

## Public Document Pack

# Governance Committee

Monday, 9th November 2015  
at 5.00 pm

## PLEASE NOTE TIME OF MEETING

Conference Room 3 - Civic Centre

This meeting is open to the public

### Members of the Committee

Councillor Barnes-Andrews (Chair)  
Councillor Daunt  
Councillor Inglis  
Councillor Jordan  
Councillor Noon  
Councillor O'Neill  
Councillor Keogh

### Contacts

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Democratic Support Officer  
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## **PUBLIC INFORMATION**

### **Role of the Governance Committee**

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

#### [02 Part 2 - Articles](#)

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

### **Public Representations**

At the discretion of the Chair, members of the public may address the meeting 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 City Council's Priorities:**

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

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

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

**Use of Social Media:-** 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.

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

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

#### **Dates of Meetings: Municipal Year 2015/16**

<b>2015</b>	<b>2016</b>
15 June	8 February
14 September	25 April
9 November	
14 December	

## CONDUCT OF MEETING

### **Terms of Reference**

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

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

### **Rules of Procedure**

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

### **Business to be discussed**

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

### **Quorum**

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

## **DISCLOSURE OF INTERESTS**

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

### **DISCLOSABLE PECUNIARY INTERESTS**

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

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

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

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

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

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

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

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

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

## **Other Interests**

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

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

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

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

## **Principles of Decision Making**

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

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

In exercising discretion, the decision maker must:

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

## AGENDA

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

### **1 APOLOGIES**

To receive any apologies.

### **2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

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

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

### **3 STATEMENT FROM THE CHAIR**

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

(Pages 1 - 2)

To approve and sign as a correct record the Minutes of the meeting held on the 14<sup>th</sup> September 2015 and to deal with any matters arising, attached.

### **5 ANNUAL REPORT ON THE MEMBERS CODE OF CONDUCT / LOCALISM ACT 2011**

(Pages 3 - 10)

Report of the Head of Legal and Democratic Services detailing the Members' Code of Conduct for approval, attached.

### **6 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS MID YEAR REVIEW 2015**

(Pages 11 - 44)

Report of the Chief Financial Officer providing an update on the Treasury Management Strategy and Prudential Limits that were approved by Council in February 2015, attached.

### **7 STRATEGIC RISK REGISTER 2015-16**

(Pages 45 - 80)

Report of the Chief Financial Officer detailing the council's key strategic risks for 2015-16, attached.

### **8 RISK MANAGEMENT ANNUAL ACTION PLAN - STATUS REPORT**

(Pages 81 - 84)

Report of the Chief Financial Officer providing an update regarding the status of the 2015-16 Annual Risk Management Action Plan, attached.

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## GOVERNANCE COMMITTEE

### MINUTES OF THE MEETING HELD ON 14 SEPTEMBER 2015

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Present: Councillors Barnes-Andrews (Chair), Daunt (Minute numbers 11 and 15 only), Inglis, Jordan, Noon, O'Neill and Keogh

8. **APOLOGIES AND CHANGES IN PANEL MEMBERSHIP (IF ANY)**

The Committee noted the resignation of Councillor Lewzey, and the appointment of Councillor Keogh in place thereof in accordance with the provisions of Council Procedure Rule 4.3.

9. **ELECTION OF VICE-CHAIR**

The Committee elected Councillor Keogh as Vice-Chair for the remainder 2015-2016 Municipal Year.

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

**RESOLVED:** that the minutes for the Committee meeting on 15<sup>th</sup> June 2015 be approved and signed as a correct record.

In relation to Minute Number 7(ii) "Chief Internal Auditor's Annual Report and Opinion 2014-2015" the Committee requested that they receive a more detailed summary report providing information relating investigations and outcomes at a future meeting.

11. **SOUTHAMPTON CITY COUNCIL COMPLAINTS 2014/15**

The Committee considered the report of Head of Legal and Democratic Services detailing recorded complaints in the 2014/15 municipal year.

**RESOLVED** that:

- (i) the Committee noted the report;
- (ii) information detailing the number of service complaints, or missed bin collections, made within the waste collection service be circulated to Committee Members; and
- (iii) future reports should give an indication of the numbers of residents from each of the comparator authorities.

12. **ANNUAL GOVERNANCE STATEMENT 2014-15**

The Committee considered the report of the Chief Finance Officer seeking approval of the draft Annual Governance Statement for 2014-15.

The Committee noted an amendment to the timescale listed for the Information Governance Arrangements set out in the Draft Statement from July to September of 2015. In addition the Committee noted that the People's Panel had now been established. The Panel also discussed how the Statement related to the current Transformation Project across the City and the level of political oversight of the project.

**RESOLVED:**

- (i) that the Committee noted the minor amendments and updates detailed at the meeting;
- (ii) that the Committee approved the final draft, with amendments, of the 2014-15 Annual Governance Statement set out in Appendix 1; and
- (iii) that information relating to the political oversight of the Transformation Project be circulated to Committee Members.

13. **FINANCIAL STATEMENTS FOR 2014/15**

The Committee considered the report of the Council's Chief Financial Officer setting out the Financial Statements for 2014/15 for consideration

**RESOLVED** that the Committee;

- (i) noted the changes to the Financial Statements 2014/15 as a result of the Annual Audit as detailed in paragraphs 6 to 8 and Appendix 1 of the report; and
- (ii) approved the audited Financial Statements 2014/15.

14. **EXTERNAL AUDIT - AUDIT RESULTS REPORT**

The Committee received and noted the report of the Chief Financial Officer regarding the external auditor's Audit Results Report for the year ended 31 March 2015, set out in Appendix 1 of the report.

15. **INTERNAL AUDIT PROGRESS REPORT ; AUGUST 2015**

The Committee received and noted the report of the Chief Internal Auditor outlining the progress against the internal audit plan to the period August 2015 set out in Appendix 1 of the report.



# Agenda Item 5

<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE		
<b>SUBJECT:</b>	ANNUAL REPORT ON THE MEMBERS CODE OF CONDUCT		
<b>DATE OF DECISION:</b>	9 NOVEMBER 2015		
<b>REPORT OF:</b>	HEAD OF LEGAL & DEMOCRATIC SERVICES		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Richard Ivory	<b>Tel:</b> 023 8083 2794
	<b>E-mail:</b>	Richard.ivory@southampton.gov.uk	
<b>Director</b>	<b>Name:</b>	Dawn Baxendale	<b>Tel:</b> 023 8083 4428
	<b>E-mail:</b>	Dawn.baxendale@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>	
None.	
<b>BRIEF SUMMARY</b>	
At the time of the adoption of the new code of conduct for members in July 2012 the Council requested the Head of Legal and Democratic Services produce an annual report outlining the impact of the new code, a summary of the complaints received and any action taken.	
<b>RECOMMENDATIONS:</b>	
	(i) The Committee is asked to note this annual report for the year 2014/5.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	Unless there are any changes required to be made to either the Code or the procedures for investigation this report is only for noting
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	None
<b>DETAIL (Including consultation carried out)</b>	
3.	The Governance Committee has the following terms of reference in relation to corporate governance and Code of Conduct issues:
	<ul style="list-style-type: none"> <li>To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and to design, implement, monitor, approve and review the standards of ethics and probity of the Council, both for Councillors and employees. The Committee's powers shall include responding to consultation documents and the promulgation of Codes of Conduct but the adoption and revisions to the local Members Code of Conduct shall be reserved to the Council.</li> <li>To promote a culture of openness, ready accountability and probity in order to ensure the highest standards of conduct of Councillors and employees.</li> </ul>

	<ul style="list-style-type: none"> <li>To lead on all aspects of Corporate Governance by promoting the values of putting people first, valuing public service and creating a norm of the highest standards of personal conduct.</li> </ul>
	<ul style="list-style-type: none"> <li>To oversee and manage programmes of guidance, advice and training on ethics, standards and probity for Councillors and employees and on the Members Code of Conduct.</li> </ul>
	<ul style="list-style-type: none"> <li>To be responsible for the Council's register of Members' interests and to receive reports from the Monitoring Officer and Head of Legal, HR and Democratic Services on the operation of the register from time to time.</li> </ul>
	<ul style="list-style-type: none"> <li>To be responsible for written guidance and advice on the operation of the system of declarations of Members' Interests and to receive reports from the Monitoring Officer on the operation of the system of declarations from time to time.</li> </ul>
	<ul style="list-style-type: none"> <li>To establish, monitor, approve and issue advice and guidance to Councillors on a system of dispensations to speak on, or participate in, matters in which they have interests and give dispensation in appropriate cases.</li> </ul>
	<ul style="list-style-type: none"> <li>To exercise the functions of the Council in relation to the ethical framework, corporate governance and standards of conduct of Joint Committees and other bodies.</li> </ul>
	<ul style="list-style-type: none"> <li>To establish a Standards Sub-Committee to investigate and determine appropriate action in respect of alleged breaches of the Members Code of Conduct.</li> </ul>
	<ul style="list-style-type: none"> <li>To support the Monitoring Officer and Chief Financial Officer in their statutory roles and the issuing of guidance on them from time to time.</li> </ul>
	<ul style="list-style-type: none"> <li>To receive regular reports on the performance of the Corporate Complaints process, Local Government Ombudsman referrals, Annual Governance Statement and Code of Corporate Governance and to recommend revisions to related policies and procedures as appropriate.</li> </ul>
4.	Since the adoption of the new Members Code of Conduct in July 2012 it has not had cause to meet to consider any allegations of breach of the new code of conduct.
<b>Complaint handling</b>	
5.	The Council has a responsibility for making arrangements to receive and consider complaints against Councillors in Southampton. The flowchart showing the process is attached at Appendix 1. At Stage 2 of the complaints procedure the Governance Committee will determine the complaint following an investigation by the Monitoring Officer.
<b>Complaints Received</b>	
6.	The Council adopted a revised Members' Code of Conduct consistent with the requirements of the Localism Act 2011 on 11 <sup>th</sup> July 2012.
7.	In summary, the regime has been fairly low key. All members have completed their Register of Interests, are reminded annually of the need to keep it updated (the Register is publicly accessible and viewable online) and

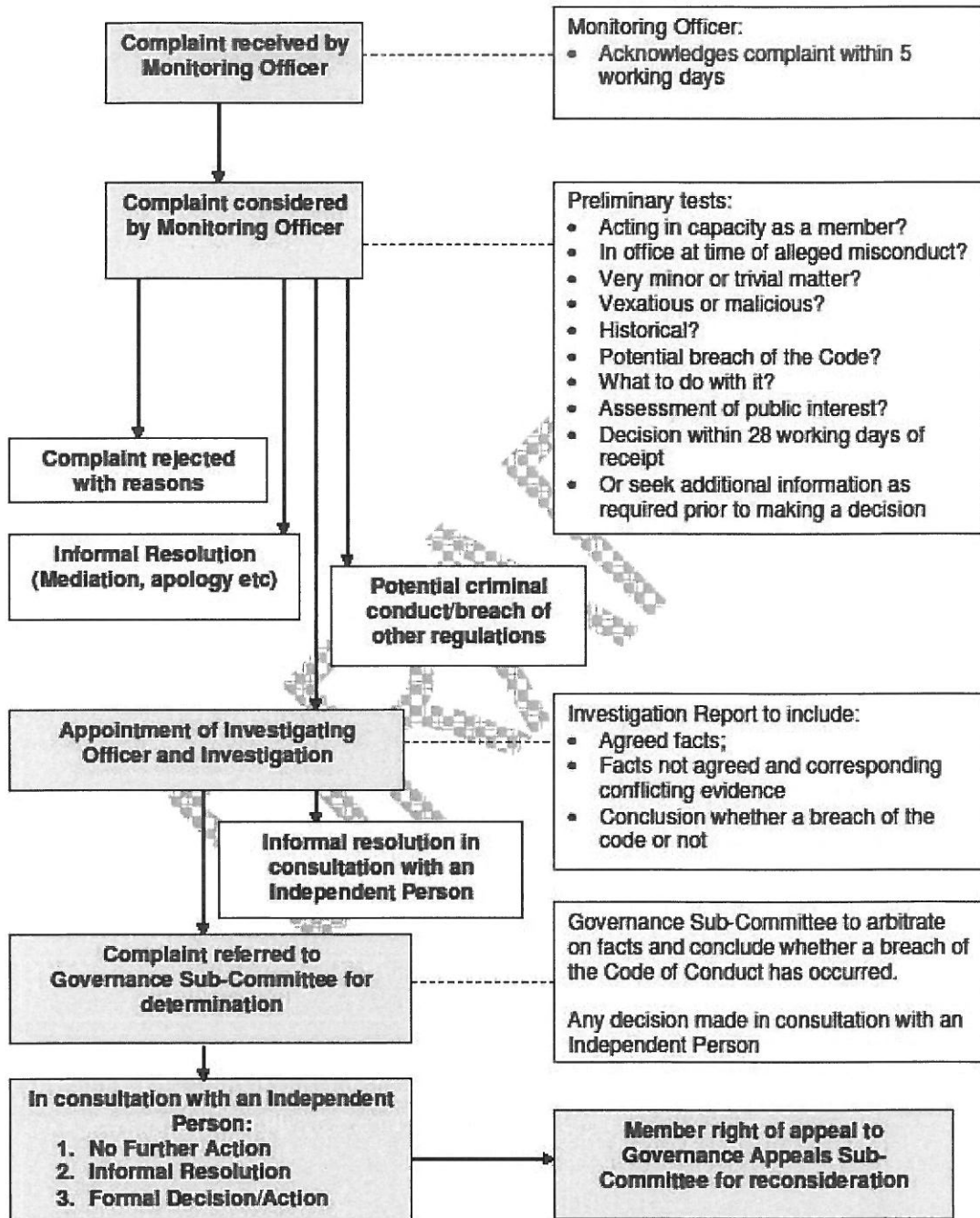
	a few minor complaints were received. These are detailed below together with the action taken. All complaints have been resolved or rejected and advice given to the complainant at Stage 1 of the complaints procedure meaning that there have been no determinations or findings of a failure to comply with the relevant Code of Conduct by the committee.				
8.	The Monitoring Officer (Head of Legal and Democratic Services) received two separate complaints about Councillors in 2014/5. There are no trends in terms of the subjects specified in complaints.				
9.	All complaints are taken seriously and investigated as appropriate. In order to be considered under the formal complaints process complaints must be submitted in writing, must provide substantiated information, and should outline what form of resolution the complainant is seeking. When a complaint does not meet these criteria and does not reveal a potential breach of the Members' Code of Conduct it is treated as a 'general enquiry'. This means that the Monitoring Officer responds to the complainant in writing explaining why the matters complained of do not constitute a potential breach of the Members' Code of Conduct.				
10.	When a written complaint is submitted which provides the relevant information, the Monitoring Officer will consider the complaint and make a decision as to whether it will be treated as a valid complaint or not.				
11.	The complaints submitted about Southampton City Councillors in 2014/5 relate to the following matters:				
	<b>Behaviour alleged</b>	<b>Type of complaint</b>	<b>Outcome &amp; reason</b>	<b>Source of complaint</b>	<b>No of complaints</b>
	Prejudiced a planning application by writing to local residents explaining how to object	General	No breach of the Code. Treated as a general enquiry. Advice and explanation given as to how the planning process works and the role councillors play in assisting local residents, lobbying and as decision makers.	Public	1
	Concerns relating to a planning application	General	No breach of the Code. As above	Public	1
<b>Independent Person</b>					
12.	The Designated Independent Person appointed under the Act has been consulted on emerging issues and complaints as appropriate and meets regularly with the Head of Legal and Democratic Services to talk through issues arising. Training has been provided to him as necessary.				
<b>Applications for dispensations</b>					
13.	If a Member wishes to apply for a dispensation to allow them to take part in a meeting with a disclosable pecuniary interest they must submit a written application to the Monitoring Officer. Applications are then decided by him or by the Governance Committee.				

