluded before they will consider investigating.

Up to date contact details will be included in the formal stage two response/communication.

Further advice and assistance on the Ombudsman's role and the stage at which they will accept a complaint may be obtained from:

**The Local Government and Social Care Ombudsman**

PO Box 4771

Coventry

CV4 0EH

Telephone: **0300 061 0614**

Website: [www.lgo.org.uk](http://www.lgo.org.uk)

**Housing Ombudsman Service** (for issues relating to Local Authority housing)

81 Aldwych

London

WC2B 4HN

Telephone: 0300 111 3000

Fax: 020 7831 1942

Email: [info@housing-ombudsman.org.uk](mailto:info@housing-ombudsman.org.uk)

Website: [www.housing-ombudsman.org.uk](http://www.housing-ombudsman.org.uk)

**24. WITHDRAWING A COMPLAINT**

A complaint may be withdrawn verbally (written confirmation will be requested) or in writing at any time by the complainant. The Local Authority will write to the complainant to confirm the withdrawal of the complaint.

This page is intentionally left blank

# Agenda Item 7

<b>DECISION-MAKER:</b>	<b>GOVERNANCE COMMITTEE</b>
<b>SUBJECT:</b>	<b>INTERNAL AUDIT PROGRESS REPORT 2023-24</b>
<b>DATE OF DECISION:</b>	<b>12<sup>th</sup> FEBRUARY 2024</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title</b>	<b>CORPORATE SERVICES</b>	
	<b>Name:</b>	<b>Mel Creighton</b>	<b>Tel: 023 8083 3528</b>
	<b>E-mail</b>	<b>Mel.Creighton @southampton.gov.uk</b>	
<b>Author:</b>	<b>Title</b>	<b>CHIEF INTERNAL AUDITOR</b>	
	<b>Name:</b>	<b>Elizabeth Goodwin</b>	<b>Tel: 023 8083 4616</b>
	<b>E-mail</b>	<b>Elizabeth.Goodwin@southampton.gov.uk</b>	

<b>STATEMENT OF CONFIDENTIALITY</b>	
N/A	
<b>BRIEF SUMMARY</b>	
<p>The Public Sector Internal Audit Standards 2017 (PSIAS), requires the Chief Internal Auditor (CIA) to provide periodical updates to the Governance Committee on:</p> <ul style="list-style-type: none"> <li>• Progress made against the agreed annual audit plan.</li> <li>• Results of audit activities and</li> <li>• Management’s response to risk that in the CIA’s judgement maybe unacceptable to the Authority</li> </ul> <p>All other PSIAS requirements are communicated in either the charter or annual audit opinion, which are reported separately to this committee at various times throughout the year.</p> <p>There are a total of 67 audit reviews in the revised plan for 2023/24. To date, 98% of audits have been completed or are in progress as of 24th January. This represents 37 (55%) audits where the report has been finalised, 11 (16%) where the report is in draft and 18 (27%) audits currently in progress.</p> <p>There are currently no ‘no assurance’ reports or critical exceptions contained in this report for this reporting period.</p> <p>Internal Audit progress for the period 12<sup>th</sup> September 2023 to 25<sup>th</sup> January 2024 is covered in the report attached as Appendix 1.</p>	
<b>RECOMMENDATIONS:</b>	
	(i) That the Governance Committee notes the Internal Audit Progress report for the period 1 <sup>st</sup> April to 11 <sup>th</sup> September 2023.

<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	In accordance with the Public Sector Internal Audit Standards the Chief Internal Auditor is required to provide an update on progress against the annual audit plan to the Governance Committee for information.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	None
<b>DETAIL (Including consultation carried out)</b>	
3.	As above
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
4.	None
<b><u>Property/Other</u></b>	
5.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
6.	The Accounts and Audit (England) Regulations 2015 state 'a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards.
<b><u>Other Legal Implications:</u></b>	
7.	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	
8.	The report is for note only, there is no decision to be made.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
9.	None

<b>KEY DECISION?</b>	<b>No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	None
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Internal Audit Progress Report for the period 12 <sup>th</sup> September 2023 to 25 <sup>th</sup> January 2024.

**Documents In Members' Rooms**

1.	None
----	------

**Equality Impact Assessment**

<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
---	-----------

**Data Protection Impact Assessment**

<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
<b>Other Background Documents</b> <b>Other Background documents available for inspection at:</b>	
<b>Title of Background Paper(s):</b> <b>None</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>

This page is intentionally left blank





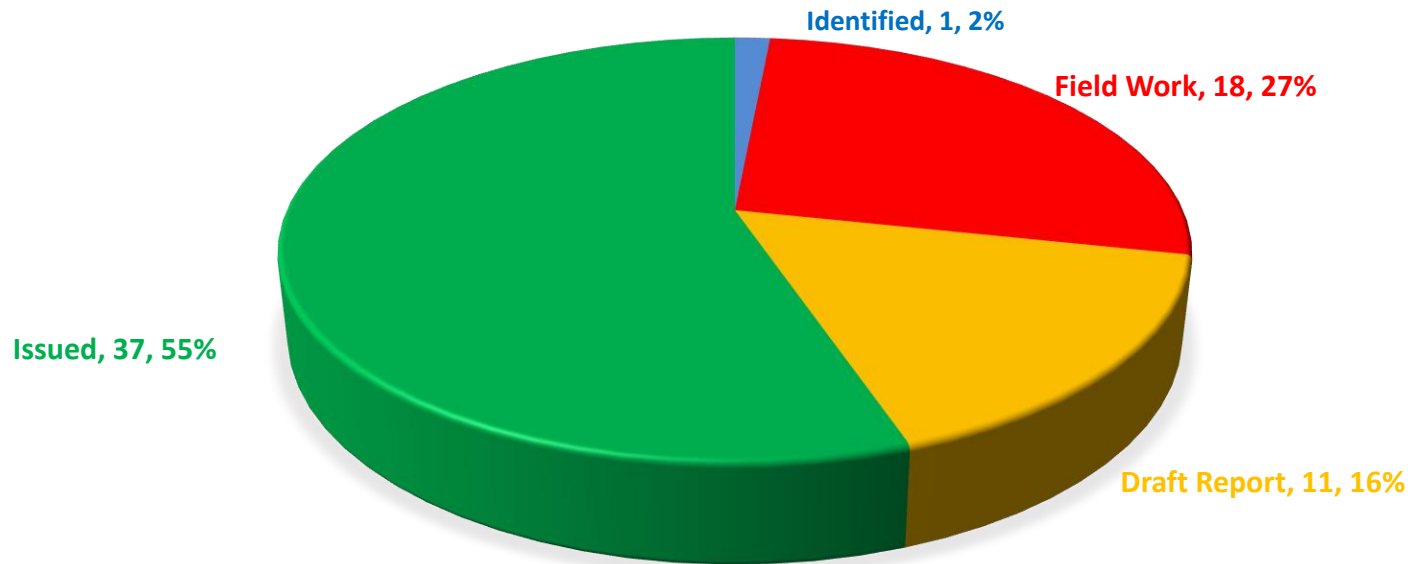
**SOUTHAMPTON**  
CITY COUNCIL

## Internal Audit Progress Report

12<sup>th</sup> February 2024

Elizabeth Goodwin, Chief Internal Auditor

## 1. Audit Plan Progress as of 24<sup>th</sup> January 2024



There are a total of 67 reviews in the 2023/24 Audit Plan as of 24<sup>th</sup> January 2024.

To date, 98% of audits have been completed or are in progress as of 24<sup>th</sup> January. This represents 37 (55%) audits where the report has been finalised, 11 (16%) where the report is in draft and 18 (27%) audits currently in progress.

Status	Current Position
Identified	1
Fieldwork	18
Draft Report	11
Final Report	37
<b>Total</b>	<b>67</b>

## 2. Audit Plan Status/Changes

The Audit Plan has remained flexible to take into account emerging or escalating risk exposure. Since the last reporting period the following should be noted; **Additions, removals, and amendments to the 2023/24 Audit Plan:**

- Addition – Bus Subsidy Grant – grant required verification and sign-off in 2023/24.
- Addition – Tax Evasion – added at the request of the Section 151 Officer.
- Addition – St Marys Leisure Centre - added at the request of the Chief Executive Officer.
- Addition – Red Lodge Stock Arrangements – added at the request of the Head of City Services.
- Addition – Equal Pay – added at the request of the Section 151 Officer.
- Addition – Governance and Decision Making – at the request of the Section 151 Officer.
- Addition – Bus Recovery Grant - grant required verification and sign-off in 2023/24.
- Addition – Irregular Payments - added at the request of Section 151 Officer.
  
- Removed – Section 75 Agreements – Risk exposure greater in other areas.
- Removed – Acquisition of One Guildhall Square – removed following provisional work where concerns raised have already been covered.
- Removed – Transforming Cities Fund – grant due for sign off in 2024/25.
- Removed – Waste Operations – moved to 2024/25 due to the implementation dates in the original audit stretching into 2024/25.
- Removed – Biodiveristy Net Gain Grant – no grant sign-off required.
- Removed – Business Continuity and Disaster Recovery – work is currently in progress in this area so will be revisited at a later date.
- Removed – Compass (Alternative Learning) – moved to 2024/25 audit plan.
- Removed – Cantell School – due to a lack of capacity in team to undertake this review.
- Removed – Unregulated Placements – due to a lack of capacity in team to undertake this review.
- Removed – Temporary Accommodation – due to a lack of capacity in team to undertake this review.
- Removed – Voids – regular progress reporting has been provided to the governance committee and longer period needed for material change to occur.

All the audits removed above will now be considered as part of the 2024/25 audit plan.

### 3. Areas of Concern

No new areas of concern have been raised since the last reporting period. While there are currently no ‘no assurance’ reports or critical exceptions contained in this report for this reporting period. All items completed since the last committee attendance are detailed at a summary level in this report. This includes, full audits, follow up work and grant work completed.

### 4. 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>
<b>NAT</b>	<i>No areas tested</i>

*Audits rated No Assurance are specifically highlighted to the Governance Committee along with any Director’s comments. The Committee is able to request any director attends a meeting to discuss the issues.*

## 5. 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 the will be reported in their entirety to the Governance Committee along with Director's comments*

## 6. 2023/24 Audits completed since the last reporting period

### Construction Contracts Review

**Exceptions Raised**

Critical	High	Medium	Low
0	1	0	0

**Overall Assurance Level**

Limited
---------

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	Limited
Compliance with Policies, Laws & Regulations	No Areas Tested
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

Three construction projects where fire safety issues have been identified were reviewed to determine the reasons behind the failure and assess whether the Authority's process and controls contributed to that failure. In addition, Internal Audit also reviewed the proposed future mitigations put forward by the service to prevent future issues. Testing found that the failure of the projects was due to substandard work of sub-contractors, which was not being picked up by the contractor's quality assurance programme. The processes used by the Authority to procure and oversee these projects were industry standard and did not contribute to the failings. The limited assurance opinion is based upon the projects still being a risk to the Authority. One high risk exception was raised as testing found that the proposed mitigations required further investigation into their potential cost and effectiveness.

