

Governance Committee

Tuesday, 16th November,
2021
at 5.00 pm

PLEASE NOTE TIME OF MEETING

Council Chamber - Civic Centre

This meeting is open to the public

Members of the Committee

Councillor Fuller (Chair)
Councillor Bunday
Councillor D Galton
Councillor Leggett
Councillor Magee
Councillor J Payne
Councillor Shields

Contacts

Service Director – Legal and Business Operations
Richard Ivory
Tel. 023 8083 2794
Email: richard.ivory@southampton.gov.uk

Democratic Support Officer
Emily Goodwin/Pat Wood
Tel. 023 8083 2302
Email: Emily.goodwin@southampton.gov.uk
Email: pat.wood@southampton.gov.uk

PUBLIC INFORMATION

Role of the Governance Committee

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

[02 Part 2 - Articles](#)

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

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

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

Southampton: Corporate Plan 2020-2025 sets out the four key outcomes:

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

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

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

Use of Social Media:- The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting. By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public.

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

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

Dates of Meetings: Municipal Year 2021/2022

2021	2022
14 June	14 February
26 July	25 April
4 October	
16 November	
13 December	

CONDUCT OF MEETING

Terms of Reference

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

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

Rules of Procedure

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

Business to be discussed

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

Quorum

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

DISCLOSURE OF INTERESTS

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

DISCLOSABLE PECUNIARY INTERESTS

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

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

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

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

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

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

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

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

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

Other Interests

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

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

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

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

Principles of Decision Making

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

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

In exercising discretion, the decision maker must:

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

AGENDA

1 **APOLOGIES**

To receive any apologies.

2 **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.

3 **STATEMENT FROM THE CHAIR**

4 **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)** (Pages 3 - 4)

To approve and sign as a correct record the Minutes of the meeting held on 4 October 2021 and to deal with any matters arising.

5 **REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT MIDYEAR 2021/22** (Pages 5 - 38)

Report of the Executive Director Finance and Commercialisation providing a review of prudential limits and treasury management for 2020/21 to date.

6 **SOUTHAMPTON CITY COUNCIL ANNUAL COMPLAINTS REVIEW 2020/21** (Pages 39 - 52)

Report of the Service Director: Legal and Business Operations summarising the type and number of complaints received from the 1 April 2020 to 31 March 2021 together with the Local Government and Social Care Ombudsman annual review for the same period.

7 **INTERNAL AUDIT PROGRESS REPORT** (Pages 53 - 78)

Report of the Chief Internal Auditor detailing the Internal Audit Progress report for 2021-2022.

8 **ANNUAL REVIEW OF THE HEALTH AND SOCIAL CARE CONTRACTS MANAGED BY THE ICU** (Pages 79 - 126)

Report of the Director of Quality and Integration detailing the current contracts managed by the Integrated Commissioning Unit and the arrangements for monitoring and management of these contracts.

9 LOCAL APPOINTMENT OF EXTERNAL AUDITORS (Pages 127 - 140)

Report of the Executive Director for Finance, Commercialisation and S151 Officer setting out proposals for appointing the external auditor to the Council for the 2023/24 accounts and beyond.

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

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

Appendix 2 is considered to be exempt from general publication based on Category (5) of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not the public interest to disclose this because it includes information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

11 ANNUAL RISK MANAGEMENT REPORT 2021 (Pages 141 - 154)

Report of Executive Director for Finance and Commercialisation and Section 151 Officer detailing the annual report.

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

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

Appendix 1 is considered to be exempt from general publication based on Category (7a) of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not the public interest to disclose this because doing so could place the Council at a commercial disadvantage.

13 STRATEGIC CONTRACTS ANNUAL REPORT 2020 2021 (Pages 155 - 172)

Report of the Head of Supplier Management providing an overview of the performance, governance and contractual matters relating to the council's most strategically important contracts. Appendix 1 contains information about council contracts and contractors which are deemed to be confidential and commercially sensitive.

GOVERNANCE COMMITTEE
MINUTES OF THE MEETING HELD ON 4 OCTOBER 2021

Present: Councillors Fuller (Chair), Bunday, D Galton, Magee, Shields and Stead

Apologies: Councillor Leggett

12. **APOLOGIES**

Apologies were received from Councillor Leggett.

It was noted that following receipt of the temporary resignation of Councillor J Payne from the Committee the Service Director Legal and Business Operations acting under delegated powers, had appointed Councillor Stead to replace him for the purposes of this meeting.

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

RESOLVED: that the minutes for the Committee meeting on 26 July 2021 be approved and signed as a correct record.

14. **FREEDOM OF INFORMATION, DATA PROTECTION & REGULATION OF INVESTIGATORY POWERS ACTS: ANNUAL REVIEW 2020-21**

The Committee received and noted the report of the Service Director, Legal and Business Operations detailing the statistical information for the financial year 2020-21 with regards to information governance.

The Committee particularly noted that despite the report covering the year of a pandemic, performance had remained good. The Committee asked for the following action:

- Future reports to have percentages for both positive and negative points;
- To be informed, separately, regarding details of paragraph 33;
- To be informed, separately, regarding details of outcomes regarding paragraphs 15, 17, 32;
- Future reports to show the range of times taken to respond, with some examples, rather than the average time.

15. **ANNUAL GOVERNANCE STATEMENT 2020-21**

The Committee considered and noted the report of the Executive Director Finance and Commercialisation and Section 151 Officer seeking to review and approve the draft Annual Governance Statement 2020-21.

The Committee asked for more information, to be provided outside the meeting, regarding the People's Panel.

RESOLVED: that the draft Annual Governance Statement 2020-21 be approved.

16. **ANNUAL REPORT ON THE MEMBERS' CODE OF CONDUCT**

The Committee received and noted the report of the Service Director, Legal and Business Operations detailing the annual report on Members Code of Conduct.

The Committee noted that there had been three formal written complaints received regarding Councillors in 2020/21 that required preliminary investigation.

17. **EXTERNAL AUDIT - 2020/21 AUDIT RESULTS REPORT**

The Committee considered the report of the External Auditor summarising the findings from the 2020/21 Audit, including the Letter of Representation.

The Committee asked that future reports contain more detailed explanation around percentage figures to enable easier understanding and to put the figures in context.

RESOLVED:

- (i) That the external auditor's Audit Results Report as detailed in the appendix of the report be approved; and
- (ii) That the letter of representation be approved.

18. **STATEMENT OF ACCOUNTS 2020/21**

The Committee considered the report of the Executive Director Finance and Commercialism and S151 Officer seeking approval of the Statement of Accounts 2020/21 and changes made to the draft accounts identified during the audit.

The Committee asked for further clarification of the word "Salaries" used in the table on page 193 of the pack under Members' Allowances.

RESOLVED:

- (i) That the changes to the Statement of Accounts 2020/21 as a result of the annual audit as detailed in paragraphs 5 to 7 in the report and appendix 1 be noted;
- (ii) That the audited Statement of Accounts 2020/21 be approved;
- (iii) That the rationale for not correcting the audit difference relating to the valuation of Property, Plant and Equipment (PPE) not revalued within the year and the net pension liability as set out in paragraph 8 to 10 be approved; and
- (iv) That approval be given for the Executive Director Finance and Commercialism and S151 Officer, in consultation with the Chair of Governance Committee, to make further minor changes to the Statement of Accounts 2020/21 that may arise during completion of the audit.

Agenda Item 5

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT MIDYEAR 2021/22		
DATE OF DECISION:	16 NOVEMBER 2021		
REPORT OF:	EXECUTIVE DIRECTOR FINANCE & COMMERCIALISATION (S151 Officer)		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Steve Harrison	Tel: 023 8083 4153
	E-mail:	steve.harrison@southampton.gov.uk	
Director	Name:	John Harrison	Tel: 023 8083 4897
	E-mail:	john.harrison@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
NOT APPLICABLE	
BRIEF SUMMARY	
<p>The purpose of this report is to inform Governance Committee of the Treasury Management activities and performance for 2021/22 to date against the approved Prudential Indicators for External Debt and Treasury Management.</p> <p>This report:</p> <ul style="list-style-type: none"> a) is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code; b) presents details of capital financing, borrowing, debt rescheduling and investment transactions; c) reports on the risk implications of treasury decisions and transactions; d) gives details of the midyear position on treasury management transactions in 2021/22; and e) confirms compliance with treasury limits and Prudential Indicators. 	
RECOMMENDATIONS:	
It is recommended that Governance committee:	
	(i) Notes the Treasury Management (TM) activities for 2021/22 and performance against Prudential Indicators.
	(ii) Notes that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year.
	(iii) Continues to delegate authority to the S151 Officer to make any future changes which benefit the authority and to report back at the next Treasury update.
REASONS FOR REPORT RECOMMENDATIONS	
1.	The Treasury Management Code requires public sector authorities to determine an annual TM Strategy and formally report on their treasury activities and arrangements to Governance Committee 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.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	No alternative options are relevant to this report.
DETAIL (Including consultation carried out)	
CONSULTATION	
3.	Not applicable.
BACKGROUND	
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 TM Strategy for 2021/22 was approved at Governance Committee on 15 February 2021. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 24 February 2021.
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.	The report and appendices highlight that:
	a) Borrowing activities have been undertaken within the borrowing limits approved by Governance Committee on 15 February 2021.
	b) With an increasing borrowing requirement our overall treasury strategy is to minimise both external borrowing and investments and to only borrow to the level of the net borrowing requirement. This will reduce credit risk, take pressure off the Council's lending list, and avoid the cost of carry existing in the current interest rate environment. Throughout the year, capital expenditure levels, market conditions and interest rate levels are monitored to minimise

		borrowing costs over the medium to longer term and to maintain stability.
	c)	For longer term investments the Council will continue to hold assets in more secure and/or higher yielding asset classes. Total Investment returns are estimated to be £1.1M during 2021/22 which is lower than last year and reflects the current financial environment.
	d)	The differential between debt costs and investment earnings continued to be acute, resulting in the use of internal resources in lieu of borrowing often being the most cost effective means of financing capital expenditure. The average rate for repayment of debt, (the Consolidated Loans & Investment Account Rate – CLIA), is 2.85%, in line with budget. We do not currently have any short-term debt, but it is the intention to borrow in the short-term markets during 2021/22 to take further advantage of the current low interest environment.
	e)	Since 2012, the Council has pursued a strategy of internal borrowing – minimising external borrowing by running down its own investment balances and only borrowing short term to cover cash flow requirements. This has both reduced the credit risk exposure and saved the Council money in terms of net interest costs. Rates are monitored and if opportunities arise long term borrowing is considered in consultation with our treasury advisors. As can be seen in Appendix 2, paragraph 18, there was a dip in the benchmark gilt rates for PWLB loans in August and September. To secure these advantageous rates and add some certainty to the HRA debt portfolio, two £11M 20 year EIP (Equal Instalment Payment) loans was taken at an average rate of 1.46%.
	f)	In achieving interest rate savings, the Council is exposed to interest rate risk by taking out variable debt. This was and continues to be very financially favourable in current markets but does mean that close monitoring of the markets is required to ensure that the Council can act quickly should the situation begin to change.
	g)	Net loan debt is expected to increase during 2021/22 from £247M to £435M (£188M) as detailed in Appendix 2, paragraph 5, but currently sits at £211.2M, due to higher than expected cash balances at this point in year and deferral of majority of new borrowing to later in year. Actual debt charges for the year for borrowing (excluding HCC transferred debt and PFI schemes) is forecast at £8.9M at an average interest rate of 2.78%
	h)	The initial reaction to the COVID crisis last March meant that short term liquidity became difficult, and Government sought to assist cash flow by providing up front funding as far as possible, both in terms of the grants to businesses administered by the Council on its behalf and the funding to the local authority itself (under the business rates retention scheme).