14.	The Localism Act 2011 substantial changed the rules on interests. Regretfully it was incomplete in order to permit members to carry out their full duties in relation to being able to vote on the budget. Annually before full Council in February 2015 all Members are granted a dispensation by the Monitoring Officer to allow them to take part in the decision to approve the Council's budget.
15.	No other dispensations have been applied for.
<b>Supporting Members of Southampton City Council</b>	
16.	Training has been provided to newly elected members, new Cabinet Members and those members who sit on regulatory bodies such as Licensing Committee and the Planning and Rights of Way Panel.
17.	Importantly, the adopted Member Learning and Development Strategy has been implemented and member training via external partners has increased.
<b>Gifts and Hospitality Register</b>	
18.	The requirement for members to register any gifts or hospitality received in their capacity as an elected member increased last year to a threshold of £50. No notifications have been made which probably reflects the limited quantity and value of any received. This does however exclude anything relevant to the elected members who are the Mayor or Sherriff when acting in those capacities.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
19.	None.
<b><u>Property/Other</u></b>	
20.	None.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
21.	Chapter 7 Localism Act 2011
<b><u>Other Legal Implications:</u></b>	
22.	None.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
23.	n/a

<b>KEY DECISION?</b>	No	
<b>WARDS/COMMUNITIES AFFECTED:</b>	None	
<b><u>SUPPORTING DOCUMENTATION</u></b>		
<b>Appendices</b>		
1.	Complaints Flowchart	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact		No
<b>Other Background Documents</b>		
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	

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### Complaints Procedure Flowchart



Flowchart v2.1

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# Agenda Item 6

<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE COUNCIL		
<b>SUBJECT:</b>	TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS MIDYEAR REVIEW 2015		
<b>DATE OF DECISION:</b>	9 NOVEMBER 2015 18 NOVEMBER 2015		
<b>REPORT OF:</b>	CHIEF FINANCIAL OFFICER		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Mel Creighton</b>	<b>Tel:</b> 023 80 4897
	<b>E-mail:</b>	mel.creighton@southampton.gov.uk	
<b>Director</b>	<b>Name:</b>	<b>Andrew Lowe</b>	<b>Tel:</b> 023 80 2049
	<b>E-mail:</b>	andrew.lowe@southampton.gov.uk	

## STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

## BRIEF SUMMARY

The purpose of this report is to inform the Governance Committee and Council of the Treasury Management activities and performance for 2015/16 against the approved Prudential Indicators for External Debt and Treasury Management and to approve any changes as a result of activity to date and updates to the capital programme.

The core elements of the 2015/16 strategy are :

- To continue to make use of short term variable rate debt to take advantage of the current market conditions of low interest rates.
- To constantly review longer term forecasts and to lock into longer term rates through a variety of instruments as appropriate during the year, in order to provide a balanced portfolio against interest rate risk.
- To secure the best short term rates for borrowing and investments consistent with maintaining flexibility and liquidity within the portfolio.
- To invest surplus funds prudently, the Council's priorities being:
  - Security of invested capital
  - Liquidity of invested capital
  - An optimum yield which is commensurate with security and liquidity.
- To approve borrowing limits that provide for debt restructuring opportunities and to pursue debt restructuring where appropriate and within the Council's risk boundaries.
- To approve the 2015 Minimum Revenue Provision (MRP) Statement

With overall annual expenditure in excess of £600M and an extensive capital

programme, the Council is required to actively manage its cash-flows on a daily basis. The requirement to invest or to borrow monies to finance capital programmes, and to cover daily operational needs is an integral part of daily cash and investment portfolio management.

**RECOMMENDATIONS:**

**GOVERNANCE COMMITTEE**

**It is recommended that Governance Committee:**

	i)	To note the current and forecast position with regards to these indicators and endorse any changes;
	ii)	Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
	iii)	To note the revised MRP policy made under delegated authority of the Chief Financial Officer which benefit the authority as set out in paragraphs 52 to 55.
	iv)	To endorse the increase in the investment limits as detailed in paragraphs 35.
	v)	To note the position with regard to the Authority's Bond holding with Volkswagen Financial Services as detailed in paragraph 43.
	vi)	To note the current position regarding set up the Local Authority Bonds Agency Ltd now known as the Municipal Bonds Agency (MBA) plc as set out in paragraph 24-29.

**COUNCIL**

**It is recommended that Council:**

	i)	To note the current and forecast position with regards to these indicators and approve any changes;
	ii)	Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
	iii)	To note the revised MRP policy made under delegated authority of the Chief Financial Officer which benefit the authority as set out in paragraphs 52 to 55.
	iv)	Continue to delegate authority to the Chief Financial Officer, Finance following consultation with the Cabinet Member for Resources to approve any changes to the Prudential Indicators or borrowing limits that will aid good treasury management. For example increase the percentage for variable rate borrowing to take advantage of the depressed market for short term rates. Any amendments will be reported as part of quarterly financial and performance monitoring and in revisions to this strategy;
	v)	To approve the increase in the investment limits as detailed in paragraphs 35.
	vi)	To note the position with regard to the Authority's Bond holding

		with Volkswagen Financial Services as detailed in paragraph 43.
	vii)	To note the current position regarding set up the Local Authority Bonds Agency Ltd now known as the Municipal Bonds Agency (MBA) plc as set out in paragraph 24-29.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>		
1.	The Treasury Management Code requires public sector authorities to determine an annual TM Strategy and now, as a minimum, formally report on their treasury activities and arrangements to full Council mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those with ultimate responsibility/governance of the TM function to scrutinise and assess its effectiveness and compliance with policies and objectives.	
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>		
2.	No alternative options are relevant to this report	
<b>DETAIL (Including consultation carried out)</b>		
	<b>CONSULTATION</b>	
3.	Not applicable	
	<b>BACKGROUND</b>	
4.	The Local Government Act 2003 introduced a system for borrowing based largely on self-regulation by local authorities themselves. The basic principle of the new system is that local authorities will be free to borrow as long as their capital spending plans are affordable, prudent and sustainable.	
5.	The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).	
6.	The Authority's Treasury Management Strategy for 2015/16 was approved by full Council on 11 February 2015 which can be accessed as Item 87 on the Council Meetings Agenda found via the following web link: <a href="http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&amp;MId=2469&amp;Ver=4">http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&amp;MId=2469&amp;Ver=4</a>	
7.	Overall responsibility for treasury management remains with the Council. No TM activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.	
8.	This report:	

	<p>a) is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code,</p> <p>b) presents details of capital financing, borrowing, debt rescheduling and investment transactions,</p> <p>c) reports on the risk implications of treasury decisions and transactions,</p> <p>d) gives details of the outturn position on treasury management transactions in 2015/16 to date, and</p> <p>e) confirms compliance with treasury limits and Prudential Indicators.</p>												
9.	Appendix 1 summarises the Authority’s financial adviser’s (Arlingclose) assessment of the economic outlook and events in the context of which the Council operated its treasury function.												
<b>BORROWING REQUIREMENT AND DEBT MANAGEMENT</b>													
10.	The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with balances and useable reserves, are the core drivers of TM Activity. This was estimated at £445M as at the 31/03/2016 when the TM strategy was approved and has been increased to £465M following a revision of the capital programme and MRP Policy and adjusting for 2014/15 actual position.												
11.	At 30/9/2015 the Authority held £247M of loans, a decrease of £6M on 31/3/2015, as part of its strategy for funding previous years’ capital programmes, however the Authority expects to have to borrow up to £52M in 2015/16 to finance the current capital programme (£13M General Fund and £37M for HRA) and to replace maturing debt, which will increase long term borrowing by £40M as shown in table 1 below.												
	<p><b>Table 1</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: left;"><b>Long Term Borrowing</b></th> </tr> <tr> <th></th> <th style="text-align: right;"><b>£M</b></th> </tr> </thead> <tbody> <tr> <td>Balance brought forward</td> <td style="text-align: right;">252.7</td> </tr> <tr> <td>New debt raised in year</td> <td style="text-align: right;">51.8</td> </tr> <tr> <td>Maturing debt</td> <td style="text-align: right;">(11.5)</td> </tr> <tr> <td><b>Estimated debt at 31 March 2016</b></td> <td style="text-align: right;"><b>293.0</b></td> </tr> </tbody> </table>	<b>Long Term Borrowing</b>			<b>£M</b>	Balance brought forward	252.7	New debt raised in year	51.8	Maturing debt	(11.5)	<b>Estimated debt at 31 March 2016</b>	<b>293.0</b>
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<b>Estimated debt at 31 March 2016</b>	<b>293.0</b>												
12.	The Authority’s chief objective when borrowing continues to be striking an appropriately prudent balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority’s long-term plans change being a secondary objective.												
13.	Affordability and the “cost of carry” remained important influences on the Authority’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the first two years, lower than long-term												

rates, the Authority determined it was more cost effective in the short-term to use internal resources and will look to borrow short-term loans instead.

14. The benefits of internal borrowing are monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Our advisors, Arlingclose, assists the Authority with this 'cost of carry' and breakeven analysis.

15. The forecast movement in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years and is shown in tables 2 and 3 below together with activity in the year.

**Table 2**

	31-Mar-15 Actual £M	31-Mar-16 Approved £M	Current Portfolio £M	31-Mar-16 Current Estimate £M	31-Mar-17 Current Estimate £M	31-Mar-18 Current Estimate £M
<b>External Borrowing:</b>						
Fixed Rate – PWLB Maturity	139	189	139	191	218	227
Fixed Rate – PWLB EIP	69	58	64	58	46	35
Variable Rate – PWLB	35	35	35	35	35	35
Variable Rate – Market	9	9	9	9	9	9
<b>Long Term Borrowing</b>	<b>252</b>	<b>291</b>	<b>247</b>	<b>293</b>	<b>308</b>	<b>306</b>
<b>Short Term Borrowing</b>						
Fixed Rate – Market	0	30	0	30	30	30
<b>Other Long Term Liabilities</b>						
PFI / Finance leases	67	65	65	65	62	60
Deferred Debt Charges	16	15	15	15	15	14
<b>Total Gross External Debt</b>	<b>335</b>	<b>401</b>	<b>327</b>	<b>403</b>	<b>415</b>	<b>410</b>
<b>Investments:</b>						
<b>Managed In-House</b>						
Deposits and monies on call and Money Market Funds	(55)	(25)	(37)	(25)	(25)	(25)
Financial Instruments	(32)	(40)	(57)	(60)	(50)	(50)
<b>Managed Externally</b>						
Pooled Funds	(5)	(7)	(7)	(7)	(7)	(7)
<b>Total Investments</b>	<b>(92)</b>	<b>(72)</b>	<b>(101)</b>	<b>(92)</b>	<b>(82)</b>	<b>(82)</b>
<b>Net Borrowing Position</b>	<b>243</b>	<b>329</b>	<b>226</b>	<b>311</b>	<b>333</b>	<b>328</b>

**Table 3**

	Balance on 01/04/2015 £M	Debt Maturing or Repaid £M	New Borrowing £M	Balance as at 30/9/2015 £M	Increase/ (Decrease) in Borrowing £M	Average Life / Average Rate %	
						Life	%
Short Term Borrowing	0	0	0	0	0		
Long Term Borrowing	253	(6)	0	247	(6)	22 Years	3.33
<b>Total Borrowing</b>	<b>253</b>	<b>(6)</b>	<b>0</b>	<b>247</b>	<b>(6)</b>		

Please note that these figures do not reflect the accounting convention of moving loans maturing in the year from long term to short term.

16. The Council's underlying need to borrow (as measured by the CFR) was estimated at £444.6M for 2015/16 when the strategy was approved in

	February 2015. This has been revised upwards to £465.2M following the latest capital review and the implementation of the revised MRP policy as detailed in paragraphs 53 and 54. See Appendix 4, table 2 for details of the movement in in the CFR.
	<b><u>PWLB Certainty Rate</u></b>
17.	The PWLB remains the Council's preferred source of long term borrowing given the transparency and control that its facilities continue to provide. The Authority qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2014. In April the Authority submitted its application to Department of the Environment along with the 2015/16 Capital Estimates Return to access this reduced rate for a further 12 month period from 01/11/2015.
	<b><u>Loans at Variable Rates</u></b>
18.	Included within the debt portfolio is £35M of PWLB variable rate loans which are currently averaging a rate of 0.67% which mitigate the impact of changes in variable rates on the Authority's overall treasury portfolio (the Authority's cash investments are deemed to be variable rate investments due to their short-term nature). This strategic exposure to variable interest rates will be regularly reviewed and, if appropriate, reduced by switching into fixed rate loans.
	<b><u>Lender's Option Borrower's Option Loans (LOBOs)</u></b>
19.	The Authority holds £9M of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS have options during the half year, none of which were exercised by the lender, but if they were to be called during the remainder of this financial year it is likely that they would be replaced by a PWLB loan.
	<b><u>Internal Borrowing</u></b>
20.	Given the significant cuts to local government funding putting pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio.
21.	As at the 31 March 2015 the Council used £92M of internal resources in lieu of borrowing which has been the most cost effective means of funding past capital expenditure to date. This has lowered overall treasury risk by reducing both external debt and temporary investments. However, this position will not be sustainable over the medium term and the Council will need to borrow to cover this amount as balances fall. The current Capital Programme indicates that the Council is expected to borrow up to £77M between 2015/16 and 2017/18. Of this £54M relates to new capital spend (£3M GF and £51M HRA) and the remainder to the refinancing of existing debt and externalising internal debt to cover the expected fall in balances and also the need to lock back into longer term debt prior to interest rate rises.
22.	However as short-term interest rates have remained lower than long-term rates, and are likely to remain so for the forthcoming two years, the Authority has determined it is more cost effective in the short-term to continue the use

	of internal resources where funds permit.
	<b><u>Debt Rescheduling</u></b>
23.	The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.
	<b><u>UK Municipal Bonds Agency</u></b>
24.	In the February 2015 full budget report to Council paragraph 85 set out an alternative option to the PWLB for accessing borrowing; that alternative was via the Local Capital Finance Company Ltd (now called the UK Municipal Bond Agency (MBA) plc).
25.	The current model proposed by MBA is it will borrow money on the capital markets and all borrowing authorities will jointly and severally guarantee the borrowing (of all other local authorities). This will ensure the keenest price as possible, as effectively, should any single local authority fail to make its payments the shortfall, in the first instance, will be met from all other borrowing authorities.
26.	As local authority borrowing is by law secured as a first charge on the revenues of the authority, the likelihood of default is considered extremely low. In addition MBA proposes having various policies in place to limit its exposure to individual authorities.
	<b><u>Joint and Several Guarantee</u></b>
27.	The proposed guarantee is given to lenders to MBA, and MBA is the lender to local authorities, so MBA is the prime beneficiary of the statutory charge of borrowing on local authority revenues. To avoid the possibility of the guarantee actually being called (accepting this is very unlikely), MBA is putting in place "contribution" arrangements such that should a borrowing authority fail to make a payment, after allowing a short time of rectification, if the default is not immediately rectified, the remaining guaranteeing authorities will be advised and will shortly thereafter be required to make up the defaulting authority's contribution. Payments required under the contribution arrangement are pro rata to all borrowing from the MBA. This should ensure that given the "several" nature of the guarantee larger borrowing authorities can be assured that the guarantee (and contribution arrangement) cannot be applied in a way that means a single large authority is the sole guarantor to a small authority, and the "concentrate limits" that will be set out should ensure that in the (unlikely) event of a payment failure, a smaller authority's exposure is limited.
	<b><u>Update on Progress</u></b>
28.	A group of local authorities who are members of MBA have engaged Counsel to provide an opinion on the vires and the reasonableness of the joint and several guarantee. The purpose of seeking this advice is to ensure that before councils sign up to borrow from MBA it is absolutely clear they have the power to do so and understand the full implications around the guarantee.
	<b><u>SCC position</u></b>
29.	At the present time SCC has no plans to undertake borrowing via MBA. It

	will, however, be important that we are cognisant of the outcome of Counsels review and that we advise Council accordingly prior to entering into any borrowing commitments. An update will provided once further information is available.																																																							
	<b>INVESTMENT ACTIVITY</b>																																																							
30.	Both the CIPFA and DCLG's Investment Guidance requires the authority to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield.																																																							
31.	The Authority has held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2015/16 the Authority's investment balances have ranged between £92M and £125M and are currently £101M. Projected balances indicate that on present levels of spend we should have similar balances to last year, but this will be dependent on any borrowing decisions taken.																																																							
32.	Table 4 below summarises activity during the year:																																																							
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33.	Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.																																																							
34.	Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.																																																							
35.	Counterparty limits were set as part of the TM strategy when balances were expected to fall, however balances have remained around £100M and this has made it difficult at times to find suitable counterparties whilst maintaining a reasonable yield. It is therefore recommended that counterparty limits be increased in line with Appendix 3.																																																							
36.	Given the increasing risk and continued low returns from short-term unsecured bank investments, and having estimated that £40M is available for longer-term investment, the Authority diversified further into more secure and/or higher yielding asset classes such as covered bonds (which are secured on the financial institutions' assets) and pooled funds which have the advantage of diversifying investment risks without the need to own and manage the underlying investments coupled with professional fund management.																																																							



37. Tables 5 and 6 below summarises the Council's investment portfolio at 30 September 2015 and confirms that all investments were made in line with the Council's approved credit rating criteria:

**Table 5**

Credit Rating	Long Term	Short Term	Total
	£M	£M	£M
AAA	15.9	4.0	19.9
AA+	3.2	4.7	7.9
AA		0.1	0.1
AA-		18.8	18.8
A+		17.0	17.0
A		17.6	17.6
A-		11.4	11.4
BBB+		1.4	1.4
Unrated pooled funds		7.0	7.0
<b>Total Investments</b>	<b>19.1</b>	<b>82.0</b>	<b>101.1</b>

**Table 6**

	Current Investment £M	Average Yield/ Rate %	Forecast Return £'M
<b><u>Specified Investments</u></b>			
Cash	36.9	0.53	0.20
Short Term Fixed Deals	-	0.43	0.00
Corporate Bonds (not subject to Bail in)	36.5	0.86	0.21
Other Bonds	1.5	0.90	0.02
	<b>74.9</b>		<b>0.43</b>
<b><u>Unspecified Investments</u></b>			
Long term Bonds (not subject to Bail in)	19.2	1.69	0.32
CCLA	7.0	4.78	0.33
	<b>26.2</b>		<b>0.65</b>
<b><u>Total Investment</u></b>	<b>101.1</b>	<b>1.72</b>	<b>1.08</b>
<b><u>Total Investment excluding CCLA</u></b>	<b>94.1</b>	<b>1.23</b>	<b>0.75</b>

Full details of our investments (excluding CCLA) can be seen in Appendix 2

### **Credit Developments and Credit Risk Management**

38. All three credit ratings agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

39.	Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS) to BBB+ from A, Deutsche Bank to A from A+, Bank Nederlandse Gemeeten to AA+ from AAA and ING to A from A+. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades
40.	Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.
41.	S&P reviewed UK and German banks in June downgrading Barclays' long-term rating to A- from A, RBS to BBB+ from A- and Deutsche Bank to BBB+ from A. As a result of this the Authority has made the decision to temporarily suspend Deutsche Bank as a counterparty for new unsecured investments. S&P has also revised the outlook of the UK as a whole to negative from stable, citing concerns around a planned referendum on EU membership and its effect on the economy.
42.	At the end of July, the council's treasury advisors Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.
43.	<p>In September, Volkswagen was found to have been cheating emissions testing over several years in many of their diesel vehicles. The ongoing impact and fallout is still playing out and the full extent of the financial implications are yet to become clear. The ratings of the VW group were placed on Rating Watch Negative by Fitch, CreditWatch with negative implications by S&amp;P and the outlook revised to negative by Moody's. Moody's also revised the outlook on VW Financial Services to negative. Our advisors recommended suspending VW (as a non-financial corporate bond counterparty) for new investments whilst the situation is monitored, but did not recommend selling off existing investments and taking a loss as although the press headlines for Volkswagen remain negative, the likelihood that VW will default is still very low and credit metrics have not deteriorated to drastic levels.</p> <p>The authority holds a £1.5M corporate bond with Volkswagen financial services which is due to mature in May 2016, this was recently valued and there has been little movement on the price of the bond; if we were to sell at this point there would be an approximate loss of £17K, demonstrating that there is still confidence in the market.</p>
	<b>Liquidity Management</b>
44.	In keeping with the DCLG's Guidance on Investments, the Council

	<p>maintained a sufficient level of liquidity through the use of Money Market Funds and call accounts. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.</p>
45.	<p>Both Santander and HSBC have reduced the interest payable on their call accounts to 0.30% from 0.80%, but have introduced notice accounts offering higher interest, dependent on the period of notice. We are currently in the process of opening a notice account with Santander which offers rates from 0.65% for 31 days up to 1.15% for 180 days' notice, these will require more careful monitoring of cash flows to ensure we have sufficient liquidity.</p>
	<p><b>Externally Managed Funds</b></p>
46.	<p>On the 30 April 2014 the Council invested £5M in property funds which offer the potential for enhanced returns over the longer term, but may be more volatile in the shorter term. These funds are managed by professional fund managers which allows the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. This investment returned £0.24M in 2014/15 at a published yield of 4.86% and the net asset value of the fund at 31st March was £5.3M a notional "gain" of £0.3M against initial investment. Whilst recognising the increased risk (as the value of the fund can also go down) due to the strong performance to date an additional £2M was invested on 30 April 2015, as at the 31 September the sell price of our total investments were valued at £7.35M a notional "gain" of £0.35M against investments. The current quoted dividend yield on the fund is 4.78% and is expected to return £0.331M for the year.</p>
	<p><b>BUDGETED INCOME AND EXPENDITURE</b></p>
	<p><b><u>Investments</u></b></p>
47.	<p>The Council does not expect any losses from non-performance in relation to its investments by any of its counterparties. The UK Bank Rate has been maintained at 0.5% since March 2009 and as a consequence short-term money market rates have remained at relatively low levels with deposits being made at an average rate of 1.72%. Average cash balances were £109.8M during the period April to September; these are expected to decline towards the end of the financial year as the incidence of government grant income and council tax income is skewed towards the earlier part of the year.</p>
48.	<p>The Authority's budgeted investment income for the year was estimated at £0.6M, the Authority currently anticipates an investment outturn of £1.1M for the year based on current and committed deals. This reflects the movement away from short term cash investments to longer dated investments which yield a higher return, whilst still retaining credit quality.</p>

	<b><u>Expenditure</u></b>																					
49.	The interest cost of financing the Authority's long term and short term loan debt is charged corporately to the Income and Expenditure account. The interest cost in 2015/16 of financing the Authority's loan debt is currently expected to be £9.2M compared with an approved estimate of £11.0M, a saving of £1.8M, of which £0.9M relates to the HRA. This is mainly due to variable interest rates being lower than those estimated, no new long term borrowing being taken in 2014/15, slippage on the HRA capital programme to 2015/16 and deferring any new borrowing to later in the year.																					
	<b>COMPLIANCE WITH PRUDENTIAL INDICATORS</b>																					
50.	The Council can confirm that it has complied with its Prudential Indicators for 2015/16, approved by Full Council on 11 February 2015, item 87. <a href="http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&amp;MId=2469&amp;Ver=4">http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&amp;MId=2469&amp;Ver=4</a>																					
51.	In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of TM activity during 2015/16 to date. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. Table 7 below summarises the Key Indicators and performance to date further details can be found in Appendix 4. <b>Table 7</b>																					
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	<b>Minimum Revenue Provision (MRP)</b>																					
52.	The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP, the Council's strategy was approved as part of the 2015/16 report. However following a review of the guidance the Council has revised this in order to achieve revenue savings whilst still providing a prudent provision.																					
53.	We will continue to apply set aside capital receipts to reduce the level of MRP which the council needs to set aside from revenue as a prudent provision, as detailed in paragraphs 45 to 48 in the Review of Prudential																					

	Limits and Treasury Management Outturn report submitted to Council on 15 July, item 37 <a href="http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&amp;MId=3044&amp;Ver=4">http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&amp;MId=3044&amp;Ver=4</a>																																																							
54.	We intend to apply the annuity method of calculating MRP for Prudential Borrowing in place of asset life, and to reduce the percentage applied to borrowing taken before the Prudential regime from 4% to 2%.																																																							
55.	The revised position is shown in table 8 below:																																																							
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56.	The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff have attended a number of training courses provided by our advisors (Arlingclose).																																																							
57.	In January 2015 a training session was held by our advisors and made available to all Members to provide an insight into the current issues affecting TM and the basis of the TM strategy being presented. Following a number of changes to members since the elections in May further training is to be held in November 2015.																																																							
<b>RESOURCE IMPLICATIONS</b>																																																								
<b><u>Capital/Revenue</u></b>																																																								

58.	The revenue and capital implications are considered as part of ongoing monitoring which is reported to Cabinet each quarter and as part of the budget setting process.
<b><u>Property/Other</u></b>	
59.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
60.	Local Authority borrowing is regulated by Part 1, of the Local Government Act 2003, which introduced the new Prudential Capital Finance System. From 1 April 2004, investments are dealt with, not in secondary legislation, but through guidance. Similarly, there is guidance on prudent investment practice, issued by the Secretary of State under Section 15(1) (a) of the 2003 Act. A local authority has the power to invest for "any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs". The reference to the "prudent management of its financial affairs" is included to cover investments, which are not directly linked to identifiable statutory functions but are simply made in the course of treasury management. This also allows the temporary investment of funds borrowed for the purpose of expenditure in the reasonably near future; however, the speculative procedure of borrowing purely in order to invest and make a return remains unlawful.
<b><u>Other Legal Implications:</u></b>	
61.	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
62.	This report has been prepared in accordance with the CIPFA Code of Practice on TM.

<b>KEY DECISION?</b>	Yes/No
<b>WARDS/COMMUNITIES AFFECTED:</b>	

<b><u>SUPPORTING DOCUMENTATION</u></b>		
<b>Appendices</b>		
1.	Economic Background	
2.	Current Investments	
3.	Revised Counterparty Limits	
4.	Compliance with Prudential Indicators	
5.	Glossary of Treasury Terms	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
<b>Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.</b>		<b>No</b>
<b>Privacy Impact Assessment</b>		
<b>Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.</b>		<b>No</b>
<b>Other Background Documents</b>		
<b>Other Background documents available for inspection at:</b>		
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.	<a href="#">Treasury Management Strategy and Prudential Limits 2015/16 to 2017/18 .doc</a>	

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## 2015/16 ECONOMIC BACKGROUND

### **1. External Economic Performance Q1 and Q2**

As the year began, economic data was largely overshadowed by events in Greece. Markets' attention centered on the never-ending Greek issue stumbled from turmoil to crisis, running the serious risk of a disorderly exit from the Euro. The country's politicians and the representatives of the 'Troika' of its creditors - the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) – barely saw eye to eye. Greece failed to make a scheduled repayment to the IMF on 30th June, in itself not a default until the IMF's Managing Director declares it so. Prime Minister Tsipras blindsided Greece's creditors by calling a referendum on 5th July on reform proposals which by then were off the table anyway. The European Central Bank froze liquidity assistance provided to Greek banks and capital controls within the country severely restricted individuals' and corporates' access to cash.

On 12th July, following a weekend European Union Summit, it was announced that the terms for a third bailout of Greece had been reached. The deal amounting to €86 billion was agreed under the terms that Greece would see tax increases, pension reforms and privatisations; the very reforms Tsipras had vowed to resist. This U-turn saw a revolt within the ruling Syriza party and on 27th August, Alexis Tsipras resigned from his post as Prime Minister of Greece after just eight months in office by calling a snap election, held on 20th September. This gamble paid off as Tsipras led his party to victory once again, although a coalition with the Independent Greeks was needed for a slim parliamentary majority. That government must now continue with the unenviable task of guiding Greece through the continuing economic crisis – the Greek saga is far from over.

The summer also saw attention shift towards China as the Shanghai composite index (representing China's main stock market), which had risen a staggering 50%+ since the beginning of 2015, dropped by 43% in less than three months with a reported \$3.2 trillion loss to investors, on the back of concerns over growth and after regulators clamped down on margin lending activity in an effort to stop investors borrowing to invest and feeding the stock market bubble. Chinese authorities intensified their intervention in the markets by halting trading in many stocks in an attempt to maintain market confidence. They surprised global markets in August as the People's Bank of China changed the way the yuan is fixed each day against the US dollar and allowed an aggressive devaluation of the currency. This sent jitters through Asian, European and US markets impacting currencies, equities, commodities, oil and metals. On 24th August, Chinese stocks suffered their steepest one-day fall on record, driving down other equity markets around the world and soon becoming known as another 'Black Monday'. Chinese stocks have recovered marginally since and are trading around the same level as the start of the year. Concerns remain about slowing growth and potential deflationary effects.

**UK Economy:** The economy has remained resilient over the last six months. Although economic growth slowed in Q1 2015 to 0.4%, year/year growth to March 2015 was a relatively healthy 2.7%. Q2 2015 GDP growth bounced back and was confirmed at 0.7%, with year/year growth showing slight signs of slowing, decreasing to 2.4%. GDP has now increased for ten consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to -0.1%, before fluctuating between 0.0% and 0.1% over the next few months. In the August Quarterly Inflation Report, the Bank of England projected that GDP growth will continue around its average rate since 2013. The Bank of England's projections for inflation remained

largely unchanged from the May report with them expecting inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future. Further improvement in the labour market saw the ILO unemployment rate for the three months to July fall to 5.5%. In the September report, average earnings excluding bonuses for the three months to July rose 2.9% year/year.

The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

The US economy slowed to 0.6% in Q1 2015 due to bad weather, spending cuts by energy firms and the effects of a strong dollar. However, Q2 GDP showed a large improvement at a twice-revised 3.9% (annualised). This was largely due to a broad recovery in corporate investment alongside a stronger performance from consumer and government spending and construction and exports. With the Fed's decision on US interest rate dependent upon data, GDP is clearly supportive. However it is not as simple as that and the Fed are keen to see inflation rise alongside its headline economic growth and also its labour markets. The Committee decided not to act at its September meeting as many had been anticipating but have signalled rates rising before the end of the year.

**Market reaction:** Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight on 'Black Monday'. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw bond yields dropping again through August and September. Bond markets were also distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory.

### **Outlook for Q3 and Q4**

Our advisors, Arlingclose, expectation for the first rise in the Bank Rate (base rate) remains the second calendar quarter of 2016. The pace of interest rate rises will be gradual and the extent of rises limited. The appropriate level for Bank Rate for the post-crisis UK economy is likely to be lower than the previous norm. We would suggest this is between 2.0% and 3.0%. There is also sufficient momentum in the US economy for the Federal Reserve to raise interest rates in 2015, although risks of issues from China could possibly push this back.

The weak global environment and resulting low inflation expectations are likely to dampen long term interest rates. We project gilt yields will follow a shallow upward path in the medium term, with continuing concerns about the Eurozone, and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued. The uncertainties surrounding the timing of UK and US interest rate rises, and the Chinese stock market-led turmoil, are likely to prompt short term volatility in gilt yields.

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Average
Official Bank Rate														
Upside risk			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.32
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.08
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-0.70

## Summary of investments as at 30 September 2015

The Authority manages investments amounting to £94.1M as detailed below:

Investments	At 30 September 2015 £000	Date of Maturity	Yield %	Rating
<b>Cash</b>				
Standard Life MMF	10,000	Call	0.50	A+
Aberdeen MMF	7,000	Call	0.49	A+
Federated Prime MMF	4,690	Call	0.48	AA-
J P Morgan MMF	2,424	Call	0.46	AA-
Goldman Sachs MMF	44	Call	0.45	AA
Blackrock MMF	2,055	Call	0.45	AA-
Deutsche MMF	38	Call	0.45	AA-
Invesco MMF	15	Call	0.40	AA-
Santander UK Plc	600	Call	0.40	A
HSBC Bank PLC	5,000	Call	0.80	AA-
Barclays Bank PLC	5,000	Call	0.50	A
<b>Total Cash</b>	<b>36,866</b>		<b>0.53</b>	
<b>Corporate Bonds</b>				
Anglian Water Services Financing Ltd	1,449	30/10/2015	0.87	A-
Prudential PLC	5,068	16/11/2015	0.91	A
Network Rail Infrastructure	4,708	27/11/2015	0.53	AA-
Daimler AG	4,941	10/12/2015	0.86	A-
Westpac Banking Corp	2,368	23/12/2015	0.84	AA-
United Utilities Water Ltd	1,347	29/12/2015	1.26	BBB+

Linde Finance BV	4,588	29/01/2016	0.99	A
Yorkshire Building Society Covered Bond	4,031	23/03/2016	0.76	AAA
Heathrow Funding Ltd	4,994	31/03/2016	0.92	A-
Svenska Handelsbanken AB	2,197	26/05/2016	0.95	AA-
Rolls Royce PLC	856	14/06/2016	0.77	A-
<b>Total Corporate Bonds</b>	<b>36,547</b>		<b>0.86</b>	
<b>Other Bonds</b>				
Volkswagen Financial Service NV	1,490	26/05/2016	0.903	A
<b>Total Other Bonds</b>	<b>1,490</b>		<b>0.903</b>	
<b>Long Term Bonds</b>				
Bank of Scotland PLC Covered Bond	3,257	08/11/2016	0.68	AAA
Lloyds Bank Covered Bond	2,005	16/01/2017	0.67	AAA
Nationwide Building Society Covered Bond	1,484	17/07/2017	0.67	AAA
Leeds Building Society Covered Bond	2,002	09/02/2018	0.81	AAA
Barclays Bank Covered Bond	1,001	12/02/2018	0.71	AAA
Yorkshire Building Society Covered Bond	3,234	12/08/2018	1.94	AA+
Leeds Building Society Covered Bond	3,004	01/10/2019	0.94	AAA
European Investment Bank - Bond	1,069	15/04/2025	5.27	AAA
European Investment Bank - Bond	1,054	07/06/2025	5.16	AAA
European Investment Bank - Bond	1,039	07/06/2025	5.49	AAA
<b>Total Long Term Bonds</b>	<b>19,149</b>		<b>1.69</b>	

# Agenda Item 6

## Appendix 3 APPENDIX 3

### REVISED COUNTERPARTY CASH AND TIME LIMITS

Credit Rating	Banks Unsecured	Banks Secured	Government & Local Authorities	Corporates	Registered Providers
	£M	£M			
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£10M 5 years	£10M 20 years	£10M 50 years	£10M 20 years	£10M 20 years
AA+	£10M 5 years	£10M 10 years	£10M 25 years	£10M 10 years	£10M 10 years
AA	£10M 4 years	£10M years	£10M 15 years	£10M 5 years	£10M 10 years
AA-	£10M 3 years	£10M 4 years	£10M 10 years	£10M 4 years	£10M 10 years
A+	£10M 2 years	£10M 3 years	£10M 5 years	£10M 3 years	£10M 5 years
A	£10M 13 months	£10M 2 years	£10M 5 years	£10M 2 years	£10M 5 years
A-	£10M 6 months	£10M 13 months	£10M 5 years	£10M 13 months	£10M 5 years
BBB+	£2.5M 100 days	£5M 6 months	£2.5M 2 years	£2.5M 6 months	£2.5M 2 years
BBB or BBB-	£2.5M next day only	£5M 100 days	n/a	n/a	n/a
None	£1M 6 months	n/a	£10M 25 years	£0.5M 5 years	£10M 5 years
Pooled funds	£10M per fund				

Please read notes in paragraph 40 of Treasury Management Strategy report in conjunction with this table.