### Disabled Facilities Grant (DFG) Process Review

**Exceptions Raised**

Critical	High	Medium	Low
0	0	0	1

**Overall Assurance Level**

Assurance
-----------

Actions should be implementation by once a new team member is in post.

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

The low risk exception was raised in relation to a lack of consistency in the information being put forward to the Better Care Finance & Performance Board when applying to draw down funding from the DFG. Based on the testing conducted Internal Audit can confirm that the grant funding has been spent in line with the grant conditions and a separate signed statement has already been provided and returned to central government as required.

**Health & Safety (Corporate)**
**Exceptions Raised**

Critical	High	Medium	Low
0	1	2	0

**Overall Assurance Level**

<b>Reasonable</b>
-------------------

Actions should be implementation by March 2024

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Reasonable
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	Reasonable
Reliability and Integrity of Data	Assurance

The high risk exception was raised in relation to the uptake of health and safety training undertaken across the authority. Testing identified only 53% of permanent employees had completed some form of health and safety training (including mandatory fire safety) and only 12% of permanent managers / heads of service had completed the manager health and safety module. The first medium risk was raised in relation to services not undertaking staged audits as outlined in policy and the second medium risk was raised relating to an inconsistent approach across the authority to workplace H&S inspections.

**Recruitment v Budget**
**Exceptions Raised**

Critical	High	Medium	Low
0	1	0	0

**Overall Assurance Level**

<b>Limited</b>
----------------

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	No Areas Tested
Safeguarding of Assets	Limited
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

The review identified multiple issues resulting in inconsistencies between budgeted information and HR actual information. During the migration of the old system to the new system (Business World) no reconciliations were conducted to ensure information being exported was accurate. In addition, the format of the data held within the two structures (HR & Finance) differ making it difficult to confirm accuracy and ensure effectiveness of operations. Controls are in place for the recruitment process, however residual control gaps have been highlighted around further automation required resulting in the current process being prone to error and or deliberate circumvention. Six recommended actions were flagged to the service which will further enhance the arrangement and are being implemented alongside a existing program of actions.

**Red Lodge Stock Arrangements**
**Exceptions Raised**

Critical	High	Medium	Low
0	1	0	0

**Overall Assurance Level**

<b>Limited</b>
----------------

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	No Areas Tested
Safeguarding of Assets	Limited
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

Internal Audit undertook a review of the Red Lodge depot looking at stock arrangements, spot checks and security and staff access, following a disciplinary and concerns raised. This review resulted in four recommended actions to be implemented.

**St Marks Church of England School**
**Exceptions Raised**

Critical	High	Medium	Low
0	0	1	1

**Overall Assurance Level**

<b>Reasonable</b>
-------------------

Actions should be implementation by February 2024

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	Reasonable
Compliance with Policies, Laws & Regulations	Reasonable
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

The medium risk exception was raised in relation to minibus walkaround checks not being recorded meaning there is no evidence to sight that they have been undertaken. The low risk exception was raised in relation to the approval of policies not being sufficiently recorded.



**St Marys Leisure Centre**
**Exceptions Raised**

Critical	High	Medium	Low
0	0	0	0

**Overall Assurance Level**

<b>Consultancy</b>
--------------------

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	No Areas Tested
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

Internal Audit undertook a viability review on the proposals and providers as it related to the appointment of a long-term operator for the centre.

**Stock Condition (Planned Maintenance)**
**Exceptions Raised**

Critical	High	Medium	Low
0	1	0	0

**Overall Assurance Level**

<b>Limited</b>
----------------

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	Limited
Compliance with Policies, Laws & Regulations	No Areas Tested
Safeguarding of Assets	Reasonable
Effectiveness and Efficiency of Operations	Reasonable
Reliability and Integrity of Data	No Areas Tested

Due to several factors, for example the need to refocus capital spend on improving fire safety, lack of capacity and the consequent failure to deliver planned work, the historically well-maintained housing portfolio has deteriorated markedly over the last five years. The high risk raised confirmed the need to take urgent strategic decisions and take action in order to bring the portfolio up to standard, including meeting the Decent Homes standard – currently only 53.4% of SCC's homes meet this standard. Failing to do this will lead to the portfolio further deteriorating, potentially representing a strategic risk to the Council. Operationally progress is being made, for example addressing damp and mould issues, however further work is necessary, to ensure that why tenants refuse improvements is understood and management have access to a sufficiently accurate view of the condition of the portfolio.

**Tax Evasion**
**Exceptions Raised**

Critical	High	Medium	Low
0	1	0	0

**Overall Assurance Level**

<b>Reasonable</b>
-------------------

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Reasonable
Safeguarding of Assets	Limited
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

The Internal Audit section was required to carry out this audit to ascertain whether tax evasion had occurred in relation to one of our suppliers. This review identified that tax evasion had occurred which could pose a liability for the authority and is currently being attempted to be recovered from the supplier. This review identified the need for implementing a minimum standard of due diligence and requirement to complete 'off-payroll worker assessments' during contract/exemption awards in the Integrated Commissioning Unit (ICU). The review highlighted some improvements in the controls around 'fast-tracked' payments and additional checks for suppliers using a personal bank account for payment. Four actions were raised to be implemented by the relevant services.

**List of Completed Grants**
**Grant Outcomes:**
**Assurance/Certified**

1. Bus Subsidy Grant
2. Disabled Facilities Grant

## 7. 2023/24 Follow-up Audits completed since the last reporting period

### Contract Management ICU

#### Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Latest implementation date scheduled was December 2022  
 Revised date: June 2024

#### Original Assurance Level

Reasonable
------------

#### Follow Up Assurance

Reasonable
------------

#### Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	0	1 (High) 1 (Medium)	0	0	0

Follow up testing was able to close both exceptions. The rationale for the report remaining at reasonable, despite closing the risks, is due to the monitoring framework not fully being fully implemented and it not being imbedded for long enough to evidence effectiveness/improvements in some of the areas with underperforming KPIs

### Domestic Abuse

#### Original Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Latest implementation date scheduled was January 2023  
 Revised date: March 2024

#### Original Assurance Level

Reasonable
------------

#### Follow Up Assurance Level

Reasonable
------------

#### Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High)	0	1 (High)	0	0	0

Follow up testing was able to close one high risk exception. The other high risk was raised in relation to decisions, actions and referrals not being agreed within the 24 hours despite attempts or contact with the victim being made. This risk remains in progress due to the University of Southampton conducting an independent review on the current protocols.

**Children's Direct Payments**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	7	1	0

Latest implementation date scheduled was May 2022  
 Revised date: April 2024

**Original Assurance Level**

Limited
---------

**Follow Up Assurance**

Limited
---------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	4 (High)	2 (High)	1 (High) 1 (Medium)	0	0	0

Follow up testing was able to close one high and one medium risk exception. The high risk relating to overview panel reviews remains in progress as while panel dates are referenced on direct payment cases there is not clear evidence of the approval via minutes or management authorisation. The second high risk remains in progress as while a monitoring spreadsheet for annual audits has been produced, 19 cases are overdue a review. The third high risk relates to procedure documents as while some have been drafted, there were noted gaps in the procedure documentation. The fourth high risk remains in progress as while a monitoring spreadsheet has been created there is still no management/KPI reporting to aid decision making.

Two high risks remain were implemented but were not effective in mitigating the risks identified. The first relates to the reconciling of changes in direct payment amounts which testing identifying 1/5 changes had a different value on the support plan and panel review. The second relates to testing still identifying a lack of recorded documentation including missing timesheets, payslips and bank statements. New actions have been agreed and will be retested in due course.

**Emergency Procedures (Supported Housing Schemes)**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	1	0

Latest implementation date scheduled was June 2022  
 Revised date: Ongoing

**Original Assurance Level**

Reasonable
------------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High)	0	1 (Medium)	0	0	0

Follow up testing was able to close the medium risk exception. The high risk relating to staff training records at Supported Housing Schemes remains in progress with follow up testing highlighting refresher training requirements across a number of mandatory training modules including Adult Safeguarding, Data Protection Act, Care Act and Modern Slavery.

**Elected Home Education**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	0	0

Latest implementation date scheduled was December 2022  
 Revised date: February 2024

**Original Assurance Level**

Reasonable
------------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (High)	0	0	0	0	0	0	0

Follow up testing identified that the high risk exception relating to the authority school attendance orders remains open as while 8/9 issues since 2020 have resulted in children being enrolled in school or receiving the suitable home education, there are no clear pre-court procedures in place should litigation be required.

**Fostering**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	4	1	0

Latest implementation date scheduled was December 2023  
 Revised date: June 2024

**Original Assurance Level**

Limited
---------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	3 (High)	0	1 (High) 1 (Medium)	0	0	0

Follow up testing was able to close one high and one medium risk exception. The high risk raised in relation to foster carers signing foster care agreements remains in progress as from a sample of 10 agreements, 4/10 could not be evidenced and 3/10 had not been countersigned by the Fostering Lead. The second high risk raised in relation to staff completing mandatory training remains in progress as sample testing of 9 carers records could not evidence them completing all forms of mandatory training. The final high risk raised in relation to supervision reviews remains in progress as from a sample of 5 carers records 1/5 did not have a timely annual review, 2/5 did not have a timely unannounced visit and 2/5 did not have a timely 6 weekly review.

**Hardmore School**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	7	6	0

Latest implementation date scheduled was October 2022  
 Revised date: May 2024

**Original Assurance Level**

Limited
---------

**Follow Up Assurance Level**

Limited
---------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (High)	0	3 (High) 2 (Medium)	0	2 (High) 2 (Medium)	1 (High) 2 (Medium)	0	0

Follow up testing was able to close 4 high and 3 medium risk exceptions. 3 high risk exceptions remain in progress as while an asset register was located it had not been reviewed by staff for accuracy, the business continuity plan while completed has been deemed inadequate by the Federation and testing identified 3/5 transactions sample tested did not have a corresponding purchase order. The two medium risks remain in progress as the review identified

4 School Financial Value Standard (SFVS) answers were inaccurate and the website had not been updated to be compliance with Department for Education guidance. A new open high risk was raised during the review as there were no controls in place to prevent ghost employees being added to payroll.

**Itchen Toll Bridge**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	0	1

Latest implementation date scheduled was September 2022  
 Revised date: September 2024

**Original Assurance Level**

Reasonable
------------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High)	0	0	0	1 (Low)	0

Follow up testing was able to close one low risk exception with management accepting the risk due to insufficient resource. The high risk exception relating to discrepancies remains in progress as discussions with the supplier have not resulted in the cause of the discrepancies being identified. In November 2023 there were 25 discrepancies which netted to a reduction of £829.55.

**IT Feeder Systems**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	4	0	0

Latest implementation date scheduled was June 2022  
 Revised date: October 2023

**Original Assurance Level**

Limited
---------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	0	4 (High)	0	0	0

Follow up testing was able to close the 4 high risk exceptions. While work is ongoing there has been significant progress made in all areas, enhancing arrangements regarding automation, accuracy/completeness of data transfers, continuity and security. The rationale for reasonable is that further action is planned and largely scheduled to be completed by the end of the financial year.