		As a result of this grant funding year end investment balances were and have continued to be higher than expected.
	i)	Continued downward pressure on short-dated cash brought net returns on money market funds (MMF) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out. Deposit rates with the Debt Management Account Deposit Facility (DMADF) are currently in line with most MMF (0.01%) and are used as an alternative to spread the risk.
	j)	The impact of COVID-19 will continue during the current financial year and will be reported as part of the quarterly monitoring reports and the mid-year report.
9.		Appendix 1 summarises the economic outlook and events in the context of which the Council operated its treasury function during 2021/22.
10.		Appendix 2 summarises treasury activity during the year and covers: <ul style="list-style-type: none"> • Borrowing Requirement and Debt Management • Investment Activity • Non – Treasury Investments
11.		Appendix 3 summarises quarterly benchmarking produced by our advisors, showing the breakdown of our investments and how we compare to their other clients and other English Unitary authorities. It shows that on average the return on our internal investments at 0.08% is slightly higher than the average of 0.06% and our overall return including the Local Authority Property Fund (income only) is 1.31% as opposed to the average of 0.78%. This has been achieved without impacting on our average credit rating which at AA- is slightly higher than both other Local Authorities and Unitary Authorities.
COMPLIANCE WITH PRUDENTIAL INDICATORS AND AMENDMENT TO 2021/22 TREASURY STRATEGY		
12.		It can be confirmed that the Council has complied with its Prudential Indicators for 2021/22, approved by Governance Committee on 15 February 2021.
13.		In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of TM activity during 2021/22. None of the Prudential Indicators has been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. The table below summarises the Key Indicators, further details can be seen in appendix 4.

14.	<p>Table1: Key Prudential Indicators</p> <table border="1"> <thead> <tr> <th data-bbox="304 241 970 387">Indicator</th> <th data-bbox="970 241 1118 387">Limit</th> <th data-bbox="1118 241 1326 387">Actual at 30/9/2021</th> </tr> </thead> <tbody> <tr> <td data-bbox="304 387 970 432">Authorised Limit for external debt</td> <td data-bbox="970 387 1118 432">£805M</td> <td data-bbox="1118 387 1326 432">£312M</td> </tr> <tr> <td data-bbox="304 432 970 477">Operational Limit for external debt</td> <td data-bbox="970 432 1118 477">£705M</td> <td data-bbox="1118 432 1326 477">£312M</td> </tr> <tr> <td data-bbox="304 477 970 521">Maximum external borrowing year to date</td> <td data-bbox="970 477 1118 521">£640M</td> <td data-bbox="1118 477 1326 521">£251M</td> </tr> <tr> <td data-bbox="304 521 970 566">Limit of fixed interest debt</td> <td data-bbox="970 521 1118 566">100%</td> <td data-bbox="1118 521 1326 566">80.8%</td> </tr> <tr> <td data-bbox="304 566 970 611">Limit of variable interest debt</td> <td data-bbox="970 566 1118 611">50%</td> <td data-bbox="1118 566 1326 611">19.2%</td> </tr> <tr> <td data-bbox="304 611 970 656">Limit for long term investments</td> <td data-bbox="970 611 1118 656">£100M</td> <td data-bbox="1118 611 1326 656">£30M</td> </tr> </tbody> </table>	Indicator	Limit	Actual at 30/9/2021	Authorised Limit for external debt	£805M	£312M	Operational Limit for external debt	£705M	£312M	Maximum external borrowing year to date	£640M	£251M	Limit of fixed interest debt	100%	80.8%	Limit of variable interest debt	50%	19.2%	Limit for long term investments	£100M	£30M
Indicator	Limit	Actual at 30/9/2021																				
Authorised Limit for external debt	£805M	£312M																				
Operational Limit for external debt	£705M	£312M																				
Maximum external borrowing year to date	£640M	£251M																				
Limit of fixed interest debt	100%	80.8%																				
Limit of variable interest debt	50%	19.2%																				
Limit for long term investments	£100M	£30M																				
15.	<p>Due to the current low interest environment banks are no longer paying interest for call accounts and as detailed in paragraph 8 (i) above the DMADF and MMF are currently the best option even though yields are low at 0.01% – 0.02%.</p> <p>There is a limited inter LA market for short term deposits as the market is currently cash rich and we are likely to be in a borrowing position in January so cannot lend out for too long. Rates are between 0.01% and 0.03% without the ability to access the cash during term of investment.</p>																					
REVISION TO CIFPA CODES																						
16.	<p>In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee’s recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation and in September CIPFA issued revised Codes and Guidance Notes in draft form and opened further consultation process on the proposed changes.</p>																					
17.	<p>We are currently reviewing the impact of the proposed changes, which includes the introduction of the liability benchmark (which we already utilise) and borrowing at net position which could have an impact on us holding long term investments such as CCLA.</p> <p>Early indications are that future long term investments will be prohibited but we will not need to unwind existing investments. A further update will be included in the Strategy report once the consultation has been concluded and any impact for the council is known.</p>																					
MGCLG IMPROVEMENTS TO THE CAPITAL FINANCE FRAMEWORK																						
18.	<p>MHCLG published a brief policy paper in July outlining the ways it feels that the current framework is failing and potential changes that could be made. The paper found that “while many authorities are compliant with the framework, there remain some authorities that continue to engage in practices that push the bounds of compliance and expose themselves to excessive risk”.</p>																					

19.	<p>The actions announced include greater scrutiny of local authorities and particularly those engaged in commercial practices; an assessment of governance and training; a consideration of statutory caps on borrowing; further regulations around Minimum Revenue Provision (MRP) and ensuring that MHCLG regulations enforce guidance from CIPFA and the new PWLB lending arrangements.</p> <p>A further consultation on these matters is expected soon.</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
20.	<p>This report is a requirement of the TM Strategy, which was approved at Governance Committee on 15 February 2021 and as part of the Capital Strategy by Council on 24 February 2021.</p>
21.	<p>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 of financing the Authority's loan debt is estimated at £8.9M for 2021/22. This is slightly lower than budgeted (£9.1M) mainly due to deferral of most of the borrowing to the later part of the year.</p>
22.	<p>In addition, interest earned on temporary balances invested externally is credited to the Income and Expenditure account. The current forecast for 2021/22 is £1.1M which is in line with budget but lower than last year due to the current interest environment.</p>
23.	<p>The expenses of managing the Authority's loan debt consist of brokerage and internal administration charges. These are pooled and borne by the HRA and General Fund proportionately to the related loan debt. Debt management expenses are currently in line with budget and expected to be £0.2M in 2021/22 but will be dependent on actual borrowing taken in year.</p>
<u>Property/Other</u>	
24.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
25.	<p>Local Authority borrowing is regulated by Part 1, of the Local Government Act 2003, which introduced the new Prudential Capital Finance System.</p> <p>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.</p>

Other Legal Implications:	
26.	None.
RISK MANAGEMENT IMPLICATIONS	
27.	Not Applicable
POLICY FRAMEWORK IMPLICATIONS	
28.	This report has been prepared in accordance with the CIPFA Code of Practice on TM.
KEY DECISION?	Yes/No
WARDS/COMMUNITIES AFFECTED:	NONE
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	2021/22 Economic Background
2.	Treasury Activity during 2021/22
3.	Southampton Benchmarking 30th September 2021
4.	Compliance with Prudential Indicators
5.	Glossary of Treasury Terms
Documents In Members' Rooms	
1.	None.
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out.	Yes/No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	Yes/No
Other Background Documents	
Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	The Medium Term Financial Strategy, Budget & Capital Programme 2021/22 to 2023/24 – reported to Council 24 February 2021

This page is intentionally left blank

External Factors Impacting on Treasury during 2021/22

A summary of the external factors in 2021-22 is provided by the council's treasury advisor, Arlingclose Ltd, and is detailed below.

Economic background: The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30th September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% q/q (final estimate vs 4.8% q/q initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% q/q, construction 3.8% q/q and services 6.5% q/q, taking all of these close to their pre-pandemic levels.

The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and then by an even stronger 6.6% in Q2 as the recovery continued. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

Financial markets: Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, than was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instances, led to higher prices.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30th September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%.

The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

Credit review: Credit default swap spreads were flat over most of the period and are broadly in line with their pre-pandemic levels. In late September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but are now falling back. The gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow, but Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 53bps and Lloyds Bank Plc the lowest at 32bps. The other ringfenced banks were trading between 37-39bps and Nationwide Building Society was 39bps.

Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on our counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.

Fitch also revised the outlooks for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable from negative. The rating agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all recommended counterparties was extended to 100 days.

As ever, the institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

Outlook for remainder of 2021/22: Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England's desire to move from emergency levels as by fears of inflationary pressure.

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increase in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

Forecast interest Rates

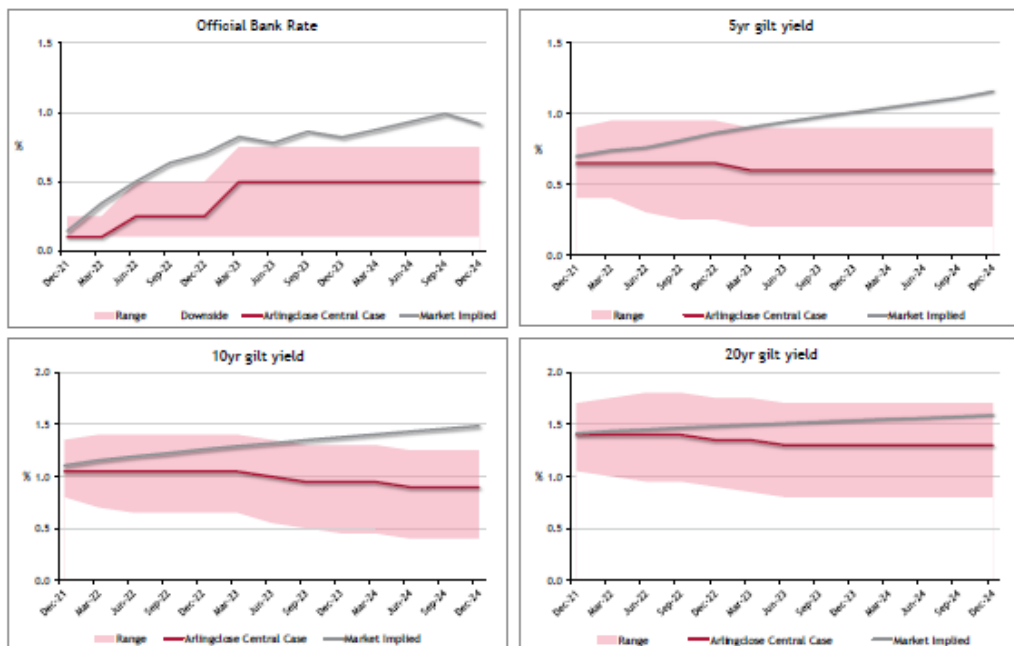
The following forecast interest forecast are set against a background of:

- Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank's desire to move from emergency levels as by fears of inflationary pressure. Given the current outlook, we believe this could be a policy mistake.
- Investors have priced in multiple rises in Bank Rate to 1% by 2024. While we believe Bank Rate will rise, it is by a lesser extent than expected by markets.
- Gilt yields have risen sharply as investors factor in higher interest rate and inflation expectations. From here, we believe that gilt yields will be broadly steady, before falling as inflation decreases and market expectations fall into line with our forecast.
- The risk around our forecasts for Bank Rate is to the upside over the next few months, shifting to the downside in the medium term. The risks around the gilt yield forecasts are initially broadly balanced, shifting to the downside later.

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.15	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	-0.15	-0.15	-0.15	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40
3-month money market rate													
Upside risk	0.10	0.15	0.20	0.20	0.30	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	0.10	0.15	0.35	0.40	0.45	0.60	0.65	0.65	0.60	0.60	0.60	0.60	0.60
Downside risk	0.00	-0.05	-0.25	-0.25	-0.30	-0.45	-0.50	-0.50	-0.45	-0.45	-0.45	-0.45	-0.45
5yr gilt yield													
Upside risk	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.65	0.65	0.65	0.65	0.65	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Downside risk	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40
10yr gilt yield													
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Arlingclose Central Case	1.05	1.05	1.05	1.05	1.05	1.05	1.00	0.95	0.95	0.95	0.90	0.90	0.90
Downside risk	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50
20yr gilt yield													
Upside risk	0.30	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	1.40	1.40	1.40	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Downside risk	-0.35	-0.40	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
50yr gilt yield													
Upside risk	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	1.30	1.30	1.30	1.30	1.25	1.25	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Downside risk	-0.35	-0.35	-0.35	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

Charts show the Arlingclose central case along with upside and downside risks: Arlingclose judges that the risk around the Bank Rate is on the upside in the short term, shifting to the downside in the medium term. The risk around the gilt yield forecasts are broadly balanced initially, shifting to the downside over time.