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### COMPLIANCE WITH PRUDENTIAL INDICATORS DURING 2015/16

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

The Council complied with all of its Prudential Indicators. Details of the performance against key indicators are shown below:

#### **1. Gross Debt and the Capital Financing Requirement**

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. If in any of these years there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for comparison with gross external debt. The CFO reports that the Authority had no difficulty meeting this requirement in year nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

There is a significant difference between the gross external borrowing requirement and the net external borrowing requirement represented by the Council's level of balances, reserves, provisions and working capital. The Council's current strategy is only to borrow to the level of its net borrowing requirement. The reasons for this are to reduce credit risk, take pressure off the Council's lending list and also to avoid the cost of carry existing in the current interest rate environment. The tables below details our expected debt position and the year-on-year change to the CFR:

**Table 1**

	Approved 2015/16 £M	Actual 2015/16 £M	Forecast 2015/16 £M	Forecast 2016/17 £M	Forecast 2017/18 £M
Borrowing		98.9	106.9	113.6	114.2
Finance leases and Private Finance Initiative	64.8	64.8	64.8	62.3	60.4
Transferred debt	15.0	15.0	15.0	14.4	13.8
<b>Total General Fund Debt</b>	<b>79.8</b>	<b>178.7</b>	<b>186.7</b>	<b>190.3</b>	<b>188.4</b>
HRA	182.6	153.4	185.9	194.7	191.6
<b>Total</b>	<b>262.4</b>	<b>332.1</b>	<b>372.6</b>	<b>385.0</b>	<b>380.0</b>

**Table 2**

Capital Financing Requirement	Actual 2014/15 £M	Approved 2015/16 £M	Forecast 2015/16 £M	Forecast 2016/17 £M	Forecast 2017/18 £M
<b>Balance Brought forward</b>	<b>425.0</b>	<b>423.3</b>	<b>427.6</b>	<b>465.2</b>	<b>472.5</b>
Capital expenditure financed from borrowing (inc PFI)					
<i>General Fund (GF)</i>	16.4	0.9	12.9	6.1	0.0
<i>HRA</i>	0.0	34.3	37.0	13.9	2.2
HRA Voluntary Repayment of Debt	(5.1)	(4.9)	(5.1)	(5.1)	(5.1)
GF Revenue Provision for Repayment of Debt	(6.2)	(6.3)	(4.5)	(4.6)	(4.7)
Movement in Other Long term Liabilities	(2.5)	(2.7)	(2.7)	(3.0)	(2.5)
<b>Capital Financing Requirement Carried Forward</b>	<b>427.6</b>	<b>444.6</b>	<b>465.2</b>	<b>472.5</b>	<b>462.4</b>

## 2. Maturity Structure of Fixed Rate Borrowing

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period.

**Table 3**

	Lower Limit %	Upper Limit %	Actual Fixed Debt as at 30/09/2015 £M	Average Fixed Rate as at 30/09/2015 %	% of Fixed Rate as at 30/09/2015 %	Compliance with set Limit?
Under 12 Months	0	45	9.3	3.10	4	Yes
Over 12 Months but within 24 Months	0	45				Yes
Over 24 Months but within 5 years	0	50	11.5	2.83	5	Yes
Over 5 years but within 10 years	0	75	52.3	3.51	25	Yes
Over 10 years but within 15 years	0	75				Yes
Over 15 years but within 20 years	0	75				Yes
Over 20 years but within 25 years	0	75	10.0	4.68	5	Yes
Over 25 years but within 30 years	0	75	5.0	4.60	2	Yes
Over 30 years but within 35 years	0	75	25.0	4.62	12	Yes
Over 35 years but within 40 years	0	75	36.7	3.54	17	Yes
Over 40 years but within 45 years	0	75	47.9	3.59	23	Yes
Over 45 years but within 50 years	0	75	14.2	3.70	7	Yes
Over 50 years	0	100				Yes
			211.9	3.57	100	

Please note: the TM Code Guidance Notes (Page 15) states: "The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. If the lender has the right to increase the interest rate payable without limit, such as in a LOBO loan, this should be treated as a right to require payment". For this indicator, the next option dates on the Council LOBO loans will therefore determine the maturity date of the loans.

## 3. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code. The ratio is based on costs net of investment income. The upper limit for this ratio is currently set at 10% for the General Fund to allow for known borrowing decision in the next two years and to allow for additional borrowing affecting major schemes. The table below shows the likely position based on the approved capital programme adjusted for actual borrowing made in year.

This indicator is not so relevant for the HRA, especially since the introduction of self financing, as financing costs have been built into their 30 year business plan, including the voluntary



payment of MRP. No problem is seen with the affordability but if problems were to arise then the HRA would have the option not to make principle repayments in the early years.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>Actual 2014/15 %</b>	<b>Approved 2015/16 %</b>	<b>Forecast 2015/16 %</b>	<b>Forecast 2016/17 %</b>	<b>Forecast 2017/18 %</b>
General Fund	5.76%	6.83%	4.86%	6.44%	7.29%
HRA	14.61%	14.93%	13.93%	15.10%	14.79%
<b>Total</b>	<b>9.07%</b>	<b>10.17%</b>	<b>8.54%</b>	<b>10.40%</b>	<b>10.74%</b>

#### 4. Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available within a rolling three month period with the view of looking to borrow short term if cash available in instant access accounts falls below £25M.

#### 5. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the authority adopted the principles of best practice.

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management Code* on 19 February 2003 and has subsequently agreed further updates.

#### 6. HRA Limit on Indebtedness

Local authorities are required to report the level of the HRA CFR compared to the level of debt which is imposed (or subsequently amended) by the DCLG at the time of implementation of self-financing.

**Table 4**

<b>HRA Summary of Borrowing</b>	<b>Actual 2014/15 £M</b>	<b>Approved 2015/16 £M</b>	<b>Forecast 2015/16 £M</b>	<b>Forecast 2016/17 £M</b>	<b>Forecast 2017/18 £M</b>
<b>Brought Forward</b>	<b>158.5</b>	<b>157.5</b>	<b>153.4</b>	<b>185.9</b>	<b>194.7</b>
Maturing Debt	(5.1)	(5.1)	(5.1)	(5.1)	(5.1)
Appropriation from General Fund			0.6		
New Borrowing	0.0	34.4	37.0	13.9	2.2
<b>Carried Forward</b>	<b>153.4</b>	<b>186.8</b>	<b>185.9</b>	<b>194.7</b>	<b>191.8</b>
HRA Debt Cap (as prescribed by CLG)	199.6	199.6	199.6	199.6	199.6
<b>Headroom</b>	<b>46.2</b>	<b>12.8</b>	<b>13.7</b>	<b>4.9</b>	<b>7.8</b>

#### 7. Summary

As indicated in this report none of the Prudential Indicators have been breached.

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## GLOSSARY OF TREASURY TERMS

**Amortised Cost Accounting:**

Values the asset at its purchase price, and then subtracts the premium/adds back the discount linearly over the life of the asset. The asset will be valued at par at its maturity.

**Authorised Limit (Also known as the Affordable Limit):**

A statutory limit that sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities).

**Balances and Reserves:**

Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.

**Bail - in Risk:**

Following the financial crisis of 2008 when governments in various jurisdictions injected billions of dollars into banks as part of bail-out packages, it was recognised that bondholders, who largely remained untouched through this period, should share the burden in future by making them forfeit part of their investment to "bail in" a bank before taxpayers are called upon.

A bail-in takes place before a bankruptcy and under current proposals, regulators would have the power to impose losses on bondholders while leaving untouched other creditors of similar stature, such as derivatives counterparties. A corollary to this is that bondholders will require more interest if they are to risk losing money to a bail-in.

**Bank Rate:**

The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate". This rate is also referred to as the 'repo rate'.

**Basis Point:**

A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in **interest rates** and **bond yields**. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points. If rates were at 2.50%, and rose by 0.25%, or 25 basis points, the new interest rate would be 2.75%. In the bond market, a basis point is used to refer to the yield that a bond pays to the investor. For example, if a bond yield moves from 5.45% to 5.65%, it is said to have risen by 20 basis points. The usage of the basis point measure is primarily used in respect to yields and interest rates, but it may also be used to refer to the percentage change in the value of an asset such as a stock.

**Bond:**

A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The repayment date is also set at the onset but can be traded during its life, but this will affect the price of a bond

which may vary during its life.

**Capital Expenditure:**

Expenditure on the acquisition, creation or enhancement of capital assets.

**Capital Financing Requirement (CFR):**

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

**Certainty Rate:**

The government has reduced by 20 basis points (0.20%) the interest rates on loans via the Public Works Loan Board (PWLB) to principal local authorities who provide information as specified on their plans for long-term borrowing and associated capital spending.

**CD's:**

Certificates of Deposits with banks and building societies

**Capital Receipts:**

Money obtained on the sale of a capital asset.

**Comprehensive Spending Review (CSR):**

Comprehensive Spending Review is a governmental process in the United Kingdom carried out by **HM Treasury** to set firm expenditure limits and, through public service agreements, define the key improvements that the public can expect from these resources. Spending Reviews typically focus upon one or several aspects of public spending while the CSR focuses upon each government department's spending requirements from a zero base (i.e. without reference to past plans or, initially, current expenditure).

**Constant Net Asset Value (CNAV)**

These are Money Market Funds which maintain a stable price of £1 per share when investors redeem or purchase shares which mean that that any investment will not fluctuate in value.

**Corporate Bonds:**

Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

**Cost of Carry:**

The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.

**Counterparty List:**

List of approved financial institutions with which the Council can place investments with.

**Covered Bond:**

Covered bonds are debt securities backed by cash flows from mortgages or public sector loans. They are similar in many ways to asset-backed securities created in securitisation, but covered bond assets remain on the issuer's consolidated balance sheet (usually with an

appropriate capital charge). The covered bonds continue as obligations of the issuer (often a bank); in essence, the investor has recourse against the issuer and the collateral, sometimes known as "dual recourse."

**CPI :**

Consumer Price Index – the UK’s main measure of inflation.

**Credit Rating:**

Formal opinion by a registered rating agency of a counterparty’s future ability to meet its financial liabilities; these are opinions only and not guarantees.

**Department for Communities and Local Government (DCLG) :**

The DCLG is the UK Government department for Communities and Local Government in England. It was established in May 2006 and is the successor to the Office of the Deputy Prime Minister, established in 2001.

**Debt Management Office (DMO):**

The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the **DMADF**. All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign triple-A credit rating.

**Diversification /diversified exposure:**

The spreading of investments among different types of assets or between markets in order to reduce risk.

**European Investment Bank (EIB):**

The European Investment Bank is the European Union's non-profit long-term lending institution established in 1958 under the Treaty of Rome. It is a "policy driven bank" whose shareholders are the member states of the EU. The EIB uses its financing operations to support projects that bring about European integration and social cohesion.

**Federal Reserve:**

The US central bank. (Often referred to as “the Fed”).

**Floating rate notes (FRNs) :**

Floating rate notes (FRNs) are debt securities with payments that are reset periodically against a benchmark rate, such as the three-month Treasury bill or the three-month London inter-bank offer rate (LIBOR). FRNs can be used to balance risks incurred through other interest rate instruments in an investment portfolio.

**FTSE 100 Index:**

The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation. It is one of the most widely used stock indices and is seen as a gauge of business prosperity for business regulated by UK company law. The index is maintained by the FTSE Group, a subsidiary of the London Stock Exchange Group.

**General Fund:**

This includes most of the day-to-day spending and income.

**Gilts:**

Gilts are bonds issued by the UK Government. They take their name from 'gilt-edged': being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

**Gross Domestic Product (GDP):**

Gross Domestic Product measures the value of goods and services produced within a country. GDP is the most comprehensive overall measure of economic output and provides key insight as to the driving forces of the economy.

**The G7:**

The G7, is a group consisting of the finance ministers of seven industrialised nations: namely the US, UK, France, Germany, Italy, Canada and Japan. They are seven of the eight (China excluded) wealthiest nations on Earth, not by GDP but by global net wealth. The G7 represents more than the 66% of net global wealth (\$223 trillion), according to Credit Suisse Global Wealth Report September 2012.

**IFRS:**

International Financial Reporting Standards.

**International Labour Organisation (ILO):**

The ILO Unemployment Rate refers to the percentage of economically active people who are unemployed by ILO standard and replaced the Claimant Unemployment Rate as the international standard for unemployment measurement in the UK.. Under the ILO approach, those who are considered as unemployed are either out of work but are actively looking for a job or out of work and are waiting to start a new job in the next two weeks. ILO Unemployment Rate is measured by a monthly survey, which is called the Labour Force Survey in United Kingdom. Approximately 40,000 individuals are interviewed each month, and the unemployment figure reported is the average data for the previous three months.

**LIBID:**

The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks). It is "the opposite" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). Whilst the British Bankers' Association set LIBOR rates, there is no correspondent official LIBID fixing.

**LIBOR:**

The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to be more fluid in the marketplace to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

**LOBO:**

Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the 'option' to either accept the new

imposed fixed rate or repay the loan facility. The upshot of this is that on the option exercise date, the lender could propose an extreme fixed rate, say 20 per cent, which would effectively force the repayment of the underlying facility. The borrower's so called 'option' is only the inalienable right to accept or refuse a new deal such as a fixed rate of 20 per cent.

**Maturity:**

The date when an investment or borrowing is repaid.

**Maturity Structure / Profile:**

A table or graph showing the amount (or percentage) of debt or investments maturing over a time period. The amount or percent maturing could be shown on a year-by-year or quarter-by-quarter or month-by-month basis.

**Minimum Revenue Provision (MRP):**

An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

**Money Market Funds (MMF):**

An open-end mutual fund which invests only in money markets. These funds invest in short term debt obligations such as short-dated government debt, certificates of deposit and commercial paper. The main goal is the preservation of principal, accompanied by modest dividends. The fund's net asset value remains constant (eg £1 per unit) but the interest rate does fluctuate. These are liquid investments, and therefore, are often used by financial institutions to store money that is not currently invested. Risk is extremely low due to the high rating of the MMFs; many have achieved AAA credit status from the rating agencies:

- **Constant net asset value (CNAV)** refers to funds which use amortised cost accounting to value all of their assets. They aim to maintain a net asset value (NAV), or value of a share of the fund, at €1/£1/\$1 and calculate their price to two decimal places known as "penny rounding". Most CNAV funds distribute income to investors on a regular basis (distributing share classes), though some may choose to accumulate the income, or add it on to the NAV (accumulating share classes). The NAV of accumulating CNAV funds will vary by the income received.
- **Variable net asset value (VNAV)** refers to funds which use mark-to-market accounting to value some of their assets. The NAV of these funds will vary by a slight amount, due to the changing value of the assets and, in the case of an accumulating fund, by the amount of income received.

This means that a fund with an unchanging NAV is, by definition, CNAV, but a fund with a NAV that varies may be accumulating CNAV or distributing or accumulating VNAV.

**Multilateral Development Banks:**

See Supranational Bonds below.