**IT Network**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	2	2

Latest implementation date scheduled was December 2023  
 Revised date: December 2024

**Original Assurance Level**

Limited
---------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High) 2 (Medium) 1 (Low)	0	1 (Low)	0	0	0

Follow up testing was able to close one low risk exception. The high and low risk remain in progress as they relate to starter and leaver procedures which form part of the ongoing Starters, Leavers and Movers (SLAM) automation project. The first medium risk relating to loss of data from email and USB drives as a number of Office 365 controls are in the testing stage. The other medium risk relating to single points of failure remains in progress as while there has been progress in addressing the most significant points of failure, these are not currently captured through an overarching register.

**Mansbridge Primary School**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	3	1	0

Latest implementation date scheduled was January 2023  
 Revised date: Ongoing

**Original Assurance Level**

Reasonable
------------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (High)	0	1 (High) 1 (Medium)	0	1 (High)	0	0	0

Follow up testing was able to close one high risk exception. One high risk exception relating to the SFVS remained open as it references policies which could not be evidenced. The high risk relating to petty cash remains in progress as reconciliations are not occurring as often as planned. The medium risk relating to inventory records remains in progress as testing was unable to evidenced asset spot checks are being conducted.



**Modern Slavery Act Compliance**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	2	0

Latest implementation date scheduled was December 2022  
 Revised date: March 2024

**Original Assurance Level**

Reasonable
------------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (Medium)	0	2 (High) 1 (Medium)	0	0	0	0	0

The first high risk exception relating to risk assessing contracts remains in progress as 265 statements have been obtained and a method statement for identifying contracts at high risk of Modern Slavery has been produced, however 267 contracts still need to be risk assessed. The second high risk relating to the monitoring/reporting of Children's Referrals remains in progress as while modern slavery is recorded as an assessment factor, it cannot be extracted into a spreadsheet/dashboard. The medium risk relating to specific modern slavery training remains in progress as although there is some provisional training it has not been rolled out. The final medium risk remains open as the authority's Modern Slavery Statement has yet to be uploaded to the Home Office Registry.

**Shirley Warren Primary School**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	2	0

Latest implementation date scheduled was March 2023  
 Revised date: Ongoing

**Original Assurance Level**

Reasonable
------------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
1 (High) 1 (Medium)	0	0	0	0	0	0	0

The high risk exception relating to the SFVS return remains open as the SFVS 'Summary of Agreed Actions' was incomplete. The medium risk exception raised in relation to purchase orders remains open as testing of 5 transactions highlighted that for all 5, a corresponding purchase order was not raised.

**Vermont School**

**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	2	0

Latest implementation date scheduled was December 2022  
Revised date: March 2024

**Original Assurance Level**

Reasonable
------------

**Follow Up Assurance Level**

Reasonable
------------

**Follow Up Action**

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	2 (High)	0	1 (High) 3 (Medium)	0	0	0

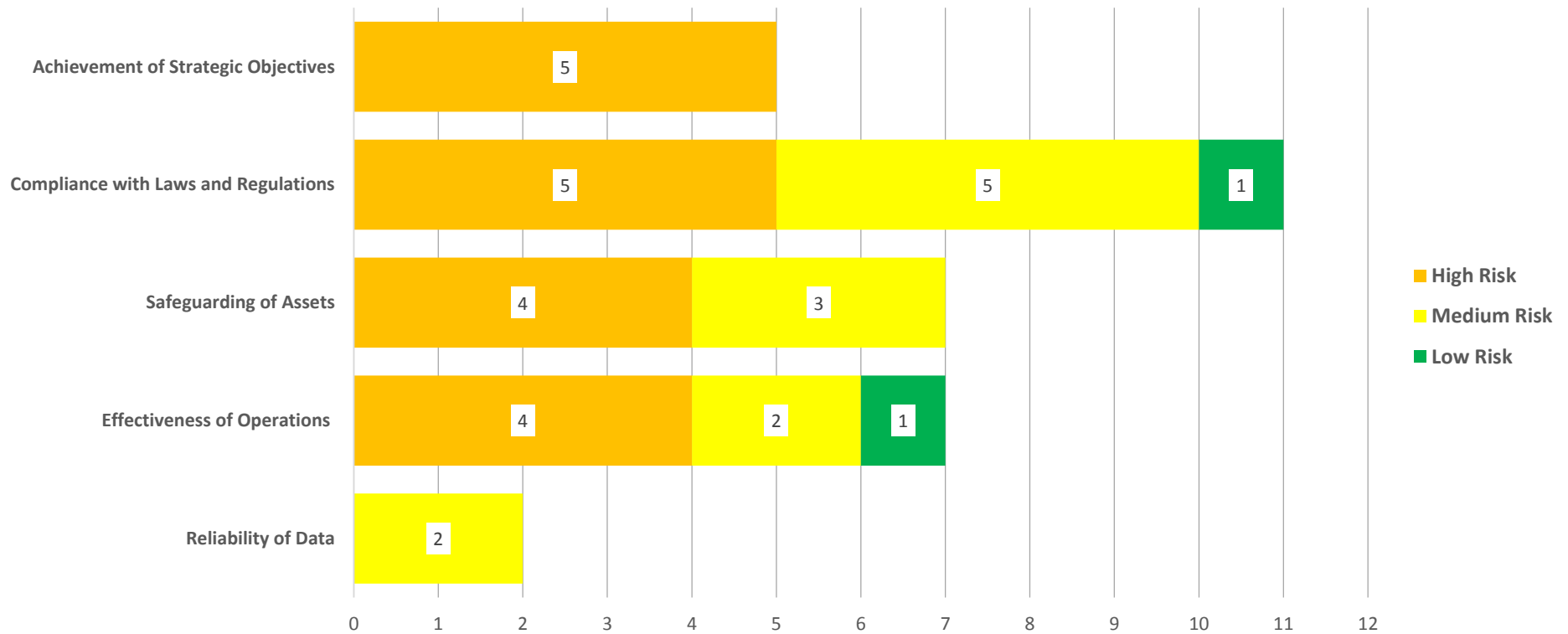
Follow up testing has been able to close 1 high and 3 medium risk exceptions. A high risk relating to inventory remains in progress as an asset register has yet to be fully completed. The second high risk relating to purchase orders and purchase card expenditure remains in progress as sample testing of 5 transactions identified 3/5 invoices predated the purchase order. Testing of 5 purchase card transactions did confirm all receipts were in Business World.

## 8. 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: <i>Verified</i>	<i>Agreed action implemented and risk mitigated, verified by follow up testing.</i>
Closed: <i>Not Verified</i>	<i>Client has stated action has been completed but unable to verify via testing.</i>
Closed: <i>Management Accepts Risk</i>	<i>Management has accepted the risk highlighted from the exception.</i>
Closed: <i>No Longer Applicable</i>	<i>Risk exposure no longer applicable.</i>

## 9.Exception Analysis to Date



	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						
High Risk	5	5	4		4	18
Medium Risk		5	2	2	3	12
Low Risk - Improvement		1	1			2
<b>Grand Total</b>	<b>5</b>	<b>11</b>	<b>7</b>	<b>2</b>	<b>7</b>	<b>32</b>

# Agenda Item 8

<b>DECISION-MAKER:</b>	<b>GOVERNANCE COMMITTEE</b>
<b>SUBJECT:</b>	<b>EXTERNAL AUDIT – VALUE FOR MONEY REPORT 2022/23</b>
<b>DATE OF DECISION:</b>	12 FEBRUARY 2024
<b>REPORT OF:</b>	<b>EY LLP (EXTERNAL AUDITOR)</b>

<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title</b>	Executive Director Corporate Services	
	<b>Name:</b>	Mel Creighton	Tel: 023 8083 3528
	<b>E-mail:</b>	<a href="mailto:Mel.creighton@southampton.gov.uk">Mel.creighton@southampton.gov.uk</a>	
<b>Author:</b>	<b>Title</b>	EY Engagement Manager	
	<b>Name:</b>	Hannah Lill	Tel:
	<b>E-mail:</b>	<a href="mailto:hlill@uk.ey.com">hlill@uk.ey.com</a>	

<b>STATEMENT OF CONFIDENTIALITY</b>
N/A

<b>BRIEF SUMMARY</b>
The report summarises the findings from our 2022/23 value for money work, and to date in 2023/24. The report sets out the risks identified and the findings from our detailed assessment including a commentary on the three reporting criteria and a summary of the arrangements in place.

<b>RECOMMENDATIONS:</b>
(i) To note the 2022/23 Interim Value for Money report as attached.

<b>REASONS FOR REPORT RECOMMENDATIONS</b>
1. Please see summary above, with regard to the requirement to issue a value for money commentary.

<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>
2. None

<b>DETAIL (Including consultation carried out)</b>
3. See summary above and attached Interim Value for Money report.

<b>RESOURCE IMPLICATIONS</b>
------------------------------

<b><u>Capital/Revenue</u></b>
-------------------------------

4. None
---------

<b><u>Property/Other</u></b>
------------------------------

5. None
---------

<b>LEGAL IMPLICATIONS</b>
---------------------------

<b><u>Statutory power to undertake proposals in the report:</u></b>	
6.	<ul style="list-style-type: none"> <li>Local Audit and Accountability Act 2014</li> <li>Accounts and Audit Regulations 2015</li> </ul>
<b><u>Other Legal Implications:</u></b>	
7.	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	
8.	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
9.	None

<b>KEY DECISION?</b>	<b>No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	<b>N/A</b>
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
1.	SCC interim VFM Report 2022.23

**Documents In Members' Rooms**

1.	N/A
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
<b>Data Protection Impact Assessment</b>	
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
<b>Other Background Documents</b>	
<b>Other Background documents available for inspection at:</b>	
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	None

Southampton City  
Council

## Value for Money report

Year ended 31 March 2023

February 2024

Page 49

Agenda Item 8  
Appendix 1

1 February 2024



Dear Governance Committee Members

2022/23 Value for Money Report

We are pleased to attach our Value for Money report for Southampton City Council. The report summarises the findings from our 2022/23 value for money work, and to date in 2023/24. The report sets out the risks identified and the findings from our detailed assessment including a commentary on the three reporting criteria and a summary of the arrangements in place.

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

We welcome the opportunity to discuss the contents of this report with you at the Governance Committee meeting on 12 February 2024.

Yours faithfully

Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

Encl



# Contents

## 01 Executive Summary



## 02 Value for Money Commentary



## 03 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/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



BOARDROOM

Page 52

# 01 Executive Summary





# Executive Summary

## Purpose

The purpose of the report is to set out the Value for Money (VFM) work undertaken up to and including the 2022/23 financial year. The report aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03).

The report sets out the following areas which have been assessed up to the point of issuing this interim report to the Governance Committee:

- Page 53
- Risks of significant weakness and procedures planned to mitigate these
  - Findings of our work against the three value for money reporting criteria and the sub-criteria
  - Summary of arrangements in place over the period covered by this report.

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report, once the audit report has been issued for 2022/23.