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%



TREASURY MANAGEMENT ACTIVITY DURING 2021/22

Appendix 2

BORROWING REQUIREMENT AND DEBT MANAGEMENT

1. Based on the latest capital programme the Authority and resources available to the authority there is an estimated net movement in the borrowing need at the 31st March 2022 of £110M. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) while useable reserves and working capital represent the underlying resources available for investments. These are the core drivers of TM Activity and the year-on-year change is summarised in table 1 below.
2. The Authority's current strategy is to maintain borrowing and investments below underlying levels in order to reduce risk and interest costs, resulting in a forecast decrease of internal borrowing of £42.5M as a result of lower useable reserves.

Table 1 – Balance Sheet Summary

	31-Mar-21 Actual	31-Mar-22 Strategy	31-Mar-22 Forecast	31-Mar-22 Forecast Movement in year
	£M	£M	£M	£M
General Fund CFR	337.18	374.47	363.01	25.83
Housing CFR	169.13	198.94	194.69	25.56
Total CFR	506.31	573.41	557.70	51.39
Less Other Debt Liabilities*	(64.44)	(60.62)	(60.62)	3.82
Loans CFR	441.87	512.79	497.08	55.21
Less External Borrowing**	(241.95)	(222.84)	(254.65)	(12.70)
Internal (over) Borrowing	199.92	289.95	242.43	42.52
Less Usable Reserves	(208.52)	(128.87)	(141.34)	67.18
Less Working Capital Surplus	(58.29)	(58.01)	(58.29)	0.00
New Borrowing or (Investments)	(66.89)	103.07	42.80	109.69

* finance leases, PFI liabilities and Transferred debt that form part of the authority's total debt

3. The forecast movement in the CFR is one of the Prudential Indicators (PIs). When the strategy was last updated in February 2021, the forecast CFR for 31st March 2022 was £573.4M, the current forecast is £557.7M, a net reduction of £15.7M. This decrease reflects changes in borrowing for the capital programme, £11.45M General Fund and £4.2M HRA. The forecast movement in year is shown in table 2 below.

Table 2 – Capital Financing Requirement Movement in year

Capital Financing Requirement	General Fund £M	HRA £M	Total £M
Balance Brought forward	337.18	169.13	506.31
New Borrowing	36.88	28.72	65.60
MRP	(7.24)	(3.16)	(10.40)
Appropriations (to) from HRA	0.00	0.00	0.00
Movement in Other Liabilities	(3.81)		(3.81)
Estimated CFR 31 March 2022	363.01	194.69	557.70

4. 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. This is shown in the tables below together with activity in the year.

5. **Table 3: Borrowing and Investment Position**

	31-Mar-21 Actual £M	31-Mar-21 Average %	30-Sep-21 Actual £M	30-Sep-21 Average %	31-Mar-22 Forecast £M	31-Mar-22 Forecast %
Long Term Borrowing						
Public Works Loan	222.59	2.72	238.84	2.77	378.19	2.70
LOBO Loans from Banks	9.00	4.86	9.00	4.86	9.00	4.86
	231.59	2.75	247.84	2.91	387.19	2.82
Short Term Borrowing						
Other Local Authorities	10.00	0.28	0.00	0.00	10.00	0.10
Other	0.36	0.28	0.36	0.23	0.36	0.23
Total External Borrowing	241.95	2.75	248.20	2.85	397.55	2.78
Other Long Term Liabilities						
PFI Schemes	50.97	9.16	49.25	8.82	47.52	9.65
Deferred Debt Charges (HCC)	13.47	2.13	13.29	2.61	13.10	2.10
Total Gross External Debt	306.39	3.78	310.73	4.08	458.17	3.63
Investments:						
Managed In-House						
Government & Local Authority	0.00	0.00	(20.55)	0.01		
Cash (Instant access)	(30.13)	0.01	(52.51)	0.01	(10.00)	0.01
Cash (Notice Account)	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Bonds	(3.17)	5.30	(1.06)	5.27	(1.10)	5.27
Managed Externally						
Pooled Funds (CCLA) & Shares	(27.00)	4.16	(27.00)	3.54	(27.00)	3.00
Total Investments	(60.30)	4.26	(101.12)	3.41	(38.10)	2.28
Net Debt	246.09		209.61		420.07	

6. **Table 4: Forecast Movement in Gross External Debt during the year**

	2020/21 Actual £M	31-Mar-22 Movement £M	2021/22 Forecast £M
Movement during the year			
Long-term borrowing Carried Forward	266.87		231.59
Maturities in year	(35.28)		(9.30)
New borrowing in year	0.00		164.90
Net Long Term Borrowing	231.59	155.60	387.19
Short-term borrowing Carried Forward	10.36		10.36
Net Maturities in year	40.00		(10.36)
Net new borrowing in year	(40.00)		10.36
Net Short Term Borrowing	10.36	0.00	10.36
Total Borrowing at 31st March	241.95	155.60	397.55
Other Debt Liabilities	64.43	(3.81)	60.62
Total Debt at 31st March	306.38	151.79	458.17

7. The maturity analysis of the Council's actual debt at 30th September 2021 is shown in table 5 below. Debt due in one year includes both short term and long-term loans due in year, LOBO loans are shown as uncertain as although they are within the call option, they are unlikely to be called in the current interest environment.

8. **Table 5: Maturity Structure of Borrowing**

Analysis of Loans by Maturity	Lower Limit	Upper Limit	Compliance with Limit	Outstanding 30/09/2021	% of Debt
Less than 1 Year	0	50	Yes	7.28	3
Between 1 and 2 years	0	50	Yes	7.29	3
Between 2 and 5 years	0	50	Yes	21.85	9
Between 5 and 10 years	0	55	Yes	36.42	15
Between 10 and 20 years	0	60	Yes	45.30	18
Between 20 and 40 years	0	60	Yes	116.45	47
Over 40	0	75	Yes	4.25	2
Uncertain Date**	0	5	Yes	9.00	4
				247.84	100

Borrowing Update

9. Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 / Section 95 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

Competitive market alternatives may be available, however the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders. Further changes to the CIPFA Prudential Code expected in December 2021 are likely to prohibit borrowing for the primary purpose of commercial return even where the source of borrowing is not the PWLB.

The Authority is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB

10. **Revised PWLB Guidance and Changes to PWLB Terms and Conditions:**

HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:

- Capital expenditure incurred or committed to before 26th November 2020 is allowable even for an 'investment asset primarily for yield'.
- Capital plans should be submitted by local authorities via a DELTA return. Returns must be updated in year if there is a change greater than 10%.
- An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.
- Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

The settlement time for a PWLB loan has been extended from two working days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.01%

	and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.																
11.	<p>Municipal Bonds Agency (MBA): The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.</p> <p>If the Authority intends future borrowing through the MBA, it will first ensure that it has thoroughly scrutinised the legal terms and conditions of the arrangement and is satisfied with them and as reported previously, it will report to full council before engaging and seek advice from our financial advisors.</p>																
12.	UK Infrastructure Bank: £4bn has been earmarked for lending to local authorities by the UK Infrastructure Bank. The availability of this lending to local authorities is due to commence in summer 2021 for which there is expected to be a bidding process. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate.																
<u>Borrowing Strategy during Period</u>																	
13.	At 30 th September 2021 the Authority held £248.2M of loans, (a increase of £6.3M since 31 st March 2021), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans are summarised in Table 3 and 5 above.																
14.	<p>The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.</p> <p>In keeping with these objectives, new borrowing was kept to a minimum resulting in reduced net borrowing costs (despite foregone investment income) and reduced overall treasury risk.</p>																
15.	With short-term interest rates remaining much lower than long-term rates and surplus of liquidity continuing to feature in the LA to LA market, the Authority considered it to be more cost effective to utilise internal resources. However, this will not be sustainable as cash levels decrease through the year, we expect to borrow up to £143M to cover the ongoing capital programme (£66M), expected reduction in reserves (£67M) and to refinance debt maturing in year.																
16.	<p>The authority has an increasing CFR (see table 1) due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which takes into account usable reserves and working capital (see table 4).</p> <p>Having considered the appropriate duration and structure of the Authority's borrowing need, the decision was made to take advantage of the fall in external borrowing rates and borrowed £22M from the PWLB on a EIP basis as detailed below. These loans provide some longer-term certainty and stability to the HRA debt portfolio.</p> <table border="1" data-bbox="252 1742 965 1877"> <thead> <tr> <th>Long Term Loans</th> <th>Amount £M</th> <th>Rate %</th> <th>Period (Years)</th> </tr> </thead> <tbody> <tr> <td>PWLB EIP Loan 1</td> <td>11.00</td> <td>1.45%</td> <td>20</td> </tr> <tr> <td>PWLB EIP Loan 2</td> <td>11.00</td> <td>1.46%</td> <td>20</td> </tr> <tr> <td>Total Borrowing</td> <td>22.00</td> <td></td> <td></td> </tr> </tbody> </table>	Long Term Loans	Amount £M	Rate %	Period (Years)	PWLB EIP Loan 1	11.00	1.45%	20	PWLB EIP Loan 2	11.00	1.46%	20	Total Borrowing	22.00		
Long Term Loans	Amount £M	Rate %	Period (Years)														
PWLB EIP Loan 1	11.00	1.45%	20														
PWLB EIP Loan 2	11.00	1.46%	20														
Total Borrowing	22.00																

17. The PWLB were the Council's preferred source of long-term borrowing given the transparency and control that its facilities continue to provide, but PWLB funding margins have lurched quite substantially in the last year and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields plus 0.80. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.
18. Due to the continued depressed markets and the 'cost of carry' associated with long term debt, defer long term borrowing will be deferred in favour of using internal resources to finance capital spend, to minimise the cost of TM by keeping debt interest payments as low as possible without compromising the longer-term stability. This will be kept under review during 2021/22 with the need to resource an increasing capital programme and if opportunities arise to secure beneficial rates. Our advisors assist with this 'cost of carry' and breakeven analysis.
19. The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing will be maintained.
20. The charts below show the pattern of the 25 year PWLB rate since 1992, the rise in 2019 is where the 1% over gilts was implemented, but otherwise it has generally been a downward trend. The recent spike is shown in more detail in 3 month average rate chart.



PWLB Rates - Trend Analysis



Lender's Option Borrower's Option Loans (LOBOs)

21. The council continues to hold £9M of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the council has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOS had options during the year, none of which were exercised by the lender, but if they were to then they would be replaced by a PWLB loan.

Other Debt Activity

22. Although not classed as borrowing the Council has previously raised capital finance via Private Finance Initiative (PFI). The mid-year balance was £49.3M and will fall to £47.5M after further repayment in year.
23. In addition, the Authority holds debt in relation to debt transferred from Hampshire County Council on the 1st April 1997 when we became a unitary authority which is being repaid over 50 years at £0.4M per annum, the balance at 30th September was £13.3M.

INVESTMENT ACTIVITY

24. Both the CIPFA and government guidance requires the council to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low income returns.
25. Ultra low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.1% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, but the possibility cannot be ruled out.
26. Deposit rates on Debt Management Account Deposit Facility (DMADF) are also largely around 0.01% so have been used to add some diversity to portfolio.

The impact of COVID-19 will continue during the year and will be reported at each quarter and as part of the mid-year Treasury Report to Governance Committee.

27. As a result of additional grant funding investment balances have remained higher than expected during the year to date but are expected to fall to an estimated £40M by the end of the year, due to several debt maturities and an ongoing capital programme, but this will be dependent on actual capital spend and movement in balances. Investment balances have ranged between £117M and £43M in year and are currently £99M. This supports our decision to only borrow for cash flow purposes at this stage as savings on borrowing costs more than offset the loss on short term investments. Movement in year is summarised in table 6 below:

28. **Table 6: Investment activity during the year**

	Balance on 01/04/2021	Investments Repaid	New Investments	Balance on 30/09/2021	(Increase/Decrease in Investment for Year	Average Life of Investments
	£M	£M	£M	£M	£M	Life
Multi-National Bonds (not subject to bail in)	(3.17)	(2.11)	0.00	(1.06)	2.11	4 years
Money Market Funds and Call Account	(30.13)	(156.37)	133.99	(52.51)	(22.38)	on day notice
Government & Local Authority	0.00	(165.98)	188.23	(20.55)	(20.55)	13 days
Managed Externally (CCLA Pooled funds)	(27.00)			(27.00)	0.00	Unspecified
Total Investments	(60.30)	(324.46)	322.22	(101.12)	(40.82)	

29. Security of capital has remained the council's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its TM Strategy Statement for 2021/22. The council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio, which is supplied by our advisors. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit rating	A	AA-

30. Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A-) across rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. The authority also used secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

Credit Developments and Credit Risk Management

31. Credit default swap spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In late September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but are now falling back. The gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow, but Santander UK remained an outlier compared to the other ringfenced/retail banks.