**Municipal Bonds Agency**

An independent body owned by the local government sector that seeks to raise money on the capital markets at regular intervals to on-lend to participating local authorities.

**Non Specified Investment:**

Investments which fall outside the CLG Guidance for **Specified investments** (below).

**Operational Boundary:**

This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

### **Premiums and Discounts:**

In the context of local authority borrowing,

- (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and
- (b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

If on a £1 million loan, it is calculated that a £150,000 premium is payable on premature redemption, then the amount paid by the borrower to redeem the loan is £1,150,000 plus accrued interest. If on a £1 million loan, it is calculated\* that a £50,000 discount receivable on premature redemption, then the amount paid by the borrower to redeem the loan is £950,000 plus accrued interest. PWLB premium/discount rates are calculated according to the length of time to maturity, current market rates (plus a margin), and the existing loan rate which then produces a premium/discount dependent on whether the discount rate is lower/higher than the coupon rate.

*\*The calculation of the total amount payable to redeem a loan borrowed from the Public Works Loans Board (PWLB) is the present value of the remaining payments of principal and interest due in respect of the loan being repaid prematurely, calculated on normal actuarial principles. More details are contained in the PWLB's lending arrangements circular.*

### **Property:**

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

### **Prudential Code:**

Developed by CIPFA and introduced on 01/4/2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

### **Prudential Indicators:**

Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators

### **Public Works Loans Board (PWLB):**

This is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

### **Quantitative Easing (QE):**

In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It *“does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim*



*against the Bank of England (known as reserves). The end result is more money out in the wider economy". Source: Bank of England.*

**Repo Rate:**

The interest rate at which the central bank in a country repurchases government securities (such as Treasury securities) from commercial banks. The central bank raises the repo rate when it wishes to reduce the money supply in the short term, while it lowers the rate when it wishes to increase the money supply and stimulate growth.

**Revenue Expenditure:**

Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

**RPI:**

Retail Prices Index is a monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent. Pensions and index-linked gilts are uprated using the RPI index.

**(Short) Term Deposits:**

Deposits of cash with terms attached relating to maturity and rate of return (Interest).

**Specified Investments:**

Term used in the CLG Guidance and Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

**Supported Borrowing:**

Borrowing for which the costs are supported by the government or third party.

**Supranational Bonds:**

Instruments issued by supranational organisations created by governments through international treaties (often called **multilateral development banks**). The bonds carry a AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.

**Treasury (T) -Bills:**

Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. Treasury Bills (T-Bills) are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have a AAA-rating.

**Temporary Borrowing:**

Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

**Treasury Management Code:**

CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

**Treasury Management Practices (TMP):**

Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.

**Unsupported Borrowing:**

Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

**Variable Net Asset Value (VNAV):**

Redemptions and investments in Money Market Funds (MMF's) are on the basis of the fund's Net Asset Value (NAV) per share. The NAV of any money market fund is the market value of the fund's assets minus its liabilities and is stated on a per share basis. The net value of the assets held by an MMF can fluctuate, and the market value of a share may not always be exactly the amount that has been invested.

**Yield:**

The measure of the return on an investment instrument.

# Agenda Item 7

<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE		
<b>SUBJECT:</b>	STRATEGIC RISK REGISTER 2015-16		
<b>DATE OF DECISION:</b>	9 NOVEMBER 2015		
<b>REPORT OF:</b>	CHIEF FINANCIAL OFFICER		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Peter Rogers</b>	<b>Tel:</b> 023 8083 2835
	<b>E-mail:</b>	peter.rogers@southampton.gov.uk	
<b>Director</b>	<b>Name:</b>	<b>Andy Lowe</b>	<b>Tel:</b> 023 8083 2049
	<b>E-mail:</b>	andrew.lowe@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>	
None	
<b>BRIEF SUMMARY</b>	
<p>The Governance Committee is responsible for ensuring that an adequate and effective framework for the identification and management of key risks is in place and that appropriate action is being taken to manage risk. The Strategic Risk Register details the council's key risks together with the action taken to manage them to an acceptable level that reflects the council's risk appetite.</p>	
<b>RECOMMENDATIONS:</b>	
	(i) To note the 'Strategic Risks' for 2015-16 (Appendix 1)
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
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.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
3.	No alternative options have been considered.
<b>DETAIL (Including consultation carried out)</b>	
4.	The Council has a structured approach to managing its key business risks which requires that the Council Management Team ("CMT") consider and identify the council's key business risks for the forthcoming period.
5.	<p>The development of the council's Strategic Risk Register' is informed by a review of:</p> <ul style="list-style-type: none"> <li>The strategic risks identified in the previous period in terms of whether any, or all of them, remain relevant and appropriate;</li> </ul>

	<ul style="list-style-type: none"> <li>• The 'Southampton City Council Strategy 2014-17' in terms of key risks associated with the delivery of the council's priorities, opportunities and challenges for the forthcoming period;</li> <li>• The Strategic Risk Registers of 'Core Cities' in order to benchmark the council risks against peer authorities;</li> <li>• Any significant operational or directorate risks identified by individual members of CMT that may be appropriate to be escalated to the Strategic Risk Register for CMT oversight;</li> <li>• Any significant new or emerging risks, arising from either internal or external factors such as new legislation.</li> </ul>
6.	The 'assurance style' format of the risk register is intended to present the risks in an accessible way and to prompt an informed discussion as to whether the type and range of 'actions/controls in place' are appropriate and whether the associated 'levels of assurance' are acceptable. It also provides a 'direction of travel' in terms of how the risks are being managed over the period.
7.	It is intended that the Strategic Risk Register is used as a management tool in terms of supporting the organisation to deliver its key objectives and priorities and ensuring that key risks are managed to an acceptable level. The Strategic Risk Register is reviewed by CMT on a quarterly basis with the most recent being on 13 <sup>th</sup> October. This was followed by a joint CMT / Cabinet review on 27 <sup>th</sup> October.
8.	The format of the risk register document itself has also been incrementally developed and improved in order to ensure that it continues to meet the business need. The most recent development being a rewording of the 'assurance levels' to ensure that they reflect both policy, process and delivery of outcomes.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
	None
<b><u>Property/Other</u></b>	
	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
	The Accounts and Audit (England) Regulations 2015 require that the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk.
<b><u>Other Legal Implications:</u></b>	
	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
	None

<b>KEY DECISION?</b>	No	<b>Page 46</b>
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<b>WARDS/COMMUNITIES AFFECTED:</b>	Not Applicable	
<b><u>SUPPORTING DOCUMENTATION</u></b>		
<b>Appendices</b>		
1.	Strategic Risk Register 2015-16	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact		No
<b>Other Background Documents</b>		
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	

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## Strategic Risk Assurance Report 2015-16



<b>LIKELIHOOD</b>	Almost Certain	A					
	Likely	B			04	01	
	Possible	C			02	08	09
	Unlikely	D			06	07	03a
	Very Unlikely	E					
<b>RISK RATING MATRIX</b>			5	4	3	2	1
			Minor	Moderate	Significant	Major	Extreme
			<b>IMPACT</b>				

**Report Version**  
03

**Report Date**  
Oct-15

**Period**  
End Q2 : 2015-16

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No	Strategic Risk - Description	Risk Owner	Current assessment of the risk		Risk Score - DoT			
			Likelihood	Impact	2014-15		15-16	
					Q3	Q4	Q1	Q2
01	Failure to address the significant and ongoing financial pressures in a sustainable way and to enable service provision to be on a proactive rather than reactive basis	Council Management Team	Likely	Major	↔	↔	↔	↔
02	Major incident or service disruption leading to delivery failure that significantly impairs or prevents the Council's ability to deliver key services and/or statutory functions	Director, Place	Possible	Significant	↔	↔	↔	↔
03a	Failure to safeguard vulnerable adults	Head of Adult Services	Possible	Extreme	↔	↔	↔	↔
03b	Failure to safeguard children	Head of Children & Family Services	Possible	Extreme	↔	↔	↔	↔
04	Failure to meet our health and safety responsibilities	Head of Strategic HR	Likely	Significant	↔	↔	↔	↔
05	Failure to ensure the City Council's information is held and protected in line with Information Governance polices and procedures	Head of Legal & Democratic Services	Likely	Significant	↔	↔	↔	↔
06	The council is unable to quantify the financial impact on both vulnerable individuals and key council services arising from implementation of welfare reforms	Assistant Chief Executive	Possible	Significant	↔	↔	↔	↔
07	The contractual arrangements, in respect of those council services commissioned from and delivered by external organisations/partners, are not sufficiently flexible to respond to the council's changing service requirements	Transformation Implementation Director	Possible	Significant	↔	↔	↔	↔
08	Failure to ensure a financially sustainable adult social care system	Head of Adult Social Services	Likely	Major	-	-	-	NEW
09	Failure to ensure a financially sustainable children's social care system	Head of Children & Families	Likely	Major	-	-	-	NEW

## Risk Scoring and assessment criteria

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

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

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### IMPACT (Consequence)

	5 - Minor	4 - Moderate	3 - Significant	2 - Major	1 - Extreme
<b>Service delivery / key priorities</b>	<i>No noticeable effect</i>	<i>Some temporary disruption to a single service area/ delay in delivery of one of the council's objectives</i>	<i>Regular disruption to one or more services/ a number of corporate objectives would be delayed or not delivered</i>	<i>Severe service disruption on a directorate level / many corporate priorities delayed or not delivered</i>	<i>Unable to deliver most priorities / statutory duties not delivered</i>
<b>Financial Impact</b>	<i>Loss or loss of income &lt; £10k</i>	<i>Loss or loss of income £10k - £499k</i>	<i>Loss or loss of income £500k - £4.99m</i>	<i>Loss or loss of income £5m - £9.99m</i>	<i>Loss or loss of income &gt;£10m</i>
<b>Reputation</b>	<i>Internal review</i>	<i>Internal scrutiny required to prevent escalation</i>	<i>Local media interest. Scrutiny by external committee or body</i>	<i>Intense public, and media scrutiny</i>	<i>Public Inquiry or adverse national media attention</i>



RISK No: SRR01

Last updated: 07/10/2015

KEY STRATEGIC RISK AREA

Budget/Finance

**RISK DESCRIPTION**

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

**RISK OWNER**

Council Management Team

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	B - Likely	2 - Major
Target	TBA	TBA

14-15		15-16	
Q3	Q4	Q1	Q2

ASSURANCE LEVEL				MITIGATING ACTIONS / COMMENTS
3	3	2	2	The strategy was reviewed and presented to CMT post budget and will be quarterly thereafter.
2	2	2	2	MTFS will form part of the November budget report.

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

SOURCE(S) OF ASSURANCE
Medium Term Financial Strategy ('MTFS') 2015/16 - 2019/20 in place. Agreed by Full Council in Feb 2015 and subject to quarterly review.
Regular monitoring by Overview and Scrutiny Management Committee ('OSMC') together with quarterly review by CMT

2. Identification and communication of significant in year budget variances and forthcoming pressures, and identify clear actions
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Monitoring of capital (quarterly) and revenue (monthly) budgets, reported to Council Management Team and Cabinet (Quarterly).
Significant pressures identified through regular monitoring of budgets and work plans and the estimates process reported to CMT and Cabinet.
Action plans to address any significant in year budget variances are agreed with CMT with the progress / status of the agreed actions reported to CMT on a monthly basis
Delivery of agreed in year budget savings reported to CMT on a monthly basis.

2	2	2	2	New report format in place with the focus on 'reporting any problem' together with 'actions to address' [NOTE: additional Source(s) of Assurance included in Q2]
2	2	2	2	
-	-	-	2	
-	-	-	2	

<p>3. Identification and delivery of new savings/income opportunities for 2016-17 onwards</p>	<p>Process in place for all savings proposals to be captured and assessed at the earliest opportunity</p>	-	-	-	2	
	<p>Delivery of £39m saving in 2016-17</p>	-	-	-	3	<p>The current gap stands at £16.9M and potentially this gap will not be closed until post settlement. If this is the case any savings that are subject to consultation will only be a part year effect at best and the Council's low level of reserves will need to be utilised. If savings of £16.9M cannot be identified in this time period any non recurrent funding utilised to close the budget gap will add to pressures in future years and have an impact on the CFO's robustness statement.</p>
	<p>Delivery of £60m cumulative saving in 2017-18</p>	-	-	-	3	
	<p>Delivery of £77m cumulative saving in 2018-19</p>	-	-	-	3	
	<p>Delivery of £90m cumulative saving in 2019-20</p>	-	-	-	3	
<p>4. Profile and baseline individual service budgets to council outcomes (including identification of high spending and/or low performing services)</p>	<p>Budgets to be recast and aligned with council agreed outcomes and priorities (Outcome Based Budgeting).</p>	-	-	-	3	<p>Three key outcomes agreed by CMT and Cabinet and being further developed. Work is being undertaken to align budgets to blueprint activity. The implementation of Outcome Based Budgeting will enable delivery of outcome based savings targets</p> <p><b>[NOTE: Source(s) of assurance recast in Q2]</b></p>
<p>5. Identification of services essential to the continued operation of the council, and alignment of services with the Council's agreed outcomes</p>	<p>As part of the detailed design and implementation of the new operating model, service delivery and associated structures will be realigned behind the priorities of the council's agreed outcomes.</p> <p>Thereafter, services will be kept under review to ensure the Council continues to invest in and pursue activity in line with these, and/or developing, outcomes.</p>	-	-	-	2	<p>A number of key outcomes have been identified. Further discussion is required between CMT and Cabinet to agree the top (three) priorities.</p>

<p>6. Dedicated, suitably experienced and sufficient resource to lead, support, facilitate and oversee both the overall Transformation Programme and the individual projects</p>	<p>The SCC Transformation Team has been drawn from officers from across the council, led by a Transformation Director and supported by a Strategic Partner (PwC).</p>	<p>-</p>	<p>-</p>	<p>-</p>	<p><b>3</b></p> <p><i>The aim is to build and develop the transformation capability within the organisation with the expectation that, over time, the balance of capability and capacity to lead the overall programme and individual projects will shift from interim and external resource to internal capability.</i>  <b>[ NOTE: Key Control and associated Source(s) of Assurance revised and recast in Q2]</b></p>
<p>7. Delivery Partner who provides the necessary expertise, experience and additional capacity in terms of both delivery of projects and identification and delivery of new and sustainable savings or income generation opportunities</p>	<p>PwC are the council's strategic transformation partner for the programme following an extensive procurement process to test necessary expertise, experience and capacity. The requirements of the delivery partner were defined within the Strategic Transformation Partner Invitation to Tender with expertise, experience and capacity established as part of the pre and post tender clarification.</p>	<p>-</p>	<p>-</p>	<p>-</p>	<p><b>3</b></p> <p><i>There will be on-going management of the partner to ensure delivery of projects, savings and income generation opportunities.</i>  <i>The challenge will be to align the utilisation of internal and partner capability, capacity and ambition effectively to deliver as a strategic change programme and savings.</i>  <b>[NOTE: Key Control and associated Source(s) of Assurance revised and recast in Q2]</b></p>
<p>8. Progress and delivery of both the overall Programme and individual transformation projects regularly reported to a senior manager /member board with slippage or variances clearly identified and associated action plans to address.</p>	<p>Progress and delivery of the overall Programme and individual projects is in the first instance monitored at Transformation Director and Portfolio Lead level, and thereafter by CMT and a Transformation Improvement Board ('TIB') led by Cabinet Members. CMT and TIB review the validity and achievability of projects and provide approval (or not) to projects. A Benefits &amp; Commercial Governance Group led by the Transformation Director, CFO and PwC Partner Lead reviews the validity of potential project savings before being presented to CMT and TIB.</p>	<p>-</p>	<p>-</p>	<p>-</p>	<p><b>1</b></p> <p><b>[NOTE: Source of Assurance revised and recast in Q2].</b></p>