# Executive Summary (continued)

## Risks of Significant Weakness

Our value for money procedures are based on the judgements reached from a combination of:

- our cumulative audit knowledge and experience;
- our review of Council committee reports;
- meetings with the Chief Executive, the Executive Director Corporate Services & s151 Officer and other finance officers, and the Chair of the Improvement and Assurance Board; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We identified a significant weakness in the Council's arrangements in relation to financial resilience as part of our risk assessment procedures. We consider this weakness to affect all three of the criteria for value for money.

# Executive Summary (continued)

## Reporting

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

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	Risk of significant weakness in arrangements identified in 2022/23 and 2023/24	Significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	Risk of significant weakness in arrangements identified in 2022/23 and 2023/24	Significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	Risk of significant weakness in arrangements identified in 2022/23 and 2023/24	Significant weakness identified

Page 55

Our commentary for 2022/23 and to date for 2023/24 is set out over pages 9 to 16. The commentary on these pages summarises our overall conclusions over the arrangements at the Council in relation to the reporting criteria throughout 2022/23, and into 2023/24 to date.

We include within the VFM commentary the associated recommendations we make to the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Annual Auditors Report and have been updated for 2022/23, and we have specified where in our judgement weaknesses have existed for 2022/23 against the relevant sub-criteria.



# Executive Summary (continued)

## Independence

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

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.





02

## Value for Money Commentary

# Value for Money Commentary

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

## Significant weakness identified

Financial monitoring for 2022/23 identified that the Council was struggling to keep spending within set budgets for the year, and the year end outturn showed a deficit of £11.4 million which was met by a drawdown from reserves. The Council have continued on this trajectory during 2023/24 and as at November 2023, were forecasting a deficit of £13.9 million for the 2023/24 financial year.

Many of the key drivers of the budget pressures in 2022/23 are because of a variety of national issues generally outside of the Council's control. They include:

- high levels of inflation and the cost-of-living crisis impact
- sharp increases in the costs of energy for the Council
- higher than expected nationally set pay awards
- rising interest rates including impacts on contractual costs and continues to influence the costs arising from the capital programme
- continuing high demand for Council services, especially in the field of social care for both Adults and Children, but also other key areas such as Home-to-School Transport
- on-going effects of Covid-19, in terms of the demands for local services

These pressures continued into the original 2023/24 budget, set in February 2023. As part of the 2023/24 budget setting in February 2023 the s151 officer at the time raised concerns over the lack of decisions and actions within directorates being taken to get expenditure back under control. He raised the possibility of the need for a future s114 notice without sufficient action being taken.

Since then, the Council appointed a new s151 officer, who implemented a further review with an updated 2023/24 budget being issued in July 2023.

The Council have recognised the significance of the financial position that they are in and have initiated a number of actions to assist them in mitigating the position, including setting up a Improvement and Assurance Board (IB), and commissioning a report from CIPFA to look at their financial management and perform a financial resilience review.

The purpose of the IB is to:

- provide external advice, challenge, and expertise to Southampton City Council in driving forward the development and delivery of their improvement plan and transformation programme;
- provide assurance to key stakeholders including but not limited to Cabinet, External Auditors, Governance Committee, Overview and Scrutiny Committee, regarding progress in delivering necessary savings and improvements; and



# Value for Money Commentary

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

## Significant weakness identified

- To provide regular progress reports to the Council on the delivery of the improvement plan and to seek assurance that key decisions are made cognisant of the financial implications and impact on in-year budgets and the medium term financial strategy (MTFS).

The CIPFA report concluded that the financial position for both 2023-24 and 2024-25 continues to be precarious and requires continuing action to reduce expenditure and address the deficit. The Council needs to develop a financial recovery plan to cover the period of the MTFS. The plan should be built round supporting the council's financial position not just in the short-term but for the medium and longer-term. A service improvement plan needs to identify clearly how the structural changes required to bring about sustainable reductions in expenditure in Adult Social Care and Looked After Children areas in particular will be delivered.

Page 59  
In our judgement slower than expected progress was made through to December 2023. There was a focus on the in year budget position for 2023/24 reducing the forecast overspend from £21 million initially forecast at month 3, down to £13.9 million overspend forecast at the end of November 2023. However, this is still an overspend and more savings needed to be identified to reduce the call on reserves. Cumulatively, since 2021/22 the expected drawdown on reserves by the end of 2023/24 is expected to be £82.9 million. Limited progress was also made to mitigate the future medium financial position. As at December 2023, the Council had not made significant in-roads into the projected gaps for 2024/25 and beyond. There was an expectation of the development of a transformation plan, that would establish different ways of delivering services and reduce costs. Such a plan is still in development. Savings have been made through cost control and generating additional income, rather than transforming the way services are delivered. The level of reserves remaining is insufficient to cover the forecast future budget gaps.

We are informed that better progress has been made in January 2024. The Council have held workshops with involvement from officers and the Chair of the Improvement Board. The first of these focussed on challenging the achievability of the savings included in the November 2023 MTFS update report, which looks forward into 2024/25. There is still some work to ensure that the supporting business plans are robust and that the savings figures are achievable.

The second workshop focused on the 2023/24 financial position, challenges to the current forecasts and savings required in the shorter term.

There has been a change in Leader at the Council. The new Leader appears to be engaged, understands the financial position of the Council and is committed to drive the Council to resolve its financial situation.

The Chief Executive has also recently resigned with an interim Chief Executive appointed on 19 January 2024. The new Chief Executive's role will be instrumental in being able to ensure that the members and officers continue to work together to bring an achievable solution for the Council.

In order for the Council to achieve the changes needed for financial stability, the members and officers need to work together to take the decisions and actions needed. Some of these decisions are inevitably going to be difficult, because it is hard to envisage a scenario whereby they will not involve decisions to increase the Council's income, and to reduce costs through curtailment of services.

The Council are also seeking to bring in some experienced personnel to assist with transformation and the new asset development and disposal programme, which is

# Value for Money Commentary

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

## Significant weakness identified

aimed at identifying which assets they should retain and develop and which ones they can dispose of. We note that capital disposals are ringfenced and cannot be used to support the revenue budget, unless a capitalisation direction is obtained or in accordance with the flexible capital receipts policy to meet transformation costs. Disposals may reduce costs in the short term, but they are not an immediate solution to resolve the gap in the revenue budget. Even with a capitalisation direction, this would be a short term solution only, and the underlying pressures would still need to be addressed.

Southampton City Council will not be able to set a balanced budget without government support. This is prima facie evidence that the Council has not been able to manage its financial sustainability, and the root cause is evident from 2022/23 in the overspending and reduction in reserves. To have a chance at success in receiving this support, the Council needs to show that their plans for improving the Council's financial position are robust and are having positive outcomes to be able to provide DLUHC with the confidence that providing such support is not just a short term solution.

At time of writing this report it is not clear whether government support will be received, and we will only see the outcome of the aforementioned better progress in January 2024 over the next few months including within the 2024/25 budget setting. If support is not received, it is unlikely a balanced budget can be presented and a s114 notice will be necessary. Should government support be provided, it is still likely that some of the savings plans supporting the budget assumptions may yet require further review and clarification into the new financial year, as the short period of time available between progressing these in January 2024 up to the budget setting meeting may limit the ability for every savings plan and opportunity to go through the challenge and review processes the council has put in place to assure their rigour.

This is the critical period where the Council needs to demonstrate that it can deliver on the pace and promise of the start they have made this calendar year. Irrespective of whether a s114 notice is required, this is imperative for the Council. It needs to take these actions, as part of developing its strategy to sustainably stabilise the Council's finances for the medium term and make the structural changes highlighted by the CPFA report.

**Conclusion: Based on the work performed, the Council did not have proper arrangements in place in 2022/23 and into 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**

### **Recommendations:**

- *The Council needs to ensure that it has fully considered all options for achievable savings that it can make to reduce the pressure on reserves and achieve a balanced budget.*
- *Savings need to be supported by robust delivery plans and monitored closely to ensure that they are achieved within planned timeframes.*
- *The Council needs to demonstrate that it can operate within its planned budget and control its expenditure, across all services.*
- *A transformation plan to underpin savings into the medium term needs to be developed.*

# Value for Money Commentary (continued)

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

## Significant weakness identified

Based on the information obtained and documented through our value for money work, we are satisfied that the control environment does materially support the prevention and detection of fraud. We are also satisfied that the Council monitors its risks, maintaining a Strategic Register and Key Financial Risk register which are presented to the Governance Committee. The Council has the proper arrangements in place with regards to reporting its financial position including its statutory accounts, preparing its draft 2022/23 financial statements by the deadline set by DLUHC.

However, we have identified issues with regard to the arrangements in place for the sub-criteria of:

- how it approaches and carries out its annual budget setting process; and
- how it ensures effective processes and systems are in place to ensure budgetary control ..... including corrective action where needed.

Page 61

The Council was unable to deliver their services in the 2022/23 year within the budget set, or achieve the planned savings for 2022/23. The Council was forecasting a deficit for 2022/23 throughout its regular outturn forecasting, including the reporting on the additional cost pressures as they arose during the 2022/23 year. The final outturn for 2022/23 was a deficit of £11.4m. The Council has not acted swiftly in identifying the longer term impact of the pressures identified, including the impact of using reserves. Only 39% of the savings plans within the 2022/23 budget were achieved. Therefore, overspending in 2022/23, while identified and reported, did not result in sufficient mitigating actions when they were needed. This is therefore evidence that while the systems were in place to report the budget, those processes did not lead to sufficient corrective action when it was needed.

This is continuing in 2023/24, with only 79% of Directorate savings targets achieved by December 2023.

The drawdown on reserves in 2022/23 and expected for 2023/24 is such that Council have depleted their reserves to a level that means that they no longer have sufficient reserves to meet any significant shortfalls moving forwards.

The 2023/24 budget was set during the financial year 2022/23. The s151 officer warned in the 2023/24 budget setting report that insufficient action was being taken by directorates to get spending under control. The 2023/24 budget was approved, assuming a number of corrective actions would happen - which was not being demonstrated during the year. In only July 2023, a few months after the budget was set, the medium term update report instigated by the new s151 officer showed a likely overspend of £20.9m for that year. This is evidence that the 2023/24 budget, as initially set, was unrealistic.

We have also identified weaknesses in the area of how the body gains assurance over the effective operation of internal controls.

Internal Audit gave a limited assurance opinion over the effectiveness of the control environment for the Council in their annual opinion for 2022/23. This takes into account the financial position of the Council and the directorates reporting their own decline in the effectiveness of controls as noted within the annual governance self-assessments with a deteriorated overall assurance level provided for a number of key controls. Their opinion is also informed and influenced by the vulnerability of the governance framework and the associated emerging risks, financial instability together with the required pace and implications of the actions to address it. 42% of internal audits for the year were rated 'no' or 'limited' assurance.