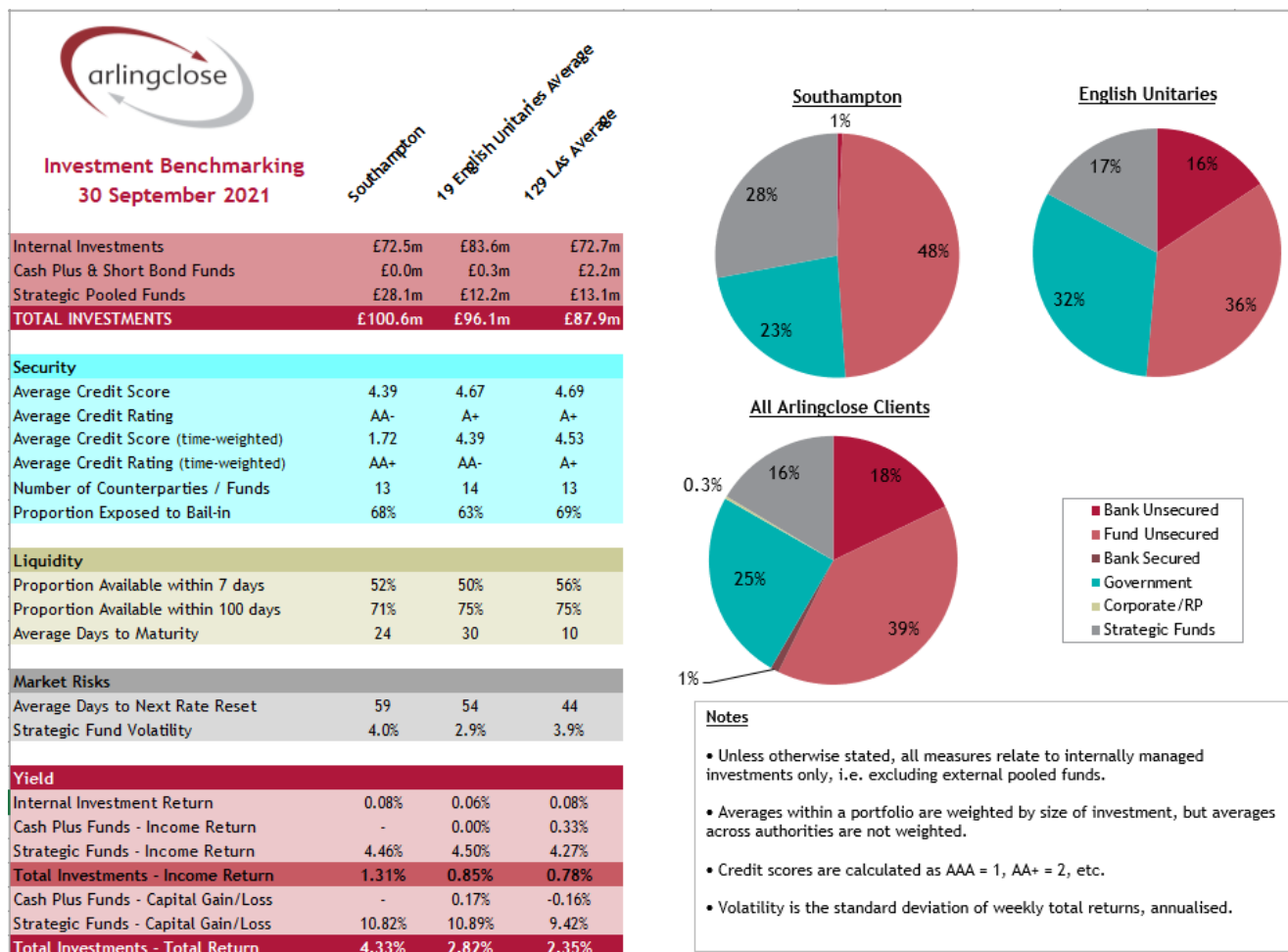
Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on our counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK. Fitch also revised the outlooks for Nordea, Svenska

	<p>Handelsbanken and Handelsbanken plc to stable from negative. The rating agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.</p> <p>The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.</p> <p>At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all recommended counterparties was extended to 100 days. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.</p> <p>Further information is available in Appendix 1, Economic Background.</p>
32.	<p>Benchmarking: Our advisors Arlingclose produce quarterly benchmarking which shows the breakdown of our investments and how we compare to their other clients and other English Unitary Authorities. Details can be seen in Appendix 3.</p> <p>Investments managed internally are currently averaging a return of 0.08% which is slightly higher than the average unitary authority at 0.06% whilst maintaining a higher average credit rating at AA-. Total income returns at 1.31% is also higher than the average for both unitary (0.85%) and LA's (0.78%), this is primarily due to historic investment in EIB bonds which return 5.27%, although on a small balance of £1M, since maturities cannot be replaced at the same level.</p> <p>We hold 28% of our investments in strategic funds which offer higher return over the long term. This is higher than the average but in line with our strategy.</p> <p>In addition, due to the increase in the capital value of our external funds of +10.82% our total investment return at 4.33% is significantly higher than the average LA's at 2.82% and the average unitary at 2.35%. As previously reported, it is the income return that is the driver to invest and they are deemed less risky than buying individual properties and do not constitute capital spend.</p>
Liquidity Management	
33.	<p>In keeping with the LUHC Guidance on Investments, the Council 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>
Externally Managed Funds	
34.	<p>The Council has invested £27M in property funds which offer the potential for enhanced returns over the longer term but will 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.</p>

35.	<p>Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed.</p> <p>Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three to five-year period total returns will exceed cash interest rates. In light of their performance over the long-term and the Authority's latest cash flow forecasts, investment in these funds has been maintained.</p>
36.	<p>The market has continued to improve since year end when the value was reported at £26.28M, and at September 2021 has a value of £28.11M (June 2021, £27.18M) an increase of £1.83M since March and is now £1.11M above the initial investment of £27M.</p> <p>The dividend for April to September is estimated at £0.26M, 3.86% of the original investment. If rates remain at this level the forecast dividend for the year is £1.02M.</p>
Non – Treasury Investments	
37.	<p>The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in LUHC Investment Guidance, in which the definition of investments is further broadened to also include all assets held partially for financial return.</p>
38.	<p>Between 2016 and 2017, SCC implemented a strategy to invest in commercial properties with the expected return on investment being used to fund council services, known as the Property investment fund (PIF).</p>
39.	<p>All of the properties remain fully let and the tenants are meeting their financial obligations under the leases. The rate of return on these investments in 2021/22 is expected to be 6.03% gross and 2.13% net (after borrowing costs of £1.2M) which represents a contribution to the revenue account of around £0.63M.</p>

This page is intentionally left blank

Southampton Benchmarking Scores 30th September 2021



The above highlights:

- Following the recent borrowing of two PWLB loans we have currently have slightly higher internal investments than both the average English Unitary and other Local Authorities £101M compared to £96M and £88M but this is expected to be utilised throughout the year and will drop significantly by year end, in line with our policy of minimising investments to avoid borrowing, lowering both investment risk and cost of carry (difference in interest earned on investments and that of borrowing which is usually higher). These investments are held for cash flow purposes and money markets are primarily used at the moment as they offer a higher rate than bank call accocunts and are available on demand unlike short term fixed term deposits that offer a similar rate of return.
- Internal investments average yield at 0.08% reflects current market position and is in line with other authorities.
- We have maintained an average credit rating of AA- which is higher than the average English Unitary and other Local Authorities and above our minimum rating of A- whilst achieving a higher income return at 1.31% compared to 0.85% and 0.78%.
- Our Strategic Investments at 28% is higher than the average at 17% and the income yield on these is 4.46% is higher than LA average of 4.27 % but slightly below average Ununitary at 4.50%.
- Due to the recovery of the value of the fund over the period, total return is higher at 4.33% compared 2.82% and 2.35%.

This page is intentionally left blank

COMPLIANCE WITH PRUDENTIAL INDICATORS DURING 2021/22 Appendix 4

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 a number of 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 (CFR)

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 S151 Officer reports that the Authority had no difficulty in meeting this requirement in 2021/22 to date, nor are there any difficulties envisaged for future years. This view takes into account current commitments and existing plans 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 to avoid the cost of carry existing in the current interest rate environment. The tables below detail expected and actual debt position. Details of the CFR movement can be seen in Appendix 2, table 2.

This shows that there is a small reduction in our borrowing need since it was last reported at outturn. Further details can be seen in the General Fund and HRA capital monitoring reports being reported to Council in November.

Gross Debt	31/03/2021 Actual	31/03/2022 Forecast Last Reported	31/03/2022 Current Forecast	Movement since last reported position
	£M	£M	£M	£M
Borrowing (Long Term GF)	95.63	203.13	192.43	(10.70)
Borrowing (Long Term HRA)	135.97	194.72	194.77	0.05
Borrowing (Short Term)	10.36	10.35	10.35	0.00
Total Borrowing	241.96	408.20	397.55	(10.65)
Finance leases and Private Finance Initiatives	50.97	47.52	47.52	0.00
Transferred Debt	13.47	13.10	13.10	0.00
Total Other Debt	64.44	60.62	60.62	0.00
Total Debt	306.40	468.82	458.17	(10.65)

2. Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and liabilities that are not borrowing but form part of the Authority's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The S151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary in the year to date; borrowing at its peak was £292M plus other deferred liabilities of £67.8M.

3. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2021/22 (%)	Maximum during 2021/22 (%)
Upper Limit for Fixed Rate Exposure	100	80.8
Compliance with Limits:	Yes	Yes
Upper Limit for Variable Rate Exposure	50	19.2
Compliance with Limits:	Yes	Yes

4. Total Principal Sums Invested for Longer Than a Year

This indicator allows the Council to manage the risk inherent in investments longer than a year and the limit is set at £100M. The actual principal sum invested to date has peaked at £30M and is made up of the £27M in Property funds (CCLA) and Bonds of £3M. This is lower than that reported previously and reflects the withdrawal from the Bonds market where the return is no longer attractive and to only borrow when cash flow dictate.

5. 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 ratio is based on the forecast of net revenue expenditure in the medium term financial model. The upper limit for this ratio is currently set at 15% and will remain so 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 proposed capital programme (including cost of long term liabilities).

This indicator is not so relevant for the HRA, 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 should any arise then the HRA would have the option not to make principle repayments in the early years.

Ratio of Financing Costs to Net Revenue Stream	2020/21 Actual	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
	%	%	%	%	%
General Fund	8.40	10.49	10.08	11.12	11.40
HRA	6.40	10.62	10.00	11.16	9.36
Total	8.94	11.86	11.09	12.19	12.08

6. HRA Limit on Indebtedness

Following the Chancellor’s announcement in the 2018 Autumn Budget, restrictions relating to HRA borrowing have been lifted. This means that the previous HRA debt cap of £199.6m has been removed, and there is now the emphasis for councils to plan their new build strategy and financing at a local level incorporating affordability and prudence. As such it has been agreed that the limit will remain for existing stock and that as part of the new build strategy relevant Prudential Indicators will be agreed.

This page is intentionally left blank

GLOSSARY OF TREASURY TERMS

<p>Authorised Limit (Also known as the Affordable Limit):</p> <p>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).</p>
<p>Balances and Reserves:</p> <p>Accumulated sums that are maintained either earmarked for specific future costs or commitments or generally held to meet unforeseen or emergency expenditure.</p>
<p>Bail - in (Risk):</p> <p>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.</p> <p>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.</p>
<p>Bank Rate:</p> <p>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'.</p>
<p>Bond:</p> <p>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.</p>
<p>Capital Expenditure:</p> <p>Expenditure on the acquisition, creation or enhancement of capital assets.</p>
<p>Capital Financing Requirement (CFR):</p> <p>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.</p>
<p>CD's:</p> <p>Certificates of Deposits with banks and building societies</p>
<p>Capital Receipts:</p> <p>Money obtained on the sale of a capital asset.</p>

<p>Constant Net Asset Value (CNAV)</p> <p>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.</p>
<p>Corporate Bonds:</p> <p>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.</p>
<p>Cost of Carry:</p> <p>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%.</p>
<p>Counterparty List:</p> <p>List of approved financial institutions with which the Council can place investments with.</p>
<p>Covered Bond:</p> <p>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."</p>
<p>CPI :</p> <p>Consumer Price Index – the UK’s main measure of inflation.</p>
<p>Credit Rating:</p> <p>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.</p>
<p>Diversify /diversified exposure:</p> <p>The spreading of investments among different types of assets or between markets in order to reduce risk.</p>
<p>Federal Reserve:</p> <p>The US central bank. (Often referred to as “the Fed”).</p>
<p>FTSE 100 Index:</p> <p>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.</p>
<p>General Fund:</p> <p>This includes most of the day-to-day spending and income.</p>

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.