<p>9. Identification and assessment of high priority and other projects that are anticipated to deliver significant cashable benefit</p>	<p>An initial wave of initiatives focussed on cashable benefit for 2016/17 have been progressed. Further opportunities will be pulled together into programmes and reviewed with CMT, before being discussed and approved by TIB.</p>	<p>-</p> <p>-</p> <p>-</p>	<p>3</p>	<p><i>The identification and assessment of high priorities for future years will need to be aligned within a co-ordinated programme, particularly as those decisions will be more related to strategic and transformation choices than operational service decisions.</i></p> <p><b>[NOTE: Key Control and associated Source(s) of Assurance revised and recast in Q2]</b></p>
<p>10. Assessment of those services where increase in demand is anticipated together with identification of key risk indicators.</p>	<p>A Social Care business case will reflect predicted increases in demand for Adults and Children's Services. However there is a need to understand cost and demand drivers and how these are being addressed.</p>	<p>-</p> <p>-</p> <p>-</p>	<p>3</p>	<p><i>The Project Team are focusing upon developing an operating model for improved management of demand, complexity and duration and integration through a mixed economy.</i></p> <p><b>[NOTE: Source of Assurance revised and recast in Q2]</b></p>
<p>11. Service charges and fees are set at the appropriate level and all charges and fees from income generating services are collected</p>	<p>Work is progressing through the Service Cost Recovery programme, the recommendations validated through service manager and finance engagement</p>	<p>-</p> <p>-</p> <p>-</p>	<p>1</p>	<p><i>Work is on-going to look at further areas of opportunity for increased fees and charges. This activity also links into (a separate) Commercialisation workstream.</i></p> <p><b>[NOTE: Key Control and associated Source(s) of Assurance revised and recast in Q2]</b></p>
<p>12. Opportunities for additional viable and sustainable income generating activities are identified and implemented</p>	<p>The identification and assessment of income generating activities forms part of one of the Transformation Programme workstreams.</p>	<p>-</p> <p>-</p> <p>-</p>	<p>3</p>	<p><i>The commercialisation workstream has developed a framework for assessing the income generating activities and opportunities.</i></p> <p><b>[NOTE: Key Control and associated Source(s) of Assurance revised and recast in Q2]</b></p>
<p>13. There is clear and effective leadership in terms of the will and commitment of leaders to recognise, embrace and deliver sustainable organisational and service delivery change.</p>	<p>There is a strong and clear focus by CMT and Cabinet on cashable benefit and overall support from service management.</p>	<p>-</p> <p>-</p> <p>-</p>	<p>3</p>	<p><i>TIB recognition that the pace of change needs to be rapid in order to secure both the required annual savings and for the council to benefit from the wider organisational change.</i></p> <p><b>[NOTE: Key Control and associated Source(s) of Assurance revised and recast in Q2]</b></p>

<p>14. Understanding of future staffing levels and required attributes and skill set which is then reflected in individual staff development and organisational workforce planning arrangements</p>	<p>Future staffing levels and required skills will be considered through the development of the new operating model detailed design.</p>	-	-	-	3	<p><i>This detailed design will build on initial thinking on the levels of contribution and competency requirements.</i>  <b>[NOTE: Key Control and associated Source(s) of Assurance revised and recast in Q2]</b></p>
<p>15. Staff and unions recognise and embrace the need for change including the need for a more flexible and mobile workforce and are provided with the necessary tools, support and infrastructure to deliver</p>	<p>Regular briefing of staff through direct and indirect communication (PULSE, CEO newsletter, Leadership Group etc)          Specific Transformation Consultation meetings with Unions on fortnightly basis          Attendance of Unions at TIB as a standing item on agenda          Investment in Perform (Service Excellence) as a behavioural / cultural change methodology to underpin performance improvement and sustainable restructuring</p>	-	-	-	2	<p><i>'Digital' programme (specifically Digital Employee) will focus investment on the tools and infrastructure required to support behaviour change across the workforce</i>  <b>[NOTE: Key Control and associated Source(s) of Assurance revised and recast in Q2]</b></p>
<p><b>1 - Substantial assurance</b></p>		<p><b>2 - Adequate assurance</b></p>		<p><b>3 - Limited assurance</b></p>		<p><b>4 - No assurance</b></p>
<p>There is clear evidence of a robust and effective process, framework or activity that is operating effectively and is delivering the required outcomes.</p>	<p>There is evidence of a sound process or framework in place however there are some inconsistencies or gaps. Effective delivery of required outcomes may not always be consistent and/or reliable.</p>	<p>Evidence of inconsistent application and/or critical weakness(es) within the process, framework or activity. The delivery of required outcomes is inconsistent and/or unreliable.</p>		<p>There is no, or insufficient, evidence of an appropriate policy, framework or activity. Required outcomes are not being delivered.</p>		

RISK No: SRR02

Last updated: 07/10/2015

KEY STRATEGIC RISK AREA

Business Continuity / Emergency Planning

**RISK DESCRIPTION**

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

**RISK OWNER**

Mark Heath

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	C - Possible	3 - Significant
Target	C - Possible	3 - Significant

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EXPECTED KEY CONTROLS	SOURCE(S) OF ASSURANCE	14-15		15-16		MITIGATING ACTIONS / COMMENTS
		Q3	Q4	Q1	Q2	
1. Business Continuity Plans are in place for key service areas and are tested periodically.	Implementation of Business Continuity action plan arising from Internal Audit review.	3	3	3	3	An internal audit report on BC planning concluded 'limited assurance'. An action plan is in place and being progressed. The SCC Business Continuity plan development is ongoing. The Emergency Planning Team are currently liaising with all of SCC Service's. The Emergency Planning Team are to complete a composite Business Continuity plan by December 2015.
	Report to EP & BC Management Board of learning from dealing with live incidents and test exercises.	3	2	2	2	
2. Range of Emergency Response plans in place to address or respond to legal or statutory obligations.	Full range of emergency response plans are in place with periodic reports from the Emergency Planning and Business Continuity Manager to EP & BC Management Board regarding the status of the plans.	2	1	1	1	The SCC Major Incident Plan has been reviewed, updated and published on Sharepoint.
	Reporting of outcome of any corporate, or joint exercise with other agencies, to EP & BC Management Board, Southampton Joint Health Protection Forum & HIOW Local Resilience Forum.	2	1	1	1	Exercise Foxwater January 2015 successfully demonstrated Major Incident Plan and Sotonsafe Plan.

<p>3. IT Disaster Recovery Plan that covers IT hardware resilience and applications / systems that support key services and is tested periodically.</p>	<p>IT Disaster Recovery Plan in place that covers 8 key applications as agreed by the Council Management Team. The IT DR Plan is tested annually in conjunction with Capita and users. A report is then prepared for the Head of IT to confirm that all systems were available in a disaster environment. An action plan is also produced to ensure the process continues to evolve.</p>	2	2	2	2	<p>Several ad-hoc disruptions to IT services have necessitated response work and subsequent debriefs have highlighted improvement actions, including emergency communication of IT problems to SCC management via use of SMS broadcasting. Once the business continuity plans have been developed then this will allow the SMS system to be tested.</p>
	<p>Regular reports from IT (Client and Capita) on planning for incidents as well as feedback on learning points following major incidents.</p>	2	2	2	1	
<p>4. A process to monitor both the performance and financial standing of key suppliers [including both significant commercial partners and other suppliers of key services e.g. joint commissioning of social care services].</p>	<p>All key commercial contracts (Capita, Highways and Street Lighting, Leisure and Sports contracts, Skills and Learning programmes) have Strategic Boards (involving both Members and CMT). Each contract is subject to an internal audit review (on average every 18 months). The more minor/less risky contracts (Guildhall, St Mary's Sports Hall and the wireless network concession all have quarterly contract monitoring meetings.</p>	2	2	1	1	<p>Strategic meetings and operational / contract management meetings and governance all take place as specified in the contracts. Internal audit reviews take place as per audit plans.</p> <p>A process to annually identify and review the financial standing of all key commercial partners is now in place and is operational. This 'rates' each organisation according to the risks to the Council and will be reviewed at Strategic Board level, with key risks which cannot be sufficiently mitigated being brought forward at CMT level.</p>
	<p>In respect of key commercial contracts a process is being developed to ascertain the current financial standing of key partner organisations on a cyclical basis and to use this as a tool to assess and mitigate risks to the council.</p>	-	3	1	1	

	<p>All social care contracts are included within a single register, and monitoring of contracts is formalised to ensure consistency both in monitoring and responses to outcomes. Terms of inclusion for residential and nursing homes in the city are being updated. Commissioner’s responsibilities are clear in relation to specific contracts and a Contracts Officer is assigned to each contract to manage monitoring and review processes.</p>	<table border="1"> <tr> <td data-bbox="1144 212 1207 516">-</td> <td data-bbox="1207 212 1260 516">-</td> <td data-bbox="1260 212 1312 516">2</td> <td data-bbox="1312 212 1365 516">1</td> </tr> </table>	-	-	2	1	<p><i>The ICU has developed and implemented a dashboard for contract monitoring which provides an overview enabling any corrective action to be put in place.</i></p>
-	-	2	1				

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
<p>There is clear evidence of a robust and effective process, framework or activity that is operating effectively and is delivering the required outcomes.</p>	<p>There is evidence of a sound process or framework in place however there are some inconsistencies or gaps. Effective delivery of required outcomes may not always be consistent and/or reliable.</p>	<p>Evidence of inconsistent application and/or critical weakness(es) within the process, framework or activity. The delivery of required outcomes is inconsistent and/or unreliable.</p>	<p>There is no, or insufficient, evidence of an appropriate policy, framework or activity. Required outcomes are not being delivered.</p>



RISK No: SRR03a

Last updated: 26/08/2015

KEY STRATEGIC RISK AREA

Safeguarding

**RISK DESCRIPTION**

Failure to safeguarding vulnerable adults

**RISK OWNER**

Mark Howell

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	C - Possible	1- Extreme
Target	C - Possible	1- Extreme

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EXPECTED KEY CONTROLS	SOURCE(S) OF ASSURANCE	14-15				15-16				MITIGATING ACTIONS / COMMENTS
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
1. Robust Safeguarding Policy aligned with good practice and including clearly defined roles and responsibilities which is subject to regular review.	Revised Multiagency Safeguarding Adults Policy published May 2015. This updates the previous 2013 policy as follows introduction of the Care Act 2014.	2	2	2	2	Local Policy Practice Guidance being updated.				
	Safeguarding Adults Board in place. SCC participating in the Board's activities and meetings, and linking with partner organisations. Designated Adult Safeguarding Manager appointed.	2	2	2	2	The activities and functions of the LSAB have been reviewed in an LGA Peer Review. The functions of the board were found to be Care Act Compliant. An action plan reflecting the recommendations of the review is under construction.				
2. Communication and training to ensure that all relevant staff and other key partners fully understand the Safeguarding legislation and procedures that underpin this. In addition, all staff understand what is expected of them in terms of when and how concerns should be reported.	Safeguarding Training forms part of the 2015-16 corporate training offer. A training needs analysis has been undertaken to determine both the content and format of the training. This includes targeted and mandatory elements. The programme is monitored by Capita and selected courses will be evaluated three months after the course, to assess the impact on practice. All new social workers undertake mandatory training and are assessed for competency	3	3	2	2	Training is now under the remit of the Workforce Development Manager (Practice Educator) who is able to monitor needs and take up. The Adult Safeguarding team is in place and working in line with the requirements of the Care Act. Close Working relationships have been established with the CCG's Quality Assurance team and joint safeguarding activity continues. Both organisations work close with the CQC. The Adult Safeguarding Team Manager attends regularly ADASS training days to ensure that SSC remains compliant.				

	<p>Range of safeguarding modular training available to staff from all agencies which is monitored by the relevant boards. Safeguarding Adults Training being updated to include Care Act changes and to reflect wider definitions of abuse.</p>	<p>3 3 2 2</p>	
<p>3. Early assessment and planning in place for safeguarding concerns across Adult's Social Care.</p>	<p>Safeguarding Adults team in place from April 2014 to oversee all individual safeguarding situations. Partial restructuring of team has taken place to enable Adult Services to better perform its duties to carry out enquiries within the Care Act. Strong links with Integrated Commissioning Unit quality team which is overseeing the quality of all provider organisations.</p>	<p>2 2 2 2</p>	<p><i>The restructuring of the ASC Safeguarding team is now complete. Additional resources have been invested in Investigation officers which means that the team has more capacity available to it to review safeguarding issues across all sectors of the provider market place.</i></p>
<p>4. Safeguarding concerns identified by and reported to the Council are reviewed and communicated as appropriate both internally and with other agencies.</p>	<p>Safeguarding Adults reporting and investigation process involves all appropriate agencies. Safeguarding Adults team to continue to develop its focus of working with other organisations across the City to improve and develop Safeguarding practice. Provider services safeguarding list is maintained and available to all partner agencies.</p>	<p>2 2 2 2</p>	<p><i>The ASC team is reviewing all of the current Pathways which can be used for individuals and professionals to access care and support in the City. This includes the services which are currently being integrated with Solent Health Care Trust as part of the Rehabilitation and Reablement project and the re-designed Single Point of Access Service (SPA). Once this is complete (Target date for finalised project 31-12-15 any revised arrangements will be clearly communicated to all stakeholders and</i></p>
<p>5. Robust assessment of current and future staffing requirement with a contingency arrangement in place in respect of unforeseen pressures or staff shortages.</p>	<p>Adult Social Care remodelling is based on assessment of current and future need and to manage future staff reductions and to further develop partnership working with other organisations and develop broader resilience.</p>	<p>3 3 3 3</p>	<p><i>The structure of the teams is being finalised following the completion of reviews of Day Services and Replacement Care (also know as Respite Care), agreement by Cabinet over the future of the Rehabilitation and Reablement teams and the re-organisation of the social work teams themselves. The current volume of work is manageable, albeit with some current delays in the completion of reviews and the need to triage assessments, within existing resources. If the need arose to reduce these further new risks would be created.</i></p>

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively and is delivering the required outcomes.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps. Effective delivery of required outcomes may not always be consistent and/or reliable.	Evidence of inconsistent application and/or critical weakness(es) within the process, framework or activity. The delivery of required outcomes is inconsistent and/or unreliable.	There is no, or insufficient, evidence of an appropriate policy, framework or activity. Required outcomes are not being delivered.

RISK No: SRR03b

Last updated: 07/10/2015

KEY STRATEGIC RISK AREA

Safeguarding

**RISK DESCRIPTION**

Failure to safeguard children

**RISK OWNER**

Kim Drake

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	C - Possible	1- Extreme
Target	C - Possible	1- Extreme

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EXPECTED KEY CONTROLS	SOURCE(S) OF ASSURANCE	ASSURANCE LEVEL				MITIGATING ACTIONS / COMMENTS
		14-15 Q3	14-15 Q4	15-16 Q1	15-16 Q2	
1. Robust Safeguarding Policy aligned with good practice and including clearly defined roles and responsibilities which is subject to regular review.	Safeguarding Policy for Children including publication of threshold document which informs early help and Children's Social Care statutory services.	3	3	2	2	<i>The Safeguarding Policy for Children is now fully embedded. The threshold document is used by all agencies when making and receiving referrals and managing step up and step down processes. An audit by Ingson in Nov/Dec 2014 established that the thresholds were correctly applied.</i>
	Southampton Local Safeguarding Children Board ("LSCB") in place along with a LSCB Business Plan that outlines priority areas and associated actions to be taken by the LSCB in 2015/16.	2	2	2	2	<i>The LSCB Business Plan was due to go before the Board in July 2015 but has been deferred until September 2015.</i>
2. Communication and training to ensure that all relevant staff and other key partners fully understand the Safeguarding legislation and procedures that underpin this. In addition, all staff understand what is expected of them in terms of when and how concerns should be reported.	Safeguarding Training forms part of the 2015-16 corporate training offer. A training needs analysis has been undertaken to determine both the content and format of the training. This includes targeted and mandatory elements. All new social workers undertake mandatory training and are assessed for competency	3	3	2	2	<i>Training is now under the remit of the Workforce Development Manager (Practice Educator) who is able to monitor needs and take up. The safeguarding training programme is monitored by Capita and selected courses will be evaluated three months after the course to assess the impact on practice.</i>
	Range of safeguarding modular training available to staff from all agencies which is monitored by the LSCB.	3	3	2	2	
	Multi-agency Safeguarding Working Groups in place that underpin the work of the Safeguarding Boards.	2	2	2	2	

3. Early assessment and planning in place for safeguarding concerns across Children's and Adult's Social Care.	Multi-Agency Safeguarding Hub ("MASH") in place and operating for Children's and Families from April 2014. Single assessment in place.	2 2 2 2	<i>Internal Audit gave adequate assurance of MASH activity. MASH dealing with a range of issues and identifying opportunities for preventative and target intervention alongside managing high risk Child Protection</i>
4. Safeguarding concerns identified by and reported to the Council are reviewed and communicated as appropriate both internally and with other agencies.	The MASH brings together staff from the council and key agencies to further improve the early identification of safeguarding concerns.	2 2 2 2	<i>MASH has been strengthened further to include more partners including Hampshire Fire and Rescue Service</i>
5. Robust assessment of current and future staffing requirement with a contingency arrangement in place in respect of unforeseen pressures or staff shortages.	Children's Transformation Improvement Plans, informed by OFSTED requirements, are in place and being overseen by workstreams reporting to the Transformation and Improvement Board. The Board scrutinizes the improvement plans and acts as a critical friend.	3 3 3 3	<i>There are significant challenges with regard to the recruitment and retention of staff. There is work ongoing internally to seek to address together with a new 'Model of Cooperation' that is being developed with other local authorities in relation to this common issue.</i>
6. Safeguarding arrangements in place are benchmarked against published good practice with actions to address any significant gaps or weaknesses.	A self assessment against Ofsted requirement has been undertaken.	- - - 3	<i>An 'Improvement Plan' is in place and there are weekly meetings chaired by the Chief Executive to oversee improvements.</i>

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively and is delivering the required outcomes.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps. Effective delivery of required outcomes may not always be consistent and/or reliable.	Evidence of inconsistent application and/or critical weakness(es) within the process, framework or activity. The delivery of required outcomes is inconsistent and/or unreliable.	There is no, or insufficient, evidence of an appropriate policy, framework or activity. Required outcomes are not being delivered.