# Value for Money Commentary (continued)

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

## Significant weakness identified

We noted that there has been a slow reaction from management to develop and deliver action plans as a result of recommendations made by Internal Audit. Of the exceptions followed-up during the year, Internal Audit noted that 56% of the actions were overdue. This has been explained as being due to the voluntary redundancy scheme which has left the authority with less experienced staff and less capacity to respond to the issues raised. This has further been exacerbated by the current financial position of the Council and the involvement in officers to address this. Focus on financial pressures has meant insufficient capacity and attention on internal control, and consequently this is exposing the Council to risks of deterioration in the control environment.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 and into 2023/24 to make informed decisions and properly manage its risks, with the exception of the sub-criteria:**

Page 62

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- How the body approaches and carries out its annual budget setting process; and
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

## **Recommendations:**

- ***The Council needs to ensure that it holds officers to account regarding delivering services within the agreed budget.***
- ***Action Plans agreed as a response to internal audit findings should be addressed in a timely manner.***

# Value for Money Commentary (continued)

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

## Significant weakness identified

Financial and performance information has been used to identify areas for improvement, as can be seen from the regular reporting to members throughout the period. During 2022/23 and into 2023/24, these reports have included (but are not limited to):

- Budget matters
- Council performance scorecard
- Human Resources statistics
- Revenue and capital financial monitoring
- Review of the health and social care contracts
- Risk management reports
- Safe City Partnership review
- Strategic contracts reporting
- Strategic Procurement Activity
- Treasury management outturn

We can see that short term planning has been conducted, which details a budget for the 2023/24 financial year both identifying potential shortfalls and risks as well as potential savings. We have also inspected evidence of longer term planning and performance assessment.

As previously documented, the Council reported a deficit for 2022/23, reporting on the additional cost pressures as they arose during the 2022/23 year and struggled to achieve the planned savings for 2022/23. The Council has continued to fail to achieve the planned budget for 2023/24, which already included a significant drawdown on reserves.

This is indicative that the Council, despite having the information of which examples are listed above, has struggled to use that information about its costs and performance to improve its services timely and accurately in 2022/23 with particular reference to identifying areas for improvement where those services can be brought back within budget. This has continued on into 2023/24, with the Council reporting a forecast deficit of £13.9 million against the revised budget in November 2023, and includes areas, as an example, of a lack of accurate costing and forecasting new contracts such as home to school transport.



# Value for Money Commentary (continued)

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

## Significant weakness identified

We reported in our 2021/22 Auditor's Annual Report that OFSTED reporting in January 2023 regarding children's services noted that, whilst trust had been eroded in the past in this area due to the Council's historical failings, good progress had been made in rebuilding 'eroded trust and confidence' and that there had been purposeful engagement with school leaders. This report also noted that feedback from the family judiciary and the Children and Family Court Advisory and Support Service indicated a vastly improved relationship with the Council.

This has continued to improve through the 2022/23 year and into 2023/24 with OFSTED noting that there had been significant cultural change since the whistleblower report in 2019 in relation to children's services. A detailed improvement plan was developed and the improvements implemented. OFSTED performed a full follow up review, reporting in July 2023, which rated the Council as Good in its Overall effectiveness, and in the areas of:

- Page 64
- The experiences and progress of children who need help and protection;
  - The experiences and progress of children in care; and
  - The experiences and progress of care leavers.

It also rated the Council as Outstanding in 'The impact of leaders on social work practice with children and families'.

The changes made indicate that the authority has the arrangements in place to continue to improve and deliver value for money in this service area. However, in the context of the financial challenges being faced by the Council, the future challenge will be to maintain this positive assessment of the delivery of services, when the finances have to be managed within budget, savings made to stabilise the immediate situation, and transformation implemented in the methods of service delivery.

**Conclusion:** Based on the work performed, we have identified that the Council had proper arrangements in place in 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers its services, with the exception of the sub-criteria of:

- How financial and performance information has been used to assess performance to identify areas for improvement

### **Recommendation:**

*The Council needs to ensure that it has fully considered the underlying reasons for not delivering the planned budget and savings in 2022/23 and 2023/24 to date to ensure that it can improve the way it manages and delivers its services.*



# 10 Appendices



# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23 and to date in 2023/24

### Reporting Sub-Criteria

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

### Findings

The Council regularly reviews the overall short, medium, and longer-term financial position. There is a Medium-Term Financial Strategy, a medium-term Capital Programme and quarterly monitoring of revenue and capital. The Council's medium term financial model is updated regularly throughout the year and includes a 4-year financial projection which is reviewed annually and informs savings and budget reporting.

The in-year budget position is reported monthly to the Executive Management Team (consisting of the Executive Directors). This covers both revenue and capital. This also includes discussing budget implications going forward and the latest medium-term projections, as a part of the future budget setting process.

Quarterly reports to Cabinet on in-year financial monitoring also provide an update on a range of financial health indicators, such as collection rates for council tax, speed of collection of other income and creditor payment efficiency levels.

Cabinet Member Briefings are held monthly for each Portfolio area, which include an agenda item for the latest budget position to ensure this is discussed by the Cabinet Member and Executive Director with support from a Finance Business Partner.

Treasury Management forms a part of the quarterly report to cabinet, and this includes an update on the Prudential Indicators adopted by the Council. Treasury Management is also reported twice yearly to the Governance Committee - in February and November. This provides for setting out and agreeing the strategy for the year ahead and onwards, plus a mid-year update compared with the agreed strategy, and information on the prudential indicators as well as treasury activity and performance (with benchmarking information comparing SCC to other local authorities).

Government announcements on the Settlement or Spending Review are monitored and the financial implications highlighted in briefings to Executive Directors and Cabinet Members. Business case and option appraisal is applied to major areas of investment decisions.

The HRA operates within a 40-year time horizon for its Business Plan. This is published as part of the formal budget report papers considered by Council, but also during the year less formally at Cabinet Member Briefings and in discussion with the relevant Executive Director, as well as at Directorate Management Team meetings as part of the annual business plan cycle leading up to budget preparation.

The HRA is also captured as part of in-year budget monitoring work and reported formally in the quarterly cycle to Cabinet, both for revenue and capital.



# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23 and to date in 2023/24

Reporting Sub-Criteria	Findings
<p>How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)</p>	<p>The Council maintains a Strategic Risk Assurance Report that is reviewed quarterly by the Executive Management Board. This report includes the risk of "Failure to have robust and agreed plans to address the in-year and ongoing significant budget pressures in a sustainable way". This includes consideration of any financial pressures and how these reflect on key strategic outcomes and the associated budgets. The Council's risk monitoring records the key financial risks over the short term and medium-term, and the mitigating actions that have been implemented to address the identified issues.</p> <p>We judge there to be a significant weakness in these arrangements during 2022/23. The 2023/24 budget was set during 2022/23, including a warning that insufficient actions had been taken.</p> <p>Review of the MTFS forecast in July 2023 showed a worse picture, indicating that not all pressures were properly identified.</p>
<p>How the body plans to bridge its funding gaps and identifies achievable savings</p>	<p>The Council has a Medium-Term Financial Strategy (MTFS) which includes a 4-year forecast of planned savings.</p> <p>In the budget setting for 2022/23 and beyond, the Council acknowledged that extensive work will be undertaken to identify savings and mitigations to address the gaps.</p> <p>We judge there to be a significant weakness in these arrangements during 2022/23. Only 39% of planned savings were delivered.</p> <p>During 2023/24 the delivery of planned savings, including through the introduced cost control measures has increased. However, insufficient progress has been made up to December 2023 to identify savings to produce a balanced 2024/25 budget and reduce the gaps for 2025/26 and beyond.</p>
<p>How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>The Council's vision and has a plan which focuses on following 4 areas:</p> <ul style="list-style-type: none"> <li>• Strong foundations for life</li> <li>• A proud and resilient city</li> <li>• Prosperous city</li> <li>• A successful, sustainable organization</li> </ul> <p>The Council set out its longer-term strategic plan within the Corporate Plan 2022-30, wherein the Council sets out its priorities. This provides the strategic framework for its decision making and informs the Medium-Term financial forecast and annual budget setting.</p>

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23 and to date in 2023/24

### Reporting Sub-Criteria

### Findings

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (continued)

We judge there to be a significant weakness in these arrangements during 2022/23.

The Council has relied on reserves to such an extent that they are expected to be diminished by £82.9m by the end of 2023/24, since 2021/22. The Council has a structural deficit that it has not yet addressed to reduce the forecast gaps in the medium term financial strategy. Therefore, finances are not being planned to support the sustainable delivery of services.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council's Medium Term Financial Strategy (MTFS) outlines the issues that affect Council services and finances and how these factors are considered in the planning and completion of MTFS. Key financial strategies such as the capital strategy, treasury management, investments and borrowings are considered in the MTFS.

The Council's annual financial budget is aligned to activity plans, to ensure there is consistency and triangulation between all elements of the organization. Through the regularly quarterly financial monitoring including the General Fund Forecast, Capital Programme and Key Financial Risks, the Council can identify the significant financial and business risks that might affect the performance of the Council in the future, and act to address them.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23 and to date in 2023/24

### Reporting Sub-Criteria

### Findings

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

The Council maintains a Strategic Risk Assurance Report and Key Financial Risks Report which are reported quarterly to Cabinet. These reports outline all the risks identified including risks in financial pressures, service disruptions, and risks in sustainable adult social care system among others. The Council also acknowledges the risk of significant and ongoing financial pressures. Mitigations by the Council include:

- Medium term financial modelling and monitoring, which are reviewed quarterly.
- Having service budgets and financial forecasts that are aligned with the Council outcomes.
- Identifying and addressing significant in-year budget variances by monitoring of Capital and Revenue Monthly budgets
- Identifying delivery of new savings/income opportunities

The Council's Executive Management Board (EMB) review quarterly the Strategic Risk Assurance Report. The Risk and Insurance Service will support the EMB in identification, management, and review of Council's strategic risks. The Governance Committee also provide oversight.

Through these mechanisms, Council can identify significant business risks including key financial risks that might affect the financial performance of the Council in the future. The risk register is updated regularly to include the summary of financial risks, how likely they are to occur, and the mitigations, process and plans the Council is putting in place to address and manage these risk areas. These mitigations are also reflected through regular update of budgets. Budgets are also updated with latest assumptions e.g., updated CPI, RPI, % change in council tax and business rates and other financial considerations including expected grants to be received, and probable financial pressures.

We judge there to be a significant weakness in these arrangements during 2022/23. The CIPFA financial review reported that Southampton went into the year with non-school usable reserves of £49.59m, having used almost half of its usable reserves to support the 2022-23 budget. The General Fund Balance was at £10.07m. The February budget envisaged drawing on £20.6m to leave non balance useable reserves of just c£20m. This was equivalent to just 11% of expected 2023-24 net expenditure. This was an already precarious position, especially in the light of then known likely further rises in demand for social care and children's services.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2022/23 and to date in 2023/24

### Reporting Sub-Criteria

### Findings

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

Internal controls are monitored and assessed by the Governance Committee to ensure that they are appropriate and effective. An Internal Audit plan is agreed on an annual basis with the results of internal audit work and the embedding of recommendations reviewed by the Governance Committee. The Committee also considers assurance in respect of the risk processes in place across the organization.