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.

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.

LUHC - Department for Levelling Up, Housing and Communities

Formally Ministry for Housing, Communities and Local Government (MHCLG) and the Department for Communities and Local Government (DCLG) which was created on 5 May 2006, replacing the Office of the Deputy Prime Minister (ODPM), with a remit to promote community cohesion and equality, as well as responsibility for housing, urban regeneration, planning and local government.

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.

Ministry for Housing, Communities and Local Government (MHCLG):

The Department for Communities and Local Government (DCLG) was created on 5 May 2006, replacing the Office of the Deputy Prime Minister (ODPM), with a remit to promote community cohesion and equality, as well as responsibility for housing, urban regeneration, planning and local government.

On 8 January 2018, the government announced that the Department for Communities and Local Government will be renamed as the Ministry for Housing, Communities and Local Government (MHCLG).

On the 20 September 2021 this has subsequently been rebranded to Department for Levelling Up, Housing and Communities (LUHC)

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.

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.

Regularity Method - MRP:

As detailed under MRP, this is a charge to revenue to repay capital expenditure financed by borrowing. There are a number of options for a prudent provision and this is for debt prior to 2008 which is supported by the Government through the RSG system. Although regulation

<p>28 is revoked by regulation 4(1) of the 2008 Regulations, authorities are able to calculate MRP as if it were still in force.</p>
<p>Revenue Expenditure:</p> <p>Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.</p>
<p>RPI:</p> <p>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 updated using the RPI index.</p>
<p>(Short) Term Deposits:</p> <p>Deposits of cash with terms attached relating to maturity and rate of return (Interest).</p>
<p>Specified Investments:</p> <p>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.</p>
<p>Supported Borrowing:</p> <p>Borrowing for which the costs are supported by the government or third party.</p>
<p>Temporary Borrowing:</p> <p>Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.</p>
<p>Treasury Management Code:</p> <p>CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.</p>
<p>Treasury Management Practices (TMP):</p> <p>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.</p>
<p>Unsupported Borrowing:</p> <p>Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.</p>
<p>Variable Net Asset Value (VNAV):</p> <p>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.</p>
<p>Yield:</p> <p>The measure of the return on an investment instrument.</p>

Agenda Item 6

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	ANNUAL REVIEW OF COMPLAINTS 2020/21		
DATE OF DECISION:	16 th NOVEMBER 2021		
REPORT OF:	SERVICE DIRECTOR: LEGAL & BUSINESS OPERATIONS		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Sarita Riley Head of Legal Partnerships, Legal and Business Operations	Tel: 023 8083 3218
	E-mail:	Sarita.riley@southampton.gov.uk	
Director	Name:	Mike Harris	Tel: 023 8083 2882
	E-mail:	Mike.harris@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY		
N/A		
BRIEF SUMMARY		
<p>This report summarises the type and number of complaints received from the 1 April 2020 to 31 March 2021 together with the Local Government and Social Care Ombudsman annual review for the same period. Overall complaints registered with the council have increased this year (432 this year/344 last year), however there has been a decrease in social care complaints.</p>		
	2020/21	2019/20
Non-Social Care Complaints	65% increase – 334	202
Adult Services Complaints	48% decrease – 19	37
Children and Families Complaints	25 % decrease - 79	105
<p>The Complaints Resolution Team (CRT), based in Legal and Business Operations, administers stage 2 complaints independently from all areas within the Council that the service area has been unable to resolve at initial point of contact (Stage 1), alongside and responsible to the Head of Legal Partnerships who acts as the Council's single point of contact for Local Government and Social Care Ombudsman (LGSCO) and Housing Ombudsman (HO) complaints.</p>		
RECOMMENDATIONS:		
(i)	That the report on complaints outcomes for 2020/21 be noted and to offer any feedback on governance or performance relating to the complaints function to be fed back to service areas and inform future service delivery.	
REASONS FOR REPORT RECOMMENDATIONS		
1.	To update members of this Committee on performance trends and any learning points arising out of complaints made by the public via the Council's complaints procedures during 2020/21. Identifying these issues assists the Council in understanding where things have "gone wrong" in the past year in order to improve service delivery.	

- | | |
|----|--|
| 2. | This report is presented to Governance Committee for information, learning points and feedback purposes as required by the LGSCO as part of its guidance on the governance and oversight of a high performing (good) complaints process. |
|----|--|

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	N/A. The LGSCO requires the Council to report and consider complaints trends and outcomes annually with members and senior management.
DETAIL (Including consultation carried out)	
4.	The effective and responsive management of complaints is a vital part of the Council's overall approach to customer care. In addition, the customer feedback that valid complaints provide can be used to improve service delivery, facilitate Council-wide learning and demonstrate continuous improvement.
5.	At the conclusion of a complaint's investigation, the complainant is advised that if they are not satisfied with the outcome achieved for them by the Council, they may pursue their complaint to the LGSCO or the HO. This provides the customer with an entirely independent source of advice and redress if they remain aggrieved. The Council works closely with the LGSCO or HO to resolve outstanding complaints where appropriate.
<u>Overall Complaints (1 April 2020 and 31 March 2021)</u>	
6.	Continuing with an "immediate service recovery" ethos adopted five years ago, customer facing areas have, until this reporting cycle, been able to decrease the number of complaints recorded year on year, by taking immediate effective action on receipt of an issue from a member of the public. However i) there has been an increase in non-social care complaints in the last reporting year. (for which please see below) ii) While there has been a decrease overall in children's social care complaints, there is an emerging trend demonstrating that children's social care complaints are not currently fully benefitting from initial service recovery measures.
7.	Under the service recovery process, where immediate action is not possible or the issue is identified as a continuing failure within the service area, matters are moved out of 'business as usual' response and recorded as complaints and recorded as such.
8.	By adopting this approach, member of the public are receiving an immediate resolution to the issue for the significant majority of matters referred to the Council, which is generally what is required.
9.	The number of recorded complaints in all areas of the Council initially saw a sharp decrease since the introduction of the immediate service recovery ethos and has delivered significant improvements to the customer journey and satisfaction rates as demonstrated by the decreasing number of recorded complaints.
10.	Last year, however, showed an increase in a limited number of services areas. This is due to a significant proportion of Covid 19 related complaints, mainly in the area of covid related grants and support payments administered by the Council on behalf of the government. The legislation brought in, did not offer a right of review of the Councils decisions in respect of grants and support, and therefore any challenges to decision were processed through the complaints policy to provide an effective 'appeal' process and evidence good governance and oversight of grant decisions. A further decrease in Adult Social care (due to the introduction and subsequent embedding of a dedicated staff member, an experienced manager, dealing with

initial complaint reports) has again been recorded demonstrating continuous improvement in this area of complaints.

A decrease in complaints regarding Children & Families has been recorded where introduction and subsequent embedding of a dedicated staff member dealing with initial complaint reports has had some effect, however there are emerging concerns about the ability of the service to effectively manage complaints at stage 1 and achieve early resolution for the customer to these (often complex) matters.

Non-Social Care Areas

11. From 01/04/2020 to 31/03/21, the council recorded 334 corporate complaints at Stage 1, registered and dealt with by the service area affected:

Stage 1	2020/21	2019/20	2018/19	2017/18
Total	334	202	201	260
Responded in time (20 days)	82%	65%	56%	79%

We are currently unable to report on the percentage or number of complaints upheld at stage 1 as the updated CRM (Lagan (old version) – now called EmPro (new version)) searches do not currently incorporate this function. This is being rectified by an ongoing project to improve the functionality of the software and training for staff entering data and figures should be available from the next reporting year.

12. Of those stage 1 complaints, the following were examined at Stage 2 by the Complaints Resolution Team, following a request from the complainant:

Stage 2	2020/21	2019/20	2018/19	2017/18
Total	73	77	49	45
Responded in time (20 days)	100%	100%	100%	93%

While the number of complaints has significantly increased for the reasons set out above in paragraph 10, the time taken to respond to them within the Council has also improved ensuring the customer has quick and effective communication in response to their complaints in the majority of corporate compliant areas.

Adult Social Care

13. From 01/04/2020 to 31/03/21, the council recorded 19 adult social care complaints. Stage 1 registered and dealt with by the service area affected:

Stage 1	2020/21	2019/20	2018/19	2017/18
Total	19	37	75	64
Responded in time (20 days)	90%	63%	47%	63%

14. Of those stage 1 complaints, the following were examined at stage 2 by the Complaints Resolution Team, following a request from the complainant:

Stage 2	2020/21	2019/20	2018/19	2017/18
Total	2	7	9	9
Responded in time (20 days)	100%	100%	100%	80%

The introduction of a dedicated officer to provide quality assurance and early response to complaints in adults has resulted in significant improvements in both response times and quality of responses.

Children & Learning Services

15. From 01/04/2020 to 31/03/21, the council recorded 79 children and learning services complaints. Stage 1 registered and dealt with by the service area affected:

Stage 1	2020/21	2019/20	2018/19	2017/18
Total	79	105	66	69
Responded in time (20 days)	57%	53%	65%	46%

16. Of those stage 1 complaint, the following were examined at stage 2 by the Complaints Resolution Team, following a request from the complainant:

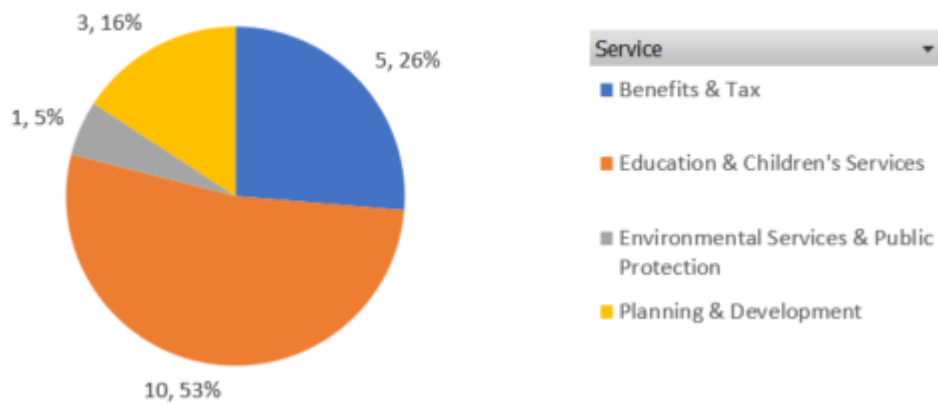
Stage 2	2020/21	2019/20	2018/19	2017/18
Total	12	35	20	11

	Responded in time (20 days)	100%	100%	80%	76%
17.	<u>Learning from Complaints</u>				
18.	<p>While the data from the reporting year shows a marginal improvement on previous year, we have to provide a note of caution on this based on an emerging trend in this years data (which will be reported in the next annual cycle) There is an increasing instance of complaints not being dealt with as effectively as they could at stage 1 of the Children’s statutory complaints process and those Childrens complaints registered under the corporate process. There are often significant delays in responding to complaints, poor record keeping in communications with clients and their families, information and input supplied late or not at all (although slowly improving) through later stages of the complaint’s procedures leading in turn to a percentage increase in complaints proceeding to later stages and in turn being upheld for poor administrative process. This has both reputational and cost implications for the Council. Whilst not strictly related to the reporting from 2020/21 , Governance Committee is provided with this early insight on an emerging trend rather than wait until next year to take action. Meetings have commenced with service area managers to address the root causes of the delays and poor complaint management at stage 1 and additional support is being put in place within the service to try to recover the position and roadmap an improvement plan to pre-empt a significant decline in compliance figures for the next reporting year.</p>				
19.	<p>On a more positive and encouraging note, it should be noted that the vast majority of children’s complaints that are upheld are not generally as a result of service failures to the child or family in question or represent mainly low impact outcomes for those families. Child protection and safeguarding of children in need is not being compromised by these complaint handling errors. For the main, complaints that are being upheld and remedies and financial awards being imposed are as a result of failures to properly identify, consider and respond effectively in a timely manner to complaints within the service areas. As set out above, urgent meetings have been held with children’s services to identify areas of concern and the service area has agreed to develop an action plan to address capacity issues at the point at which stage 1 complaints are reviewed and responded to on behalf of service. That work is currently progressing.</p>				
<u>Local Government & Social Care Ombudsman(LGSCO) & Housing Ombudsman Complaints</u>					
20.	<p>LGSCO complaints, the final ‘independent’ stage for all complaints processes, are dealt with by the Head of Legal Services Partnerships on behalf of the Council. The LGSCO (the Commission for Local Administration in England) provides an independent review of all complaints falling within their jurisdiction. The Housing Ombudsman performs a similar function for landlord related complaints. Housing policy and non-landlord related functions fall to the LGSCO to consider. In an effort to simplify outcomes for complainants the LGSCO has in recent years moved from findings of ‘Maladministration’ and ‘Injustice’ to a more commonly understood term ‘fault’. If ‘Fault’ is found a complaint is recorded as upheld, even if the fault was relatively minor or the Council has already taken steps to remedy that fault and the LGSCO is satisfied with the remedy offered by the Council. All findings are now reported on the LGSCO website within 3 months of the decision being published.</p>				