**RISK No: SRR04**

Last updated: 06/10/2015

**KEY STRATEGIC RISK AREA**

**Health and Safety**

**RISK DESCRIPTION**

Failure to meet our health and safety responsibilities

**RISK OWNER**

Mike Watts

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	B - Likely	3 - Significant
Target	D - Unlikely	3 - Significant

14-15		15-16	
Q3	Q4	Q1	Q2

ASSURANCE LEVEL				MITIGATING ACTIONS / COMMENTS
3	3	2	1	The 'Statement of Intent' and other signed policies on Fire, Water Quality and Asbestos have been updated and are currently with legal for digital signatures. [NOTE: Source of assurance has been recast in Q2]
-	-	-	2	
2	2	2	1	
3	2	2	2	There is increasing take up of the e-learning training offer.

**EXPECTED KEY CONTROLS**

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

**SOURCE(S) OF ASSURANCE**

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

The standard job description for managers includes a responsibility "To ensure the Council is able to demonstrate compliance with all policies and procedures, and robust management of health and safety, equal opportunities, customer care, emergency and business continuity planning, security and work standards".

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

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

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

	Full suite of e-learning courses available as well as a range of bespoke courses primarily aimed at the higher risk activities (e.g. waste management, trades etc).	2 2 2 2	
3. Minimum level of knowledge and competency identified relevant to roles and responsibilities which is reflected in the H&S training that individuals' are required to undertake.	H&S training needs associated with a particular post are identified at the point of employment. Line manager responsibility to identify further and ongoing H&S training needs including refresher training.	- 2 3 2	<b>[NOTE: Source of assurance has been recast in Q2]</b>
	Update of required training (including refresher training) can be monitored by line managers via the Learning & Development Portal. Local training records also held within service areas.	- 2 3 3	<i>The Learning and Development portal is now fully functional. The intention is to implement service area H&amp;S training matrices by 1st April 2016</i>
4. Senior manager oversight in terms of compliance with H&S responsibilities.	H&S report to CMT on a quarterly basis highlighting any areas of significant concern together with an end of year report .	2 2 2 1	
	Any non-compliance is escalated to CMT on an 'as and when' basis. SCC H&S Manager attends Directorate Management Teams (as required) and can raise issues directly with senior management.	3 2 2 2	<i>Escalation within the wider council works quite well as does the JCG items but within schools it is a weaker as the level of control that the council is able to exert is more limited.</i>
	H&S within schools is overseen by a designated H&S Officer with the majority of schools (86%) buying into the H&S SLA. In addition, all maintained schools have a basic H&S compliance audit which is repeated over the 3 year period. Concerns are escalated back to the school with serious concerns being escalated to H&SS team and H&S manager. There are no significant concerns at present.	- - - 2	<b>[NOTE: Source of assurance has been recast in Q2]</b>
	JCGs highlight any issues or areas of non-compliance.	3 3 2 2	

<p>5. Contractors, and other service providers with whom the council (including individual schools) engages with, have robust H&amp;S arrangements that are adhered to and reflect the council's approach to H&amp;S.</p>	<p>A risk rating system is being devised by H&amp;S as part of the 'Safe Working Procedure ('SWP') - Control of Contractors and Suppliers'.</p>	-	-	-	3	<p>The risk rating system is intended to identify contracts where a closer oversight of H&amp;S arrangements is deemed necessary (including those that fall within the sub £100k project). It is expected this will be used for all services commissioned or contracted out by SCC. <b>[NOTE: New Key Control and associated Source(s) of</b></p>	
	<p>There is a joint initiative between Housing, Scientific Services, H&amp;S team and the corporate H&amp;S Manager whereby ad hoc visits are undertaken to void properties, and refurbishment jobs in other dwellings, to review on-site operational H&amp;S arrangements. If commissioning and procurement of services expands and direct services provision declines this will need to be expanded accordingly across the councils contractors.</p>	-	-	-	2		
<p>6. The council's standard contract wording makes explicit reference to minimum H&amp;S requirements and includes provision for SCC to undertake ad hoc or unannounced reviews of arrangements or on-site operations</p>	<p>Transformation project has contracting as one of its workstreams</p>	-	-	-	3	<p>Workstream will encompass looking at where contract management is going to sit and closer control of contracts as per the proposed risk rating system contained in the rewritten SWP Control of Contractors and Suppliers. <b>[NOTE: New Key Control and associated Source(s) of Assurance developed in Q2]</b></p>	
	<p>New SWP in respect of 'Control of Contractors and Suppliers' is being developed and will reflect minimum requirements regarding health and safety.</p>	-	-	-	3	<p>When the new SWP is brought in it is expected that wording within contracts will have to be amended to reflect these new requirements across the board.</p>	
<p><b>1 - Substantial assurance</b></p>		<p><b>2 - Adequate assurance</b></p>		<p><b>3 - Limited assurance</b></p>		<p><b>4 - No assurance</b></p>	
<p>There is clear evidence of a robust and effective process, framework or activity that is operating effectively and is delivering the required outcomes.</p>		<p>There is evidence of a sound process or framework in place however there are some inconsistencies or gaps. Effective delivery of required outcomes may not always be consistent and/or reliable.</p>		<p>Evidence of inconsistent application and/or critical weakness(es) within the process, framework or activity. The delivery of required outcomes is inconsistent and/or unreliable.</p>		<p>There is no, or insufficient, evidence of an appropriate policy, framework or activity. Required outcomes are not being delivered.</p>	



RISK No: SRR05

Last updated: 20/10/2015

KEY STRATEGIC RISK AREA

Information Governance

**RISK DESCRIPTION**

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

**RISK OWNER**

Richard Ivory

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	B - Likely	3 - Significant
Target	E - Very Unlikely	3 - Significant

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EXPECTED KEY CONTROLS	SOURCE(S) OF ASSURANCE	14-15		15-16		MITIGATING ACTIONS / COMMENTS
		Q3	Q4	Q1	Q2	
1. A Strategic Information Governance Board is in place with agreed Terms of Reference, appropriate membership and reporting structure into a senior management team.	Terms of Reference are agreed by the Council Management Team and are reviewed annually.	-	1	1	1	<i>These are kept under review by the Head of Legal and Democratic Services.</i>
	The Information Governance Board ("IG Board") is Chaired by the Corporate Senior Information Risk Owner "SIRO" (Head of Legal and Democratic Services ('HLDS' )since March 2015). The meetings are held every six weeks and are attended by the HLDS as CMT lead, the Corporate Solicitor, Head of IT, the Caldicott Guardian, the Records Management Officer and members of Business Support with IG roles.	-	1	2	2	<i>The reduced level of assurance reflects that it is not possible to maintain substantial assurance in the medium term as the SIRO structure has changed. The new SIROs, who are lower graded than the previous Directorate Business Development Managers (deleted as part of the Business Support Review), do not attend the IG Board or are part of policy development in this area. The new SIROs do not have the same role or authority to drive compliance within the directorates and an urgent review of the position is being undertaken by the HLDS. A properly defined SIRO role will need to be investigated to ensure there is a risk and compliance role/function that ensures the organisation is able to comply with the relevant</i>
	The Head of Legal reports to CMT each quarter on information governance, including breaches and training compliance.	-	1	2	2	<i>The previous SIROs reported and investigated breaches and these informed the CMT breach report. There has been a delay in breach investigation and reporting as this function settles into the new Business Support structure.</i>

	<p>The Head of Legal and Democratic Services reports annually to the Governance Committee</p>	-	1	1	1	<p>Last report June 2015 in respect of Data Protection.</p>
	<p>SIRO role under urgent review</p>	-	1	4	4	<p>Assurance level reduced from Q1 15-16 which reflects changes that came into force as part of the Business Support Review. See previous comments regarding new SIRO role. Information Governance - Framework Development is now a 'Transformation Project' in 3 phases with the final phase scheduled to conclude imminently. Depending on what is recommended, it is anticipated that improvements will be made by the end of Q3</p>
<p>2. Information Governance ("IG") Framework is in place across the organisation which gives a structure for managing IG and ensures a level of assurance which enables the organisation to meet its regulatory requirements.</p>	<p>The IG Framework has been agreed and adopted.</p>	-	3	3	3	<p>The IG Framework was adopted at the October 2014 IG Board however the roll out was impeded by changes in the SIRO role. IG Framework Development is now a Transformation project (details and timescales as above).</p>
	<p>IG Policies are in place and available on the Intranet pages.</p>	-	2	1	1	<p>There is now an overarching IG policy in place under which all relevant policies fit. A control list has now been devised and all policies due for review will be tabled at each IG Board. The control list will be a standing agenda item for all future IG Boards.</p>
	<p>There is an Information Asset Register ("IAR") in place.</p>	-	3	3	2	<p>Compliance is expected to improve by the end of Q2. Responsibility for completion of the IAR has now been taken out of the hands of the SIROs and will now be the responsibility of the Heads of Service. A campaign to ensure HoS complete the IAR for their areas is about to be launched and will be rolled out with the use of 'Snap Survey' and will track who has completed the Register and who has</p>

	<p>A published Retention Schedule is in place and up to date.</p>	-	2	2	2	<p>A retention schedule is in place but there are inconsistencies in practice between what is held on paper and in electronic format. Compliance with all aspects of the schedule is not routinely monitored within Directorates for all information assets. Compliance is expected to improve by the end of Q2. A 'data protection staff awareness campaign' is about to be launched (duration 6-8 weeks) and this will be an element concentrated on.</p>
	<p>Internal Audit Report provides adequate assurance</p>	-	2	2	2	<p>The recent Internal Audit report gave limited assurance but the action plan requirements have been met and signed off. However, the audit did not fully encompass all areas of suggested compliance hence the current assurance score.</p>
	<p>Privacy Impact Assessments (PIA) are in place for all new projects or policies. NOTE: PIA are designed to identify and minimise the privacy risk of projects or policies which involve the use of personal data or any other activity that could have an impact on the privacy of individuals.</p>	-	-	4	2	<p>Consideration of the need to conduct a PIA is now built into the decision making report template and at Gateway 1 in the project management template. PIAs will also form part of the data protection staff awareness campaign due to launch imminently. Compliance is expected to improve by the end of</p>
<p>3. The organisation ensures that its staff and those working on its' behalf are adequately trained in all aspects of IG.</p>	<p>Staff training through e-learning and other appropriate methods is provided including use of training videos via You Tube in order to provide basic training for colleagues without easy access to IT.</p>	-	2	3	2	<p>HR are in the process of reducing down the mandatory e-learning modules to two rather than four. In addition You Tube access is available for those who have no easy access to IT. This will hopefully significantly increase the compliance rates. A dedicated Leadership Group will take place in Sept to focus on IG, breaches, best practice etc. End of Q2 is expected to see an improvement in compliance figures.</p>
	<p>Learning from data breaches is cascaded and embedded in practice.</p>	-	2	3	3	<p>Reported breaches remain at a constant level. Monitoring of completion of remediation report recommendations have been impeded by changes in role of SIRO - see above</p>

<p>4. Information is shared within the organisation, with partners and clients according to the Law and other statutory guidance.</p>	<p>Information sharing protocols and operational agreements are in place, registered and reviewed.</p>	<p>- 3 3 2</p>	<p><i>There are a number of protocols in place however it is believed that information sharing is undertaken without the appropriate agreements in place. The corporate register is regularly reviewed to identify protocols but its content is only as good as service area's submissions. The intranet pages were recently revamped but there are still known gaps. A number of existing protocols need to be reviewed in light of wider organisational and transformation requirements. Information sharing will be an element of the DPA staff awareness campaign and it is anticipated that compliance levels will improve by the end of Q2.</i></p>
<p>5. Regulatory compliance is met.</p>	<p>Public Sector Network compliance certificated</p> <p>Completion of the Department of Health IG Toolkit within the prescribed annual deadlines. A verified IG Toolkit is order to enable the council to access data held by partners and for partners to access SCC information.</p> <p>IG Toolkit compliance achieved at required level (Level 2 - of levels 0 - 3)</p> <p>A nominated Caldicott Guardian is in place.</p>	<p>- 1 1 1</p> <p>- - 4 2</p> <p>- 2 4 2</p> <p>- - 1 1</p>	<p><i>SCC is currently fully 'PSN' compliant.</i></p> <p><i>Version 12 of the Tool kit was submitted in July and as was subsequently assessed as being satisfactory. IG Toolkit assessments are required to be published annually and officers are now working on Version 13.</i></p> <p><i>Level 2 achieved. The percentage score for SCC is currently 66%. The aim is however to meet Level 3 of the Toolkit and work up improvement plans where possible.</i></p> <p><i>Stephanie Ramsey (Director of Quality &amp; Integration) is the Caldicott Guardian</i></p>
<p><b>1 - Substantial assurance</b></p>	<p><b>2 - Adequate assurance</b></p>	<p><b>3 - Limited assurance</b></p>	<p><b>4 - No assurance</b></p>
<p>There is clear evidence of a robust and effective process, framework or activity that is operating effectively and is delivering the required outcomes.</p>	<p>There is evidence of a sound process or framework in place however there are some inconsistencies or gaps. Effective delivery of required outcomes may not always be consistent and/or reliable.</p>	<p>Evidence of inconsistent application and/or critical weakness(es) within the process, framework or activity. The delivery of required outcomes is inconsistent and/or unreliable.</p>	<p>There is no, or insufficient, evidence of an appropriate policy, framework or activity. Required outcomes are not being delivered.</p>

RISK No: SRR06

Last updated: 07/10/2015

KEY STRATEGIC RISK AREA

Welfare Reform

**RISK DESCRIPTION**

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

**RISK OWNER**

Suki Sitaram

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	C - Possible	3 - Significant
Target	C - Possible	3 - Significant

14-15		15-16		MITIGATING ACTIONS / COMMENTS
Q3	Q4	Q1	Q2	
<b>ASSURANCE LEVEL</b>				
-	2	2	2	<i>Future changes to welfare have recently been announced in the Summer Budget 2015 that will impact on across a range of residents, including those on in work benefits. It is difficult to predict the full consequences of implementation of key policy changes in Welfare Reform, Council Tax and Universal Credit (UC).</i>
-	2	2	2	
-	2	2	2	
-	2	2	2	<i>Additional funding has been made available for advice for Disabled People for 2015/16 (£15K). Training programme is being delivered to SCC on Debt and Welfare Reform.</i>
-	2	2	2	

**EXPECTED KEY CONTROLS**

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

**SOURCE(S) OF ASSURANCE**

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

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

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

Annual report on Local Impacts of Welfare Reforms produced.

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

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

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

4. The potential impact of the reforms, in terms of both pressure on existing council services and council income, has been assessed and communicated?	Monitoring of financial impact undertaken. Evidence from pilot areas used to assist in assessing local impacts.	-	2	2	2	
	Exercise, with other stakeholder agencies including anti poverty services, Supporting People providers and advice services to identify additional service demand.	-	2	2	2	
	Additional capacity for Housing Income Team in preparation for the implementation of Universal Credit.	-	2	2	2	
	<b>ADD - Impact of changes that affect the HRA and Business Plan assessed, understood and communicated</b>	-	-	-	TBA	<i>TO BE POPULATED IN Q3</i>

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively and is delivering the required outcomes.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps. Effective delivery of required outcomes may not always be consistent and/or reliable.	Evidence of inconsistent application and/or critical weakness(es) within the process, framework or activity. The delivery of required outcomes is inconsistent and/or unreliable.	There is no, or insufficient, evidence of an appropriate policy, framework or activity. Required outcomes are not being delivered.