**We judge there to be a significant weakness in these arrangements for 2022/23. Internal Audit provided an annual opinion of Limited Assurance. They also reported a lack of action being taken by management to effectively respond to the findings of their reports, and put in place appropriate improvements in controls and processes. Focus on financial pressures has meant insufficient capacity and attention on internal control.**

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

The Council meets every February, to set the Budget and Council Tax. The Budget and MTFS will be presented to the Council based on an assessment at a granular level of income, expenditure workforce, capacity, and efficiency plans. The impact of these plans is triangulated with operational, performance and workforce lead officers.

In our previous section on Financial Sustainability, we set out various processes the Council uses to set the strategic framework and provide a medium-term financial forecast from which the annual budget derives.

It continuously monitors the financial position through the year for any additional costs that need to be considered. The Council updates budgets as new information and data becomes available. These are considered when rolling forward the MTFS model, which is then revised considering pressures, assumptions, and policy decisions, and how these are expected to impact costs, income & savings.

There is also a regular monitoring of levels of reserves to ensure these are sufficient to meet unexpected costs. They will then be reflected in the budget forecasts made by the finance team, which are reported monthly to the Senior Management Team - and are discussed monthly with the relevant Business Partners.

The annual budgeting process then engages the services at the detailed level to determine the impacts and specifics for their specific budgets.

**We judge there to be a significant weakness in these arrangements for 2022/23.**

The budget for 2023/24 was prepared during the 2022/23 financial year.

It included a further draw on reserves, on top of needed from the 2022/23 outturn, as the council had not got to grips with the overspends from the previous 2022/23 financial year, and the s151 officer warned without further action a s114 notice was increasingly likely. In our judgement this was the first deficiency in the 2023/24 budget, as it made unrealistic assumptions that the cost pressures could be managed given the lack of action.



# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23 and to date in 2023/24

### Reporting Sub-Criteria

### Findings

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

The new s151 officer instigated a review of the budget and medium term financial strategy, which was presented in July 2023, only a few months after the 2023/24 was initially produced. This review showed a forecast of £20.9 million overspend, which in our judgement illustrates that the budget was not realistic and is another characteristic of significant weakness.

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Decisions are made by the Executive Body being the Leader and Cabinet, within the overall policy and budgetary framework approved by Full Council. Any decisions the Executive wishes to take outside of the framework must be referred to Full Council to decide. The Cabinet will develop and propose to Council corporate strategies and plans, and will prepare proposals for the annual budget, which it will recommend to Full Council. The Cabinet will also keep under review the allocation of resources necessary to meet the Council's responsibilities. Scrutiny committees monitor the work of the Executive Body.

The Governance Committee is independent of the executive (Cabinet) and scrutiny functions and is embedded as a key part of the Council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for audit committees. This Committee ensures that the Council is managing risks properly and that proper audit arrangements are in place.

The Council receives quarterly updates on financial performance, with monthly reports being taken to Cabinet from 2023/24, these were also previously quarterly. These take the form of update reports that summarize the overall position during the year to date and projections against the budget. They also include financial health (balance sheet) indicators, and Treasury Management reports.

Management teams receive more detailed monthly reports that examine the income and expenditure of the directorate and associated services on a line-by-line basis. The information is drawn from the financial ledger, and management place reliance on the controls established through the financial rules and procedures within those specific transaction systems, and on the annual programme of work undertaken by internal audit.

We note that within the Constitution of the Council there are processes and procedures in place to ensure the body has effective processes and systems in place to ensure budgetary control, to communicate relevant, accurate and timely management information; to support its statutory financial reporting requirements and to ensure the body is taking corrective action where needed.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23 and to date in 2023/24

### Reporting Sub-Criteria

### Findings

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed (continued)

**We judge there to be a significant weakness in these arrangements for 2022/23. The 2022/23 budget was overspent, as actions were not taken sufficient to offset pressures including only 39% savings plan delivery. Within the 2023/24 budget setting, the s151 officer warned without further action a s114 notice was increasingly likely. The s151 officer raised concerns over the lack of decisions and actions within directorates being taken to get expenditure back under control.**

**In 2023/24 the budget is still forecast to overspend. As of November 2023, this was a forecast £13.9m overspend.**

**Therefore, this is evidence that while the budget overspend is being reported, there is insufficient corrective action being taken across the Council's directorates.**

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

The Council has several Committees in place, established through its Constitution.

The Constitution includes the roles and responsibilities of the Executive, Committees, Full Council, and chief officers. It also sets out the rules under which they operate; how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent, and accountable to the community. Officers prepare reports for each of the Committees to enable decision making, as evidenced by the relevant section of the Council website. Resource implications are factored into all decisions, with a dedicated section in reports both to Councillors and to the Executive Management Team.

The Council is made up of 51 Councillors which meet regularly to make key decisions including setting the Budget and Council Tax, while Cabinet reviews activity and portfolios/directorates to ensure operations are in accordance with the Budget and strategic plans.

Overview and scrutiny arrangements are in place to review decision making.

The Council has a Governance Committee which has responsibility for oversight of the scope and effectiveness of the internal control, and systems established by management to identify, assess, manage, and monitor financial and non-financial risks (including measures to protect against, detect and respond to fraud).

Annually the Chief Internal auditor is required to produce an Annual Plan which sets the scope and detailed areas for review of the Authority's functions, with subsequent reporting to the Governance Committee.

The Governance Committee sees and comments on the Annual Governance Statement, which would highlight any overall concerns including those which may affect value for money. It is reviewed as both a draft and final document.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23 and to date in 2023/24

### Reporting Sub-Criteria

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

### Findings

The Council has several Committees in place, established through its Constitution.

The Constitution includes the roles and responsibilities of the Executive, Committees, Full Council, and chief officers. It also sets out the rules under which they operate; how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent, and accountable to the community. Officers prepare reports for each of the Committees to enable decision making, as evidenced by the relevant section of the Council website. Resource implications are factored into all decisions, with a dedicated section in reports both to Councillors and to the Executive Management Team.

The Council is made up of 51 Councillors which meet regularly to make key decisions including setting the Budget and Council Tax, while Cabinet reviews activity and portfolios to ensure operations are in accordance with the Budget and strategic plans.

Overview and scrutiny arrangements are in place to review decision making.

The Council has a Governance Committee which has responsibility for oversight of the scope and effectiveness of the internal control, and systems established by management to identify, assess, manage, and monitor financial and non-financial risks (including measures to protect against, detect and respond to fraud).

Annually the Chief Internal auditor is required to produce an Annual Plan which sets the scope and detailed areas for review of the Authority's functions, with subsequent reporting to the Governance Committee.

The Governance Committee sees and comments on the Annual Governance Statement, which would highlight any overall concerns including those which may affect value for money. It is reviewed as both a draft and final document.

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

The Council operates strict Standards of Business Conduct rules as laid out in the policy of the same name. All decision-making staff as described in the policy are required to adhere to this policy and make disclosures as required. A Register of Interests is held. In addition, there is a gifts and hospitality register to declare any gifts etc. received or offered along with whether they have been accepted or declined.

There is a standing agenda for the council to declare any interest on meetings which ensures that members declare their interest in every meeting they attend.



# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23 and to date in 2023/24

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The financial information and non-financial information is made public on the Southampton city council website. We can observe from the minutes of meetings of the council that financial and performance information has been used throughout the year.</p> <p>We have commented before on arrangements for financial monitoring and risk management, reviewed on a quarterly basis.</p> <p><b>We judge there to be a significant weakness in these arrangements for 2022/23. While it has reported financial and performance information, the council's lack of management of the budget during the year and ongoing overspending is indicative that the Council has struggled to use information about its costs and performance to improve its services and manage them within budget timely and accurately in 2022/23</b></p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The most notable area for improvement during the year relates to the Children and Learning Directorate. In early 2020 the Council received a whistle-blower report which followed on from an OFSTED report in 2019 which noted that the council required improvement across all areas of the service. We reviewed these issues on our previous year audit.</p> <p>In this financial year there is evidence of continued improvement. We note that OFSTED performed a 'focused visit' reporting in January 2023. This report noted several considerable improvements, and noted that senior leaders demonstrated a 'balanced, accurate self-assessment on the quality of frontline practice' and that an extensive workforce and practice transformation is in progress. The report also noted that there had been significant cultural change since the whistle-blower report. A detailed improvement plan was developed and the improvements implemented. The Council received a follow up report in July 2023, which rated them as good in four of the areas reviewed and outstanding in the fifth. The changes made indicate that the authority has the arrangements in place to continue to improve and deliver value for money in this area</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>We can see from published documents that the council has several strategies that involve working with key partners including local businesses, local police/fire services and local health services. These include a strategy for Health and Care which detailed its commitment to working with local NHS organizations.</p>



# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23 and to date in 2023/24

### Reporting Sub-Criteria

### Findings

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Council has a procurement policy, which is publicly available and therefore available for public scrutiny. It clearly states several principles, as well as strategic initiatives to further improve its procurement practices. This policy document details several of the arrangements we would expect to see in good governance, and includes commitments to reduce spending with external suppliers, to maintaining up to date information on all procurement activity, centralization of buying activity over £1k, and maintaining a centralized contract register.

# Appendix B – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report, 2022/23 and to date in 2023/24. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial Sustainability	<ol style="list-style-type: none"> <li>1. The Council needs to ensure that it has fully considered all options for achievable savings that it can make to reduce the pressure on reserves and achieve a balanced budget.</li> <li>2. Savings need to be supported by robust delivery plans and monitored closely to ensure that they are achieved within planned timeframes.</li> <li>3. The Council needs to demonstrate that it can operate within its planned budget and control its expenditure, across all services.</li> <li>4. A transformation plan to underpin savings into the medium term needs to be developed.</li> </ol>	
Governance	<ol style="list-style-type: none"> <li>5. The Council needs to ensure that it holds officers to account regarding delivering services within the agreed budget.</li> <li>6. Action Plans agreed as a response to internal audit findings should be addressed in a timely manner.</li> </ol>	
Improving economy, efficiency and effectiveness	<ol style="list-style-type: none"> <li>6. The Council needs to ensure that it has fully considered the underlying reasons for not delivering the planned budget and savings in 2022/23 and 2023/24 to date, to ensure that it can improve the way it manages and delivers its services</li> </ol>	

## 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.

JKC-024050 (UK) 07/22. 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.