21.	Statutory reports still remain the highest 'fault' finding the LGSCO can make. These require the Council's Monitoring Officer to prepare a report for consideration at full Council following a period of statutory publication of the findings. Importantly, none have been prepared in recent years. Councils that fail to co-operate with the LGSCO or any of their findings may be subject to enforcement action and ultimately Judicial Review.
-----	--

22.		2020/21	2019/20	2018/19
	Complaints Received	19	59	66
	Decisions made	19	57	74
	Statutory reports	0	0	0
	Upheld	8 (67%)	7 (70%)	12 (70%)
	Not upheld	4 (33%)	3 (30%)	5 (30%)
	Closed / invalid, etc.	7	25	11
	Premature Complaints	0	22	28

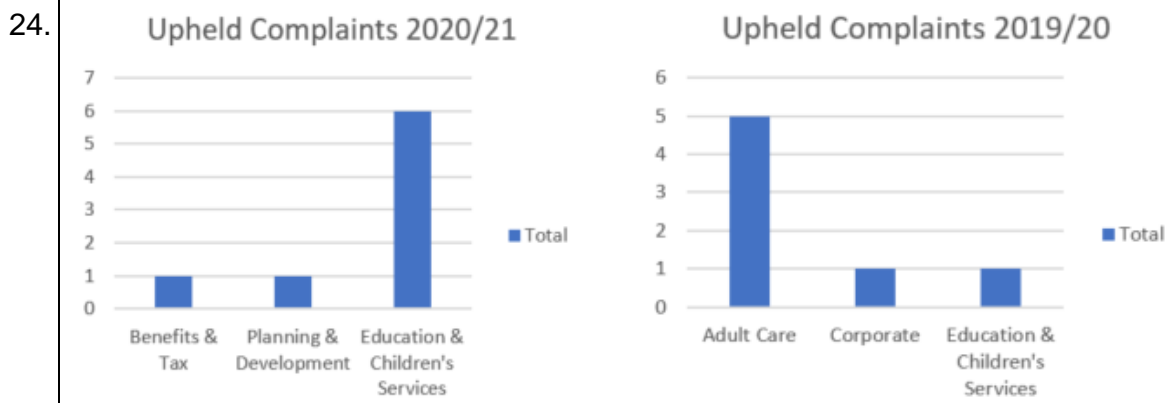
Breakdown of Service Area - complaints received



23. To allow authorities to respond to the Covid-19 pandemic, the Ombudsman did not accept new complaints and stopped investigating existing cases between March and June 2020. This significantly reduced the number of complaints received and decided in the year 2020 – 2021. The Committee should consider this when comparing data from previous years.

67% of complaints were upheld. Whilst the overall number of complaints was significantly fewer than previous years, the percentage and number of upheld complaints remains constant.

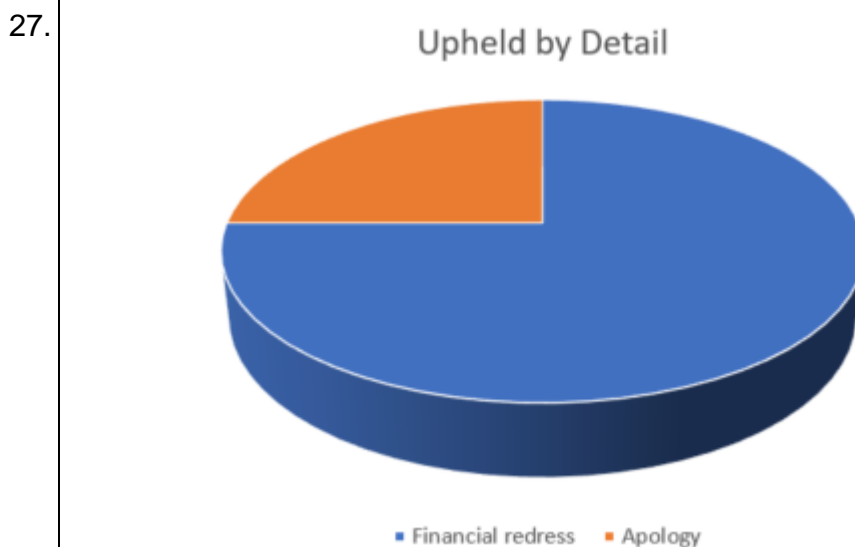
LGSCO Complaints Upheld by area 2020/21



25. Across the 8 upheld complaints by the LGSCO during 2020/21, 6 were in Education and Children's Services, 1 in Benefits and Council Tax and 1 in Planning and Development.

26. The largest percentage of complaints overall were regarding Education and Children's Services (53%) and 60% of these were upheld.

Details of Complaints Upheld



28. Of the 8 upheld complaints, 2 required an apology to the client and 6 required financial redress totalling £12,646

29. Education and Children's Services matters:
 Of the 6 upheld complaints regarding Education and Children's Services, required financial redress totalling £11,950.
 One is an ongoing complaint which was initially closed for the year 2020/2021 and reopened in August 2021, for which £1750 compensation was paid, and reviews of the Child Protection and Child in Need cases managed by social workers were undertaken. The commissioning of interpreters has also been reviewed closely as a recommended action by the Ombudsman.

In a similar case there were shortfalls in communication and the use of interpreters which had since been rectified as per the previous matter, and a payment of £1000 was made for the injustice caused by these faults.

In a double case, a statutorily overcrowded family lived in cold and damp for longer than necessary and were awarded extra housing points, were rehoused and received an apology and payment of £7900 for the delays and failure to accurately assess the situation.

An apology and payment of £1300 was sent to a child in need due to improper planning including a permanent address and education, on his release from custody. The Council's procedures have been amended so it begins planning for children's releases earlier thereby avoiding undue distress.

An additional upheld complaint in this area regarding statutory duties to foster children not being met resulted in an explanation and apology for the frustration to the client along with the Council's commitment to continue to improve its services to children in its care.

Benefits and Council Tax matter:
 In this matter, there was fault found in the Council's decision to cancel housing benefit. An apology and refund of £446 in court costs plus an additional £250 directly to the client to reflect the avoidable upset, time and trouble caused in this case.

Planning and Development matter:
 Failure to properly investigate noise nuisance, breaches of planning control and unauthorised use of a site opposite the home of a resident resulted in an apology to the client and commitment to take timely enforcement action in the future. This was a difficult site, where a residential property was developed within a predominantly industrial area after existing uses were in place and has resulted in additional learning for enforcement teams where such rare situations occur in future.

How Does Southampton Compare?

30. The table below shows how Southampton performs against key local and unitary comparators (detailed investigations and overall % upheld). This is an edited snapshot of total number of detailed investigations and the percentage upheld and is not intended to give more than a brief overview of comparative pressures / performance. More detail, and statistics for all other Councils, is included in the LGSCO Annual Report referred to above.

31.		2020/21 (Uphold rate)	2019/20 (Uphold rate)
	Bournemouth	9 (69%)	5 (42%)
	Bristol	19 (83%)	33 (61%)
	Brighton & Hove	12 (75%)	17 (53%)
	Hampshire	27 (87%)	38 (55%)
	Plymouth	14 (78%)	23 (52%)
	Portsmouth	2 (50%)	11 (55%)

	Southampton	8 (67%)	10 (70%)																								
32.	<p style="text-align: center;">Uphold Rate by Region</p> <table border="1"> <caption>Uphold Rate by Region Data</caption> <thead> <tr> <th>Region</th> <th>2019/2020</th> <th>2020/2021</th> </tr> </thead> <tbody> <tr> <td>Southampton</td> <td>70%</td> <td>67%</td> </tr> <tr> <td>Bournemouth</td> <td>42%</td> <td>69%</td> </tr> <tr> <td>Bristol</td> <td>61%</td> <td>83%</td> </tr> <tr> <td>Brighton & Hove</td> <td>53%</td> <td>75%</td> </tr> <tr> <td>Hampshire</td> <td>55%</td> <td>87%</td> </tr> <tr> <td>Plymouth</td> <td>52%</td> <td>78%</td> </tr> <tr> <td>Portsmouth</td> <td>55%</td> <td>50%</td> </tr> </tbody> </table>			Region	2019/2020	2020/2021	Southampton	70%	67%	Bournemouth	42%	69%	Bristol	61%	83%	Brighton & Hove	53%	75%	Hampshire	55%	87%	Plymouth	52%	78%	Portsmouth	55%	50%
Region	2019/2020	2020/2021																									
Southampton	70%	67%																									
Bournemouth	42%	69%																									
Bristol	61%	83%																									
Brighton & Hove	53%	75%																									
Hampshire	55%	87%																									
Plymouth	52%	78%																									
Portsmouth	55%	50%																									
33.	Full details of both the Council’s annual performance letter and the LGSCO Annual Review can be viewed on www.LGSCO.org.uk																										
<u>Learning from Complaints</u>																											
34.	<p>Whilst it is important to note the overall number of complaints received has reduced, mainly due to the Council and the Ombudsman responding to the Covid-19 pandemic, there is still a 67% uphold rate with the majority being in Education and Children’s Services, which shows more attention needs to be given in this area. It is difficult to identify any real common themes with very low numbers such as these, especially during the pandemic, but the majority of complaints that proceed to the LGSCO are down to lack of communication and reflect the same findings identified by the complaints team at stage 2 of the Council’s complaints process, highlighting the Council is making errors in its handling of children’s services complaints and not taking the opportunities to remedy those errors before the matter goes to review by external regulator. This increases significantly the time and cost and reputational damage associated with dealing with these complaints. Except for the financial redress (recommended action) the remaining upheld complaints required an apology for not fulfilling original requests from clients.</p>																										
35.	<p>It should also be noted that complaints and LGSCO data looks back to 2020/21 with a significant delay in annual reporting as national LGSCO annual reports are compiled and distributed to Council’s. Looking forward to this year and the next round of reporting, there is a marked rising trend in children’s complaints and the rise has been significantly higher than anticipated with fewer complaints being resolved earlier in the process than would be expected. Urgent action is in hand with the service area to address what is going wrong with early-stage complaints handling and management oversight of stage 1 complaints to seek to recover the position before year end reporting and to improve the responses we provide our vulnerable families in this important area of Council support.</p>																										
RESOURCE IMPLICATIONS																											
<u>Capital/Revenue</u>																											
36.	None.																										

<u>Property/Other</u>	
37.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
38.	Section 111 Local Government Act 1972 and Section 1 Localism Act 2011.
<u>Other Legal Implications:</u>	
39.	Individual complaints touch on a wide variety of Council duties and powers which are taken into account (alongside pervasive legislation such as the Equalities Act 2010) when reviewing and responding to customer complaints and areas of service recovery or improvement.
RISK MANAGEMENT IMPLICATIONS	
40.	None in relation to this report. No major issues or areas of concern for the Council as a whole highlighted in this year's review however individual complaints are risk assessed on a case-by-case basis.
POLICY FRAMEWORK IMPLICATIONS	
41.	The complaints' function is exercised wholly in accordance with the Council's Policy Framework.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	None
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	
2.	

Documents In Members' Rooms

1.	
2.	