RISK No: SRR07

Last updated: 26/08/2015

KEY STRATEGIC RISK AREA

Commissioning

**RISK DESCRIPTION**

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

**RISK OWNER**

Stephen Giacchino

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	C - Possible	3 - Significant
Target	D - Unlikely	3 - Significant

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EXPECTED KEY CONTROLS	SOURCE(S) OF ASSURANCE	14-15		15-16		MITIGATING ACTIONS / COMMENTS
		Q3	Q4	Q1	Q2	
1. Understanding of all areas where services have been commissioned and/or may be commissioned in the future	Contract Management Head of Services heavily involved in the Transformation programme.  Future contractual arrangements will form an integral part of the New Operating Model	2	2	2	2	Part of management system  [NOTE: Source of assurance added in Q2]
2. Dialogue with current suppliers regarding the need for flexibility including service reduction.	All contracts are delivering what is required of them and have change mechanisms built in to varying degrees.	2	2	2	2	Contract Management leading a review of the cost, value for money and benefits of all major commercial contracts. The key contracts in scope are those with Capita, Balfour Beatty, SSE, DC Leisure, Live Nation, Solent University and Mytime Active. Capita Review under
3. Where appropriate, there is standard contract wording to reflect the need for specifications and/or outputs to be able to be adjusted quickly and easily	Contract change notices and variation notices available to allow us to change the service needs as required. The ability to invoke contract changes exists and is proven to work.	2	2	2	2	Partnerships working collaboratively with the council to implement change.
4. The performance and financial standing of key suppliers is managed and reviewed throughout the duration of the contract	Procedures are in place to review the financial standing annually. Key performance indicators for all contracts are monitored monthly and review and escalation processes are in place.	2	2	2	2	Governance in place

5. The definition and criteria of a key supplier has been agreed which is then reflected in the level of scrutiny and oversight required	Risk based approach to contract management	-	-	-	2	<i>[NOTE: Key Control and associated Source(s) of Assurance revised and recast in Q2]</i>
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1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
There is clear evidence of a robust and effective process, framework or activity that is operating effectively and is delivering the required outcomes.	There is evidence of a sound process or framework in place however there are some inconsistencies or gaps. Effective delivery of required outcomes may not always be consistent and/or reliable.	Evidence of inconsistent application and/or critical weakness(es) within the process, framework or activity. The delivery of required outcomes is inconsistent and/or unreliable.	There is no, or insufficient, evidence of an appropriate policy, framework or activity. Required outcomes are not being delivered.



RISK No: SRR08

Last updated: 26/08/2015

KEY STRATEGIC RISK AREA

Budget/Finance

**RISK DESCRIPTION**

**Failure to ensure a financially sustainable adult social care system**

[NOTE: New Risk for Q2 2015-16]

**RISK OWNER**

Mark Howell

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	B - Likely	2 - Major
Target	C - Possible	2 - Major

14-15		15-16		ASSURANCE LEVEL	MITIGATING ACTIONS / COMMENTS
Q3	Q4	Q1	Q2		
-	-	-	2		The Adult Social Care Finance team are currently developing new forms of analysis of demand trend. [NOTE: New Risk for Q2 2015-16]
-	-	-	2		Although having achieved savings totalling £8m in the last two years, Adult Social Care will need to continue to find savings over the next three years if the council is to achieve its overall savings target. The majority of spend is on adult disability care services. This service or support is either purchased on behalf of older or physically disabled people or is given as a Direct Payment. Within this section the majority of spend was targeted towards older people. People with long term care needs or disability, people with learning disability, mental health service users, care leavers and the homeless are all affected by reductions in Council social care budgets

**EXPECTED KEY CONTROLS**

1. Assessment of future service demand (and projected cost) together with an understanding of demand indicators or triggers

**SOURCE(S) OF ASSURANCE**

The City has a robust JSNA and system wide agreed Better Care Fund Plan (BCF) which contains a detailed review and interpretation of the demographics of the city.

Regular comparisons are made with our nearest neighbours via a CIPFA Benchmarking group.

<p>2. Appropriate range of preventative / early intervention actions to seek to manage and/or reduce future demand</p>	<p>The City's Better Care Fund sets out detailed proposals for integration of various Adult Care Services with the relevant Health care. The ethos of prevention and early care are an intrinsic part of those plans. In order to respond to that agenda Cabinet has agreed to integrate the council Rehabilitation and Reablement Service with Solent Health Care Trust and conducted a review of its Single Point of Access Service (SPA). Directly provided Day Services and Replacement Care Services have all been reviewed.</p>	<p>- - - 2</p>	<p><i>Projects plans are being implemented and once in place and embedded they will help SCC and the whole of the Health and Social Care System manage demand more effectively. Ultimately however, the success of the system will inevitably mean that there will be more vulnerable older people who require assistance from the local authority.</i></p>
<p>3. Eligibility criteria that is clearly defined in terms of social care needs and health needs that is rigorously enforced</p>	<p>The Care Act, which went live in April 2015 has introduced a set of National Eligibility Criteria which all Local Authorities must adhere to when completing a new assessment of unmet need or a re-assessment of need. This has been successfully implemented in Southampton. All Care Management teams have received the necessary training and refresher courses are available.</p>	<p>- - - 3</p>	<p><i>Further work is still required in PARIS to make the electronic record more robust. This is scheduled to be completed in the Autumn and so the rating is currently considered to be a 3 as the final electronic solution requires input from both the internal and external PARIS teams.</i></p>
<p>4. Robust processes and policies to ensure that both accurate and timely bills are issued to clients and that maximum client contributions are collected /recovered.</p>	<p>The Care Act has introduced new opportunities for charging and full cost recovery however detailed consultation is required with the public and other stakeholders before the new charging regime can be recommend to Cabinet.</p>	<p>- - - 2?</p>	<p><i>A consultation programme has been developed in conjunction with the Communications Team and the final version of the consultation document is with Cabinet member of sign off. The consultation process is expected to start in Oct 15</i></p>
	<p><b>ADD - Issues re robustness / level of assurance re Paris/Agresso interface and billing</b></p>	<p>- - - TBA</p>	<p><b>TO BE POPULATED IN Q3</b></p>
<p>5. Regular review and reassessment process to ensure that service provision does not exceed clients needs</p>	<p>The restructuring of the ASC team has seen the establishment of a dedicated review team. The review of SCC Day and Replacement Care services conducted over the past 12 months has seen more that 260 assessments reviewed and brought up to date in line with the new National Eligibility Criteria prescribed in the Care Act.</p>	<p>- - - 2</p>	

<p>6. Robust and regular budget monitoring and review process including review and challenge re third party service provider costs</p>	<p>There is a robust process in place across all ASC teams. This is a three stage process which runs every month in conjunction with colleagues from the Finance team and, mission critically, the Integrated Commissioning Unit. A challenge and review panel meets every week and every new package of care requested is scrutinised by a Service Manager before a placement and cost are agreed.</p> <p><b>ADD - Delivery of savings action plan to bring budget into line (to be populated)</b></p>	-	-	-	1	
		-	-	-	TBA	TO BE POPULATED IN Q3

1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
<p>There is clear evidence of a robust and effective process, framework or activity that is operating effectively and is delivering the required outcomes.</p>	<p>There is evidence of a sound process or framework in place however there are some inconsistencies or gaps. Effective delivery of required outcomes may not always be consistent and/or reliable.</p>	<p>Evidence of inconsistent application and/or critical weakness(es) within the process, framework or activity. The delivery of required outcomes is inconsistent and/or unreliable.</p>	<p>There is no, or insufficient, evidence of an appropriate policy, framework or activity. Required outcomes are not being delivered.</p>

RISK No: SRR09

Last updated: 07/10/2015

KEY STRATEGIC RISK AREA

Budget/Finance

**RISK DESCRIPTION**

Failure to ensure a financially sustainable children's social care system

[NOTE: New Risk for Q2 2015-16]

**RISK OWNER**

Kim Drake

RISK SCORE	LIKELIHOOD	IMPACT
CURRENT	B - Likely	2 - Major
Target	C - Possible	2 - Major

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EXPECTED KEY CONTROLS	SOURCE(S) OF ASSURANCE	14-15				15-16				MITIGATING ACTIONS / COMMENTS
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	
1. Assessment of current and future service demand (and projected cost) together with an understanding of the underlying demand triggers	Work is underway to gain further understanding of the rise in demand (looked after children).	-	-	-	3					Internal and external multi-agency panels are looking at demand
	Financial plan and projections (including the overspend in respect of 'looked after children') being developed.	-	-	-	3					This exercise is being undertaken in consultation with Finance.
2. Appropriate range of preventative / early intervention actions that seek to manage and/or reduce future interventions	Multi-agency work with partners such as public health, housing, education including 'Early Help' and 'Sure start'.	-	-	-	2					
	The capacity and resources to deliver a range of appropriate 'preventative/early intervention' services is being reviewed and changes implemented.	-	-	-	2					Internal review with partner agencies is ongoing with the outcome expected to inform future scope and delivery of 'early year services'
3. Intervention criteria that is aligned with good practice, clearly defined and communicated and applied on a consistent basis.	Document reviewed annually, threshold is criteria applied to all referrals. This document is part of the Local Safeguarding Children Board multi agency guidance.	-	-	-	2					
	The threshold criteria is applied effectively across all children's social care in order to ensure that children and families receive the services and to enable SCC to prioritise those in greatest need.	-	-	-	2					The Quality Assurance mechanism and auditing reviews cases to identify that the threshold applied is in line with the policy
	SCC intervention criteria is benchmarked against peer authorities	-	-	-	2					

4. The options available in respect of looked after children reflect both the need, range and quality of required outcomes and are aligned with the budget provision.	The outcomes available to looked after children are fostering, adoption or special guardianship order provided via a combination of in-house and external provision	-	-	-	2	
	In respect of the outcomes available to looked after children, the limited availability of in-house provision creates significant budget pressure.	-	-	-	3	<i>A plan is currently in place to address the bigger shortfall and overspend on placements budgets and to increase capacity in respect of in-house fostering services.</i>

5. Regular review and reassessment process to ensure that a placement is still appropriate.	Children in Care' panel in place that review cases and placements on a weekly basis.	-	-	-	2	
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1 - Substantial assurance	2 - Adequate assurance	3 - Limited assurance	4 - No assurance
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# Version Control

## VERSION HISTORY

Version No	Reviewed by	Review date		Version No	Reviewed by	Review date
01	Council Management Team	30/06/15			Governance Committee	09/11/15
02	Council Management Team	22/09/15				
03	Council Management Team	13/10/15				
03	Cabinet / CMT	09/11/15				

Version	NEW & EMERGING RISKS INCLUDING ANY SIGNIFICANT CHANGES	ACTION
<b>1</b>	<b>SRR3 - SAFEGUARDING</b> : Risk to be amended to refer separately to 'Adults' and 'Childrens' Safeguarding (two risks SRR3a & SRR3b)	AMEND
	<b>NEW SRR8</b> - New risk re 'Sustainable Adults Social Care System'	ADD
	<b>NEW SRR9</b> - New risk re 'Sustainable Childrens Social Care System'.	ADD
	<b>EMERGING RISKS</b> (to be reviewed and considered at end of Q2) - Commuity Tensions - Investment is School Property - Combined authority	NOTE
<b>2</b>	<b>SRR3a / 3b</b> - Potential impact should be assessed as 'extreme' (as opposed to major)	AMEND
	Definition of 'Assurance Levels' revised to make more explicit reference to delivery of outcomes	AMEND
	<b>EMERGING RISKS</b> (to be reviewed and considered at end of Q3) - Community Tensions - Investment is School Property - Combined authority	NOTE
	Comments' column to be amended to refer to 'Mitigating Actions/Controls'	AMEND

# Agenda Item 8

<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE		
<b>SUBJECT:</b>	RISK MANAGEMENT ACTION PLAN - STATUS REPORT		
<b>DATE OF DECISION:</b>	9 NOVEMBER 2015		
<b>REPORT OF:</b>	CHIEF FINANCIAL OFFICER		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Peter Rogers</b>	<b>Tel:</b> 023 8083 2835
	<b>E-mail:</b>	peter.rogers@southampton.gov.uk	
<b>Director</b>	<b>Name:</b>	<b>Andy Lowe</b>	<b>Tel:</b> 023 8083 2049
	<b>E-mail:</b>	andrew.lowe@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>	
Not applicable	
<b>BRIEF SUMMARY</b>	
The Risk Management Annual Action Plan summarises the intended activities / actions that are planned for the forthcoming period in respect of further developing and embedding the approach to managing risk.	
<b>RECOMMENDATIONS:</b>	
	(i) To note the status of the Risk Management Action Plan 2015-16
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
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.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
3.	No alternative options have been considered
<b>DETAIL (Including consultation carried out)</b>	
4.	The Risk Management Action Plan 2015-16, which was approved by the Governance Committee at the April 2015 meeting, summarises the range of actions considered necessary to ensure that existing good practice is maintained and/or risk management arrangements are further developed as appropriate.
5.	The Status Report provides an update in respect of the agreed actions noting that the plan needs to be flexible in order to be able to respond to other priorities should they arise during the period.
<b>RESOURCE IMPLICATIONS</b>	

<b><u>Capital/Revenue</u></b>	
6.	None
<b><u>Property/Other</u></b>	
7.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
8.	The Accounts and Audit (England) Regulations 2015 require that the Council must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk.
<b><u>Other Legal Implications:</u></b>	
9.	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
10.	None

<b>KEY DECISION?</b>	No
<b>WARDS/COMMUNITIES AFFECTED:</b>	NOT APPLICABLE
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Risk Management Action Plan 2015-16 – Status Report
<b>Documents In Members' Rooms</b>	
1.	None
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact	No
<b>Other Background Documents</b>	
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None



# RISK MANAGEMENT ACTION PLAN 2015-16 - STATUS REPORT

	THEME/SOURCE/ ISSUE	ACTION	TARGET	STATUS	COMMENT
1.	<b>Risk Strategy and Reporting</b>	To ensure that the approach to managing risk is aligned with, and reflects, the more outcome based approach and the associated changes in respect of future delivery of services (New Operating Model).	<b>Mar 16</b>	In progress	<i>The Council's Strategic Risk Register continues to evolve and reflect the positive input received from CMT. The latest version incorporates a more explicit reference 'delivery of outcomes' within the 'assurance' criteria and an expanded section to capture 'mitigating actions'.  There was also a joint CMT/Cabinet session on 27<sup>th</sup> October to review the Strategic Risk Register.</i>
2.	<b>Risk Strategy and Reporting</b>	Review whether is it necessary and appropriate for Directorates to develop and manage their own Directorate Risk Assurance Reports. This will be influenced and informed by the implementation of the New Operating Model.	<b>Mar 16</b>	Completed	<i>CMT have stated that, at present, any significant risks should be escalated by the relevant Director to CMT for consideration in terms of inclusion on the Strategic Risk Register. The development and implementation of the New Operating Model will however require this approach to be reviewed to ensure that it is aligned with, and reflects, the business need.</i>
3.	<b>Training</b>	Work with insurers in terms of ensuring the most appropriate use of the insurers 'risk management days' that are provided as part of the contract including exploring the possibility of hosting a 'mock trial'.	<b>Mar 16</b>	In progress	<i>Insurers have been engaged to review and critically appraise the council's Risk Management Policy together with a range of associated internal risk management guidance documents. Output from this exercise is anticipated to be received by end of December.  In addition, internal 'risk management' training has been provided for both the Transformation Team (Aug) and Members (Sept).</i>
4.	<b>Risk Financing</b>	To work with the council's new insurers in terms of embedding the new insurance contract and the required associated processes and procedures	<b>Aug 15</b>	Completed	<i>A quarterly performance review process, in the form of meetings involving both insurers (Zurich Municipal) and the council's appointed insurance broker (JLT), is in place. In addition, there have been meetings with insurer's claims and underwriting teams in order to aligned and agree processes.</i>

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5.	<b>Loss Control</b>	To facilitate and direct a programme of property 'fire and security' risk reviews either at the request of insurance underwriters or in response to an area of concern.	<b>Oct 15</b>	In progress	<i>A loss control survey programme has been agreed with insurers who have identified the following properties to visit: Civic Centre, two high rise housing blocks, a secondary school, the Itchen Bridge and three investment properties. The focus of the surveys, which are taking place in October and November, is on fire risk/prevention. Each visit will generate a report that may include loss control 'requirements' and 'recommendations'.</i>
6.	<b>Guidance and advice</b>	To ensure that an appropriate and current range of risk management and insurance guidance documents are available and aligned with the requirements of service areas.	<b>Mar 16</b>	Completed	<i>The 'Managing Risks in Projects' intranet page and associated guidance documents have been reviewed and updated particularly in recognition of the development of Transformation Projects.</i>
7.	<b>Policy and Strategy</b>	To review and update the Risk Management Strategy to ensure that it remains relevant and appropriate. Report any significant changes to the Governance Committee.	<b>Mar 16</b>	Not started	