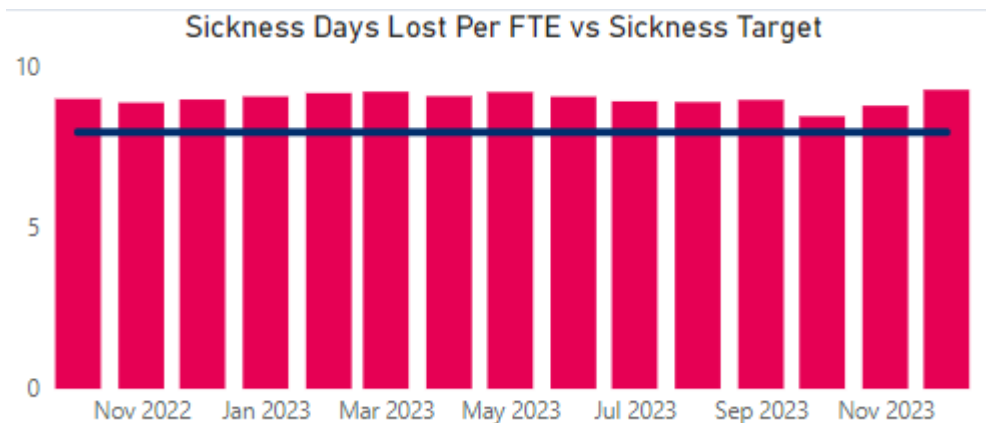
[ey.com/uk](https://ey.com/uk)

This page is intentionally left blank

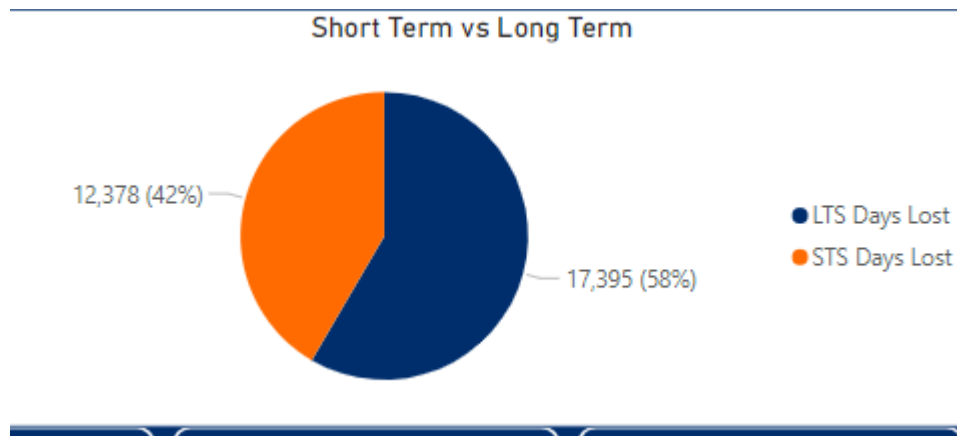
# Agenda Item 9

<b>DECISION-MAKER:</b>		<b>GOVERNANCE COMMITTEE</b>	
<b>SUBJECT:</b>		<b>Human Resources (HR) Data Quarter Three</b>	
<b>DATE OF DECISION:</b>		<b>12<sup>th</sup> February 2024</b>	
<b>REPORT OF:</b>		<b>Head of Human Resources and Organisational Development</b>	
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Chris Bishop</b>	<b>Tel:</b> 023 8083 2087
	<b>E-mail:</b>	<a href="mailto:Chris.bishop@southampton.gov.uk">Chris.bishop@southampton.gov.uk</a>	
<b>Director of Customer &amp; Employee Experience</b>	<b>Name:</b>	<b>James Marshall</b>	<b>Tel:</b> 023 8083 3015
	<b>E-mail:</b>	<a href="mailto:james.marshall@southampton.gov.uk">james.marshall@southampton.gov.uk</a>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
None. This report contains no personal information relating to specific individuals.			
<b>BRIEF SUMMARY</b>			
The Governance Committee requested quarterly, council wide information on key employment data covering disciplinaries, dismissals, suspensions and grievances.			
The report format is as requested and agreed with the Governance Committee.			
<b>RECOMMENDATIONS:</b>			
	(i)	To note the latest HR statistics as requested.	
<b>REASONS FOR REPORT RECOMMENDATIONS</b>			
1.	As requested by the Governance Committee.		
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>			
2.	N/A		
<b>DETAIL (Including consultation carried out)</b>			
3.	<p>Quarter 3, October 2023 – December 2023: In the period the Council had:</p> <p>A total of 62 dismissals:</p> <ul style="list-style-type: none"> <li>• 4 on disciplinary grounds</li> <li>• 3 for end of fixed term contracts</li> <li>• 47 as a result of service restructures</li> <li>• 1 for sickness absence</li> <li>• 6 for ill health retirements</li> <li>• 1 for failed probation</li> </ul> <p>We also had 3 suspensions within this quarter.</p>		

4. Overall sickness levels for the council this quarter showed an average 9.3 days per employee. The sector “average” is 8 days. When analysing the data over a 12 month period the trends are shown below. The data reveals SCC is consistently above the sector average 8 days sickness per Full Time Equivalent (FTE), with some small fluctuations across the year.

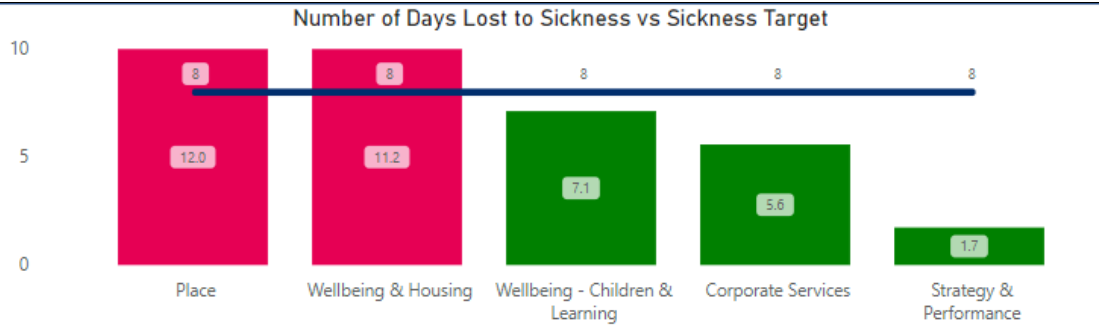


5. Short term absence accounts for 42% of the overall absence, whilst long term sickness accounts for 58%. Long term sickness is defined as a continuous period of absence exceeding 20 days.



The biggest causes of long term sickness by a significant proportion are musculoskeletal and psychological related absences, totalling 4,516 and 5,595 days lost over the last 12 x months.

6. When looking at the data across our broad directorates, sickness is more prevalent in ‘Place’ and ‘Wellbeing and Housing’, where sickness rates are 12 days and 11.20 days lost per FTE. Comparatively, ‘Children & Learning’, ‘Corporate Services’ and ‘Strategy & Performance’ have lower sickness rates, all under the 8 x days target. For context, staff numbers are provided underneath the sickness chart.



Correct Team	Permanent	Fixed Term	Secondment	Apprentice	Total
Corporate Services	587	29	10	3	629
Place	870	105	6	4	985
Strategy & Performance	69	21	6	0	96
Wellbeing - Children & Learning	653	28	7	2	690
Wellbeing & Housing	1057	46	11	7	1121
SCC	3236	229	40	16	3521

7. The HR team provide managers with monthly absence data and detail and look to identify and address “hot spots” and underlying issues against which to target interventions including information, support, occupational health appointments, phased return and in some cases, dismissal.

As well as this, we have recently reviewed participation in absence management learning sessions by managers and the amount of absence management cases being taken forward. This has shown that there is correlation between higher learning participation and case numbers in directorates with the highest absence levels.

A lot of our wellbeing activity has been focused on increasing and promoting our Mental Health First Aiders, local Wellbeing Champion support, menopause cafes, and helping people deal with the cost of living situation. We have a new wellbeing SharePoint site to share information and signpost employees to internal and external support. We also run wellbeing and resilience sessions for managers and staff.

**RESOURCE IMPLICATIONS**

**Capital/Revenue**

8. None

**Property/Other**

9. None

**LEGAL IMPLICATIONS**

**Statutory power to undertake proposals in the report:**

10. None

**Other Legal Implications:**

11.	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	
12.	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
13.	None

<b>KEY DECISION?</b>	<b>No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
	None

**Documents In Members' Rooms**

1.	None
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
<b>Data Protection Impact Assessment</b>	
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
<b>Other Background Documents</b>	
<b>Other Background documents available for inspection at:</b>	
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	None



<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE
<b>SUBJECT:</b>	ANNUAL RISK MANAGEMENT REPORT 2023
<b>DATE OF DECISION:</b>	12 FEBRUARY 2024
<b>REPORT OF:</b>	DIRECTOR OF LEGAL & GOVERNANCE

<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title</b>	Executive Director Corporate Services	
	<b>Name:</b>	Mel Creighton	Tel: 023 8083 3825
	<b>E-mail</b>	mel.creighton@southampton.gov.uk	
<b>Author:</b>	<b>Title</b>	Risk & Insurance Manager	
	<b>Name:</b>	Peter Rogers	Tel: 023 8083 2835
	<b>E-mail</b>	peter.rogers@southampton.gov.uk	

**STATEMENT OF CONFIDENTIALITY**

Appendix 2 'Summary - Strategic Risks' is not for publication by virtue of category 5 paragraph 10.4 of the Access to Information Procedure Rules as set out in Council's Constitution. The information is exempt from publication as it includes information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

**BRIEF SUMMARY**

The Governance Committee is responsible for ensuring that an adequate and effective framework for the identification and management of risk is in place and that appropriate action is being taken to manage risk. The Annual Risk Management Report 2023 (Appendix 1) is intended to provide assurance that the council has in place effective risk management arrangements and that key risks are being managed and monitored appropriately.

**RECOMMENDATIONS:**

	(i)	That the Annual Risk Management Report 2022 (Appendix 1) and 'Summary - Strategic Risks' (Appendix 2) be noted.
--	-----	---

**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 Annual Risk Management Report 2023 is intended to provide assurance to the Governance Committee that the Council has in place effective risk management arrangements and that key risks are being managed and monitored appropriately.
5.	The report is split into two sections. Section A provides a summary of the framework and overall arrangements in place across the council that are intended to ensure that proper consideration is taken of risk, and Section B summarises the range of risk management activities that have been undertaken within the last 12 month period.
6.	Also included is a summary of the council's Strategic Risks (Appendix 2), which are reviewed and updated on a quarterly basis and then presented to the Executive Management Team – Performance Board for review.
7.	The Annual Risk Management Report 2023 report was presented to and reviewed by the Executive Management Board on 30 <sup>th</sup> January 2023.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
8.	None
<b><u>Property/Other</u></b>	
9.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
10.	The Accounts and Audit (England) Regulations 2015 Part 2 Section 3A(c) require the Council to have in place a 'sound system of internal control which includes effective arrangements for the management of risk'
<b><u>Other Legal Implications:</u></b>	
11.	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	
12.	The report is intended to provide the Governance Committee with assurance regarding the arrangements in place to manage risk.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
13.	None

<b>KEY DECISION?</b>	<b>No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	Not applicable
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Annual Risk Management Report 2023
2.	Summary - Strategic Risks (Confidential Item)

1.	Not applicable	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		No
<b>Data Protection Impact Assessment</b>		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		No
<b>Other Background Documents</b>		
Other Background documents available for inspection at:		
<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>	
1.	Not applicable	

This page is intentionally left blank

# RISK MANAGEMENT ANNUAL REPORT 2023



**Risk: ‘the effect of uncertainty on objectives’**

**February 2024**



**Risk Management – Annual Report 2023**

---

The purpose of this report is to provide assurance to the Governance Committee that the council has in place effective risk management arrangements and that key risks are being managed and monitored appropriately. This reflects the responsibilities of the Committee as set out in the Terms of Reference:

- “To provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment...”;
- “To be satisfied and provide assurance that appropriate action is being taken on risk and internal control related issues...”