Equality Impact Assessment

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

Data Protection Impact Assessment

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

Other Background Documents

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules /
-------------------------------------	--

		Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		

This page is intentionally left blank

Agenda Item 7

DECISION-MAKER:	GOVERNANCE COMMITTEE
SUBJECT:	INTERNAL AUDIT PROGRESS REPORT 2021-22
DATE OF DECISION:	16th NOVEMBER 2021
REPORT OF:	CHIEF INTERNAL AUDITOR

<u>CONTACT DETAILS</u>			
Executive Director	Title	FINANCE & COMMERCIALISATION	
	Name:	John Harrison	Tel: 023 8083 4897
	E-mail	John.Harrison@southampton.gov.uk	
Author:	Title	CHIEF INTERNAL AUDITOR	
	Name:	Elizabeth Goodwin	Tel: 023 8083 4616
	E-mail	Elizabeth.Goodwin@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
N/A	
BRIEF SUMMARY	
<p>The Public Sector Internal Audit Standards 2017 (PSIAS), requires the Chief Internal Auditor (CIA) to provide periodical updates to the Governance Committee on:</p> <ul style="list-style-type: none"> • Progress made against the agreed annual audit plan. • Results of audit activities and • Management's response to risk that in the CIA's judgement maybe unacceptable to the Authority <p>All other PSIAS requirements are communicated in either the charter or annual audit opinion, which are reported separately to this committee at various times throughout the year.</p> <p>There are a total of 77 audit review in the revised plan for 2021/22. To date 49 (64%) of the audits have been completed or are in progress as at 29th October 2021. This represents 26 (34%) audits where the report has been finalised, 5 (7%) where the report is in draft and 18 (23%) audits currently in progress.</p> <p>Internal Audit progress for the period 1st April 2021 to 29th October 2021 is covered in in the report attached as Appendix 1.</p>	
RECOMMENDATIONS:	
	(i) That the Governance Committee notes the Internal Audit Progress report for the period 1 st April 2021 to 29 th October 2021.
REASONS FOR REPORT RECOMMENDATIONS	
1.	In accordance with the Public Sector Internal Audit Standards the Chief Internal Auditor is required to provide an update on progress against the annual audit plan to the Governance Committee for information.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
	None
DETAIL (Including consultation carried out)	
	As above
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
	None
<u>Property/Other</u>	
	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
	The Accounts and Audit (England) Regulations 2015 state 'a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards.
<u>Other Legal Implications:</u>	
	None
RISK MANAGEMENT IMPLICATIONS	
	The report is for note only, there is no decision to be made.
POLICY FRAMEWORK IMPLICATIONS	
	None

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	None
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Internal Audit Progress Report for the period 1 st April 2021 to 29 th October 2021.

Documents In Members' Rooms

1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
Other Background Documents	

Other Background documents available for inspection		
Title of Background Paper(s): None		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		

This page is intentionally left blank



SOUTHAMPTON
CITY COUNCIL

Internal Audit Progress Report

16th November 2021

Elizabeth Goodwin, Chief Internal Auditor

1. Introduction

Internal Audit is a statutory function for all local authorities.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 as to:

Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

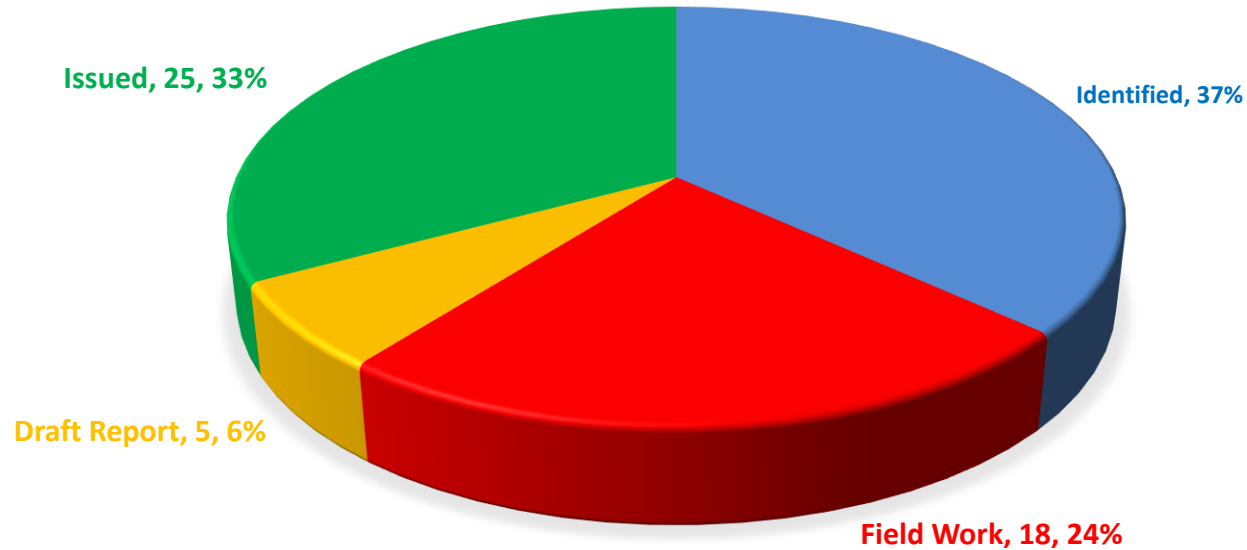
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

This report includes the status against the 2021/22 internal audit plan. In summary 39% of the 2021/22 plan has been concluded or are in progress. All items yet to be fully completed will be finalised by the end of the financial year to enable an annual opinion to be given.

Internal Audit has been involved in supporting the organisation during the COVID-19 pandemic, either by performing additional work or due to staff redeployment. The details and results are included in this report for information.

There are currently no 'no assurance' reports or critical exceptions contained in this report for this period. All items completed since the last committee attendance are detailed at a summary level in this report. This includes, full audits, follow up work and grant work completed.

2. Audit Plan Progress as of 29th October 2021



There are a total of 77 reviews in the 2021/22 Audit Plan.

To date, 49 (64%) have been completed or are in progress as at 29th October 2021. This represents 26 (34%) audits where the report has been finalised, 5 (7%) where the report is in draft and 18 (23%) audits currently in progress.

Status	Audits
Identified	28
Fieldwork	18
Draft Report	5
Final Report	26
Total	77

3. Ongoing Internal Audit Involvement

Internal Audit has undertaken work or provided advice in the following areas. (For reference, advice is only recorded when the time taken to provide the advice exceeds one hour):

- 5 Items of advice
- Anti-Money Laundering - This includes receipt of instances of large cash payments received and onward reporting if deemed appropriate.
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office. There has been two additional NFI exercises in relation to COVID-19, these relate to mortality and business grants.
- COVID-19 Assurance reporting and grant verification.
- Audit Planning and Consultation - This includes periodical consultation with Directors and revision of the plan following subsequent research into individual assignments.
- Routine advice on controls and risk management.
- Investigations which are in various stages. A more detailed report of concluded investigations will form part of the annual fraud report which will be presented to the Governance Committee in due course.

Over the course of this financial year, Internal Audit has also been involved in supporting the organisation in maintaining critical activities during COVID-19, this has included redeployment of some staff and undertaking ad-hoc control and risk management assessments in order for the organisation to flex its governance framework.

4. Audit Plan Status/Changes

At the beginning of last year when the country went into lockdown and only critical council services were maintained, a number of officers in the Audit service were redeployed. Since then an officer has remained redeployed to SCC Test and Trace service as well as providing assistance and ongoing support to the Council in settling the Afghan refugees who are currently based in Southampton. In addition, there has been a significant increase in the number of grant verifications and fraud work required in this financial year which contributes to the overall review of SCC internal control framework.

The Audit Plan has been more flexible this year to take into account the additional work noted above. Since the last reporting period the following should be noted; **Additions, removals and amendments to the 2021/22 Audit Plan:**

- Addition – Direct Payments (Childrens)
- Addition – Deferred Payments (Adult Social Care) – added at the request of the Executive Director.
- Addition – Ridge Review (Project Progress)
- Addition – Homelessness Prevention Grant – new grant
- Addition – Rough Sleeping Initiative Q1 2021-22 & Rough Sleeping Uplift – new grant.
- Addition – Culture Recovery Grant – new grant.
- Addition - Emergency Active Travel Fund – new grant.
- Addition – EU Perinatal Mental Health Grant Spot Check – added as required spot check to be undertaken.
- Removal – Electric Vehicle Charging Points Contract – Second follow-up already performed.
- Removal – Voids – New process not likely to be fully implemented and effective this financial year so deferred to 2022/23.
- Removal – Adaptions – Scope already covered by Disabled Facilities Grant.
- Removal – Asbestos – to accommodate the Ridge Review audit.
- Removal – Health & Safety – to accommodate the Ridge Review audit.
- Removal – Third Party Contract (British Gas) – removed to accommodate extra work.
- Removal – Early Help & Youth Justice – removed to accommodate extra work.
- Removal – Residential Unit – removed to accommodate extra work.
- Removal – Registration Services – removed to accommodate extra work.
- Removal – Test & Trace PH Service Support Grant 2021 (No 31/5075) – sign-off not required until June 2022.
- Amendment – Schools determined for audits are: St Patricks Primary, Mansbridge Primary, Shirley Warrant Primary and Woodlands Secondary.
- Amendment – Water Quality was recorded as a full audit but a follow-up was performed.

5. Areas of Concern

There are no 'no assurance' opinion audits being reported on this period, all other findings are noted below.

6. Assurance Levels

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives for the area under review.

Assurance Level	Description / Examples
Assurance	<i>No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority</i>
Reasonable Assurance	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
Limited Assurance	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
No Assurance	<i>Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit</i>
NAT	<i>No areas tested</i>

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

7. Exception Risk Ranking

The following table outline the exceptions raised in audit reports, reported in priority order and are broadly equivalent to those previously used.

Priority Level	Description
Low Risk (Improvement)	<i>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</i>
Medium Risk	<i>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</i>
High Risk	<i>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not 'show stopping' but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</i>
Critical Risk	<i>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the Council's objectives in relation to: The efficient and effective use of resources, The safeguarding of assets, The preparation of reliable financial and operational information, Compliance with laws and regulations and corrective action needs to be taken immediately.</i>

Any critical exceptions found the will be reported in their entirety to the Governance Committee along with Director's comments

8. 2021/22 Audits completed to 29th October 2021

Partnership for South Hampshire (PFSH)

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

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

Overall based on testing conducted, Internal Audit can give assurance that adequate financial systems and controls are in place for the administration of the PFSH accounts.

School's Financial Value Standards (SFVS)

Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The medium risk relates to inaccurate SFVS responses including two schools having less than 6 Governor meetings, one school not keeping a written log of fraud or theft detected but did document the investigation and two schools did not have a 3-5 year staffing plan.

Teams 365 & Home Working
Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The medium risk relates to testing establishing, during a review of the training material available, that there was no evidence of corporate guidance on how the authority intend teams to be used or best practice documentation advising of the permissible uses on teams. It was not clear how it should be used as communication software, whether sensitive information can be discussed, whether meetings can be recorded and what the impact the use of teams has on Data Protection, Freedom of Information and Subject Access Requests.

Agency & Temps
Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The high risk relates to testing establishing insufficient candidate information recorded in C.Net5 (system used to request, review and select candidates). From 25 accounts sample tested, 6 could not be viewed due to a technical error, 3 right of work checks could not be evidenced, confirmation of relevant qualifications was not recorded and 5 lacked a satisfactory reference. The medium risk relates to 2/7 temporary staff members who had left the authority at the time of testing still had active outlook accounts.

Website
Exceptions Raised

Critical	High	Medium	Low
0	0	2	1

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The first medium risk relates to there being no ‘holistic’ work being carried out across SCC’s legal publishing obligations to ensure that SCC is fully compliant with its publishing requirements. The second medium risk relates to the website not being fully compliant with the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 without a full plan in place to make the website fully accessible. The low risk relates to embedding the Project Management Online system including issues with highlight reporting and risk management.

Data Sharing Agreements
Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The first high risk relates to 6/16 Information Asset Owners (IAOs) having not completed the Data Protection Training Module within the last two years, IAOs are responsible for addressing the security and risks of the information assets that they “own”. The second high risk relates to 3 (43%) of the 7 data sharing agreements reviewed not retaining a log of the information being shared. The medium risk relates to the Data Protection Impact Assessment becoming a requirement after four Data Sharing Agreements had been finalised meaning the opportunity to identify and minimise Data Protection risks may not have been formally completed or recorded.