This report is split into two main sections – **Section A** which provides a summary of the framework and overall arrangements in place across the council that are intended to ensure that proper consideration is taken of risk and **Section B** which summarises the range of risk management activities that have been undertaken within the 12 month period.

## ROLES AND RESPONSIBILITIES

The council's Risk and Insurance Service which, in 2023 was part of Finance and Commercialisation but from 1st January 2024 moved to Legal & Governance, is responsible for:

- Facilitating the continuing development of the council's risk management arrangements including developing and providing support, advice and guidance.
- Supporting services in the management of operational and strategic risk.
- Facilitating and supporting the 'Executive Management Team ('EMT') - Performance Board' in respect of the identification, management, and review of the council's key strategic risks.
- Arranging appropriate risk financing measures and providing advice and guidance on the extent of insurance or self-insurance arrangements.
- Arranging the placement of insurance cover in respect of insurable risks where it is economic to do so.

## SECTION A – THE RISK MANAGEMENT FRAMEWORK

The risk management framework comprises the overall arrangements in place across the council that are intended to ensure that proper consideration is taken of risk. The key components of this framework are:

### ▪ Risk Management Policy 2022-2025

This provides an overview of the framework, arrangements and responsibilities for managing risk within and across the Council and is intended to assist officers, at all levels, in applying sound risk management principles and practices across their areas of responsibility. This policy, which is published on the council intranet, is subject to annual review and update as necessary.

### ▪ Strategic Risk Register

The Strategic Risk Register is a key document in terms of identifying, assessing, and managing the council's key strategic risks. Strategic risks are those risks that are of significant, cross-cutting importance to the council such that they are considered to require the attention and oversight of the council's senior management team. They reflect a combination of organisational 'resilience' and 'governance' type risks together with risks that are more transient in nature. The Strategic Risk Register is updated and reviewed on a quarterly basis by the 'EMT - Performance Board' who also consider any new or emerging risks.

### ▪ Directorate Risk Registers

Directorate Risk Registers recognise that, in addition to the council's Strategic Risks, there are very likely to be other significant risks within individual directorates relating to the services, actions or activities being delivered or undertaken. Such risks, although significant in themselves, may not however be considered as cross-cutting or be of such significance that they would be considered to be a 'strategic risk' that requires EMT oversight. The risks that appear in a Directorate Risk Register will typically be aligned with the Service Business Plan in terms of the potential impact on the delivery of the key service priorities and objectives.

#### ▪ **Corporate Report Template**

The council's standard corporate report template includes a 'Risk Management Implications' section. This section requires a report author to highlight any significant risks associated with the decision and provide the decision maker with assurance the appropriate actions/controls are in place to mitigate the risk. It should also mention what consultation has been carried out in preparation (both internal and external) and report on any responses received and an analysis (both positive and negative) of those reports.

#### ▪ **Internal Audit**

Internal audit plays a vital role in advising the council that arrangements in relation to governance, risk and internal control are in place and operating effectively. Response to internal audit activity should lead to the strengthening of the internal control environment. The annual 'Internal Audit Plan' is informed by the council's Strategic Risks together with discussions with individual Executive Directors and EMT. The Risk & Insurance Manager and the Chief Internal Auditor meet on a regular basis to discuss risk issues.

#### ▪ **Project and Programme Risk Management**

The need to identify and manage risk runs throughout the project and programme management process with 'Risks, Assumptions, Issues, Dependencies ('RAID') Logs' embedded as part of project management governance. Template documents and associated guidance is available to assist both project managers and project sponsors/boards in understanding the importance of understanding and managing risk.

#### ▪ **Partnerships**

All key service delivery partnerships (such as the Highways Service Partnership with Balfour Beatty Living Places) and other major contracts have risk registers in place which are jointly reviewed with the supplier and include any 'shared risks'. There is also guidance on the intranet in respect of managing risk in respect of non-commercial partnership working.

#### ▪ **Key Financial Risks**

Financial risks, in terms of the 'robustness of estimates' and 'adequacy of proposed financial reserves' are captured in a 'Key Financial Risks' document. This document is produced by Finance and included as part of the quarterly budget monitoring report.

#### ▪ **Business Planning**

The council undertakes an annual business planning and budgeting process with all Service Business plans required to be reviewed to ensure that they reflect changing circumstances, methods of service provision, impact on the budget and the needs of customers. Significant risks that may threaten or adversely impact delivery of their key priorities and outcomes would be expected to be considered for inclusion in the Directorate Risk Register.

#### ▪ **Fraud Risk Management**

An Anti-Fraud, Bribery and Corruption Policy is published on the intranet and applies to all employees, elected members and others who work for or on behalf of the Council. Internal control systems are intended to minimise the opportunity for fraud or misappropriation of assets.

#### ▪ **Operational Risk Management**

The management of 'day to day' or 'operational risk' is the responsibility of individual service areas with support and guidance being provided by Risk and Insurance Services as required including, where necessary, access to specialist advice.

### **SECTION B - RISK MANAGEMENT ACTIONS AND INITIATIVES: 2023**

#### ▪ **Quarterly reviews of the Strategic Risk Register**

The council's strategic risks were reviewed by the Executive Management Board 'EMB' in January (End Q3 2022-23), April (End Q4 2022-23) and July (End Q1 2023-24). With effect from the October (End Q2 2023-24) the reviews were undertaken by the EMT - Performance Board. For each meeting, the Board received a report in respect of the status of the council's Strategic Risks highlighting any issues or areas of concern together with information or commentary on any new or emerging risks for discussion.

The End Q2 report in April 2023 also included a summary of the 'strategic risks' of a comparable group of councils who are also members of the 'Key Cities' group. This was to enable EMB to consider how the council's strategic risks compare or contrast to those identified by other similar sized councils.

See **Appendix 2** which is a summary of the council's Strategic Risks at End Q3 2023-24.

#### ▪ **Development of Directorate Risk Registers**

The development of Directorate Risk Registers was supported and prompted following an Internal Audit review of 'Operational Risk Management' This review was focussed on the management of *'day to day service delivery and operational risks which are the responsibility of individual service areas'*. The report, issued in July 2023, concluded only 'Limited Assurance' could be placed on the arrangements in place. This was on the basis that, whilst assertions were made that risk management gets discussed at Directorate Management Team meetings, these discussions were not necessarily documented, minuted or presented as a specific agenda item. Work to develop directorate risk registers is now well progressed by the individual Directorate Management Teams with fully populated Directorate Risk Registers for all areas expected to be in place by End Q4 23-24. Internal Audit has since undertaken a follow-up review noting that the report (currently in draft) concludes that 'Reasonable Assurance' can now be placed on the arrangements in place.

#### ▪ **Risk Management Policy 2022/23-2024/25**

The Risk Management Policy was subject to a light touch review to ensure that it remained fit for purpose and aligned with the needs and business processes of the council.

#### ▪ **Representation on internal management boards and groups**

The Risk & Insurance Manager is a member of the following Management Boards and Groups to provide advice and guidance on risk and insurance issues:

- Information Governance Board
- Health & Safety Board
- Fire Safety Programme Board
- Emergency Preparedness, Resilience and Response Board
- Housing Quality and Assurance Board
- Cost of Living Group



### ▪ **Property Insurance Valuation Programme**

This programme, prompted by Risk & Insurance Services but led by Property Services, was to resurrect a process whereby property sums insured were reviewed to provide assurance that they remain adequate and to ensure that properties are not underinsured. This reflects insurers general expectation that ideally all properties be revalued for insurance purposes every 5 years.

A risk-based approach was developed and implemented which saw all 19 high rise housing blocks revalued, with the revised sums insured figures fed into the April 2023 insurance renewal (which generated a slight reduction in the building insurance renewal premium). A 'Phase 2' programme, undertaken in-house by qualified Chartered Building surveyor, saw a further 17 corporate assets revalued, including the Civic Centre, with the revised sums insured figures to be fed into the April 2024 renewal. The exercise, as expected, identified that individual sums insured needed to be either increased or reduced in line with the valuation report. Apart from providing assurance that key properties have adequate and appropriate sums insured, the total overall sum insured for all properties has been able to be reduced slightly.

### ▪ **Housing – Fire Safety**

The council's housing fire safety works programme, led by Property Services, continues. This programme has seen sprinklers installed into all 19 high rise housing blocks and over 3,500 accredited fire doors and frames fitted, as well as a range of associated passive fire safety works around fire stopping and compartmentation. Although the initial focus was on the high-rise blocks there is an ongoing programme to replace fire doors and improve fire stopping in medium and low-rise blocks which is being progressed on a risk-based approach. Insurers have been kept informed of the actions being taken and, from a loss control perspective, recognise the benefits.

### ▪ **Insurance Claims Analysis**

Insurance claims data has been provided to both Fleet Transport and Housing Operations to understand claims trends and to prompt wider discussion in terms of loss control options.

### ▪ **Solent Unitaries Insurance Group**

Peer group meetings were held with officers from Portsmouth City Council, Isle of Wight Council and Bournemouth, Christchurch & Poole Council on a quarterly basis to share and discuss risk and insurance issues. The SCC Risk & Insurance Manager chaired these virtual meetings which have covered a range of subjects including:

- Insurance market insight
- Insurance programmes and renewal terms
- Motor Risk policy
- Leasehold Property insurance
- Reinforced Autoclaved Aerated Concrete (RAAC)
- Property Insurance Valuations
- New or emerging claim trends

### ▪ **Other**

A range of other support, advice and guidance was provided including:

- Loss control advice and guidance to service areas post loss or incident.
- Advice and guidance to Procurement and Service Managers on insurance and indemnity clauses on a wide range of contracts and other agreements.
- Input in the development of new Fleet Policy from a risk and insurance perspective.
- Co-ordinating and attending property fire and security surveys undertaken by insurers and liaising with services in terms of implementation of any required loss control actions.

## NEW RISK MANAGEMENT ACTIVITIES PLANNED OR BEING CONSIDERED

[Note: The following may need to be reprioritised or reconsidered subject to the business need noting that the council's Corporate Insurance programme is out to tender for April 2025 and will require significant focus and effort to achieve the best possible outcome]

- **Insurance Claims Analysis**

Further work will be undertaken in consultation with key service areas to explore what insurance claims loss data may be useful in terms of helping to inform their priorities and/or working practices.

- **Risk Management – training needs**

Services will be invited to identify any specific risk management training needs which will then be used to develop either a bespoke or general support.

- **Property Insurance Valuation programme**

Continue to work with Property Services in terms seeking to continue the risk-based valuation programme and/or otherwise develop a consistent and sustainable approach to periodic review of property sums insured.

- **Corporate Report Template**

Review the current guidance provided to report authors to seek to ensure that there is a more consistent and robust approach in respect of what appears in the 'Risk Management Implications' section.

For further information please contact Peter Rogers, Risk & Insurance Manager 023 8083 2835 or [insurance@southampton.gov.uk](mailto:insurance@southampton.gov.uk)

Document is Confidential

This page is intentionally left blank