Information Governance
Exceptions Raised

Critical	High	Medium	Low
0	1	2	1

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The high risk relates to testing confirming only 65% of all staff have completed Information Governance training, it is understood that the system prompting staff members has had some issues which may be affecting figures. The first medium risk relates to 26 out of 255 Subject Access Requests (SARs) that had been completed after the deadline of one month as stipulated in guidance. The second medium risk relates to 119 (10.2%) of 1171 Freedom of Information (FOI) requests that had been completed after the deadline of 20 working days. The low risk relates to a number of incidents classified as 'Suspected Incidents' were closed without being reclassified as either 'Actual Incidents' or 'Data Protection Concerns'.

St Patricks Primary School
Exceptions Raised

Critical	High	Medium	Low
0	1	3	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The high risk exception relates to testing identifying supporting DBS disclosure information was retained for longer than necessary. The first medium risk relates to some petty cash claims being as high as £545. The second medium risk relates to there not being an inclusive business continuity plan which has been approved by the Governing Body. The final medium risk relates to the mini bus log sheet showing that 271km were unaccounted for.

Cloud Storage
Exceptions Raised

Critical	High	Medium	Low
0	0	4	1

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The first medium risk relates to the lack of a specific business case or strategy setting out why SCC is adopting Cloud, what it aims to achieve, over what timeframe, at what cost and how. The second medium risk relates to the impact that cloud storage will have on policies including Records Management and Data Protection which will need to be reviewed to specifically reference the cloud arrangements. The third medium risk relates to a lack of detailed planning regarding fully implementing OneDrive. The final medium risk relates to further work being necessary to investigate, plan for and implement a robust set of automated controls to safeguard data held in the cloud and on OneDrive. The low risk exception relates to the Digital Strategy needing to be updated to make clear a 'cloud first' approach.

Domestic Abuse
Exceptions Raised

Critical	High	Medium	Low
0	2	1	1

Overall Assurance Level

Limited

Assurance Level by Scope Area

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

The first high risk relates to testing identifying that the multi-agency meeting or discussion with MASH for all High Risk Domestic Abuse (HRDA) Arrangements was not completed within the required timeframe for any of the 10 cases reviewed during testing. The second high risk relates to service audits of 10% of HRDA cases not currently taking place due to a lack of resources. The medium risk relates to testing of referrals being unable to identify who took the initial referral. The low risk relates to 2/10 cases where risk assessments have been completed but stored in the wrong area.

Modern Slavery Act
Exceptions Raised

Critical	High	Medium	Low
0	2	2	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

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

The first high risk relates to the authority being unable to do targeted due diligence for service agreements, consultancy agreements and supply of goods agreements which have a higher risk of Modern Slavery due to the service having not yet identified the higher risk existing contracts and associated supply chains. The second high risk relates to a lack of ability to monitor and report statistics on Modern Slavery concerns in Children's services through PARIS. The medium risk relates to some areas of improvement or areas missed from the latest Modern Slavery statement. The second high risk relates to testing identifying a lack of bespoke Modern Slavery training.

Mansbridge Primary School
Exceptions Raised

Critical	High	Medium	Low
0	5	2	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

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

The first high risk relates to the Governing Body terms of reference not referencing the bodies' responsibilities for the control and administration of the budget as well as Full Governing Body minutes not making clear what supporting documentation was reviewed at the SFVS approval meeting. The second high risk relates to the lack of a review of the Governing Body's skills to identify where there is a collective need to acquire new skills. The third high risk relates to the retention of DBSS back-up documentation. The fourth high risk relates to a lack of discussion and challenge from Governors for the increase in the deficit budget position. The fifth high risk relates to petty cash being overdrawn on 21 occasions between July 2020 and 2021 including 13 cheque payments exceeding the limit. The medium risks relate to a lack of annual inventory checks and CCTV policy.

Purchase Cards
Exceptions Raised

Critical	High	Medium	Low
0	5	0	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

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

The first high risk relates to testing identifying 34 transactions between May 2020 and May 2021 having a monetary value higher than the card holder's single transaction limit. The second high risk relates to testing of 25 purchases where VAT is coded and found 11/25 were not supported by a VAT receipt and 1/25 VAT calculations differed from the VAT stated on the receipt. The third high risk relates prohibited expenditure on purchase cards including regular subscription fees to a video conferencing software company. The fourth high risk relates to the regular monitoring of purchase card transactions was put on hold while a staff member was on long-term absence. The final high risk relates to the lack of controls to prevent the processing of non-compliant transactions.

List of Completed Grants
Grant Outcomes:
Assurance

Additional H2S & College Transport Grant

Bus Subsidy Grant

EU Perinatal Mental Health Grant

EU Perinatal Mental Health Grant Spot Check

Local Transport Capital Grant

Rough Sleeping Initiative & Uplift Grant

Emergency Active Travel Grant

Solent Future Transport Zone Grant

9. 2021/22 Follow-up Audits completed to 29th October 2021

Educational Psychologists – 1st Follow Up Audit

Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Latest implementation date scheduled was June 2021.
 Revised date: N/A

Original Assurance Level

Reasonable

Follow Up Assurance Level

Assurance

Follow Up Action

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

Follow up testing was able to close both the high risk and medium risk exception.

Learning and Development – 2nd Follow Up Audit

Original Exceptions Raised

Critical	High	Medium	Low
0	3	1	0

Latest implementation date scheduled was November 2020.
 Revised date: December 2021

Original Assurance Level

Limited

2nd Follow Up Level

Reasonable

Follow Up Action

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

Follow up testing was able to close two high risk exceptions. The high risk that remains open relates to confirming the average costs for internal training to compare with external courses to ensure value for money. The medium risk that remains open relates to deploying course feedback which has been delayed due to technical issues.

The Polygon School – 1st Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	3	3	0

Latest implementation date scheduled was September 2021.
 Revised date: December 2022

Original Assurance Level

Limited

Follow Up Assurance Level

Reasonable

Follow Up Action

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

Follow up testing was able to close 2 high and 2 medium risk exceptions. The in progress high risk relates to the budget and the need to discuss the Band Funding process. The in progress medium risk relates to the CCTV policy which has been drafted needing to be approved by the Full Governing Body.

Water Quality – 1st Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	6	2	0

Latest implementation date scheduled was December 2020.
 Revised date: November 2021

Original Assurance Level

No Assurance

Follow Up Assurance Level

Limited

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	6 (High)	0	2 (Medium)	0	0	0

Follow up testing was able to close two medium risk exceptions. The first high risk that remains in progress relates to outstanding risk assessments. The second relates to fault sheets being sent for monitoring. The third relates to responsible person and staff training. The fourth relates to officers needing to create a responsible person list. The fifth relates to improving the visibility and monitoring or remedial works. The remaining high risk relates to a tendering exercise to ensuring value for money.

Appointeeship – 1st Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	8	2	2

Latest implementation date scheduled was March 2021.
 Revised date: May 2022

Original Assurance Level

No Assurance

Follow Up Assurance Level

Limited

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	5 (High) 1 (Medium)	0	3 (High) 1 (Medium) 2 (Low)	0	0	0

Follow up testing was able to close 3 high, 1 medium and 2 low risk exceptions. The first high risk in progress relates to the Appointeeship Client Management System being in progress. The second relates to client accounts missing documentation including benefit award letters and payment forms. The third relates to clients' accounts being in need of review. The fourth relates to new procedures managing deceased accounts needing further time to embed. The final in progress high risk relates to the business case for charging being underway. The in progress medium risk relates to clients which are requiring reassessment which has reduced from 17 to 12 following reviews.

10. Follow-up Action Categorisation

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

Follow Up Categories	Description
Open	<i>No action has been taken on agreed action.</i>
Pending	<i>Actions cannot be taken at the current time but steps have been taken to prepare.</i>
In Progress	<i>Progress has been made on the agreed action however they have not been completed.</i>
Implemented but not Effective	<i>Agreed action implemented but not effective in mitigating the risk.</i>
Closed: <i>Verified</i>	<i>Agreed action implemented and risk mitigated, verified by follow up testing.</i>
Closed: <i>Not Verified</i>	<i>Client has stated action has been completed but unable to verify via testing.</i>
Closed: <i>Management Accepts Risk</i>	<i>Management has accepted the risk highlighted from the exception.</i>
Closed: <i>No Longer Applicable</i>	<i>Risk exposure no longer applicable.</i>

11. Audits in Draft

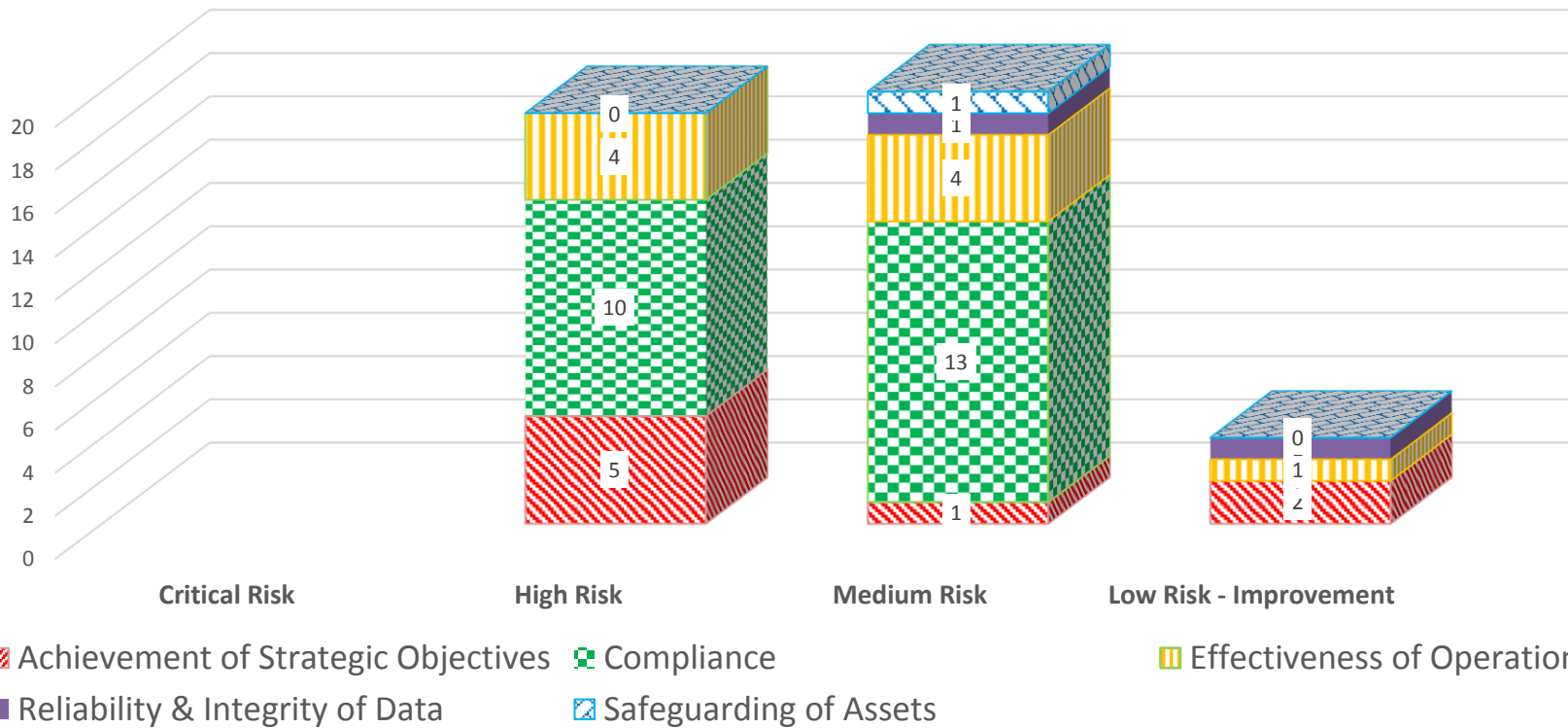
Audit	Directorate	Projected Reporting	Revised	Comments
Care Leavers	Wellbeing (Children & Learning)	TBC		
Deprivation of Liberty	Wellbeing (Health & Adults)	TBC		
Expenses, Travel & Subsistence	Business Services	TBC		
Operator's License	Place	TBC		
Schools Budget Deficits	Finance & Wellbeing (Children & Learning)	TBC		

12. Audits in Progress

Audit	Directorate	Comments
Adult Safeguarding	Wellbeing (Health & Adults)	
Business World	Finance & Commercialisation	
Council Tax	Finance & Commercialisation	
COVID-19 Income Loss Compensation Claim	Finance & Commercialisation	
Culture Recovery Grant	Communities, Culture & Homes	
Direct Payments Children	Wellbeing (Children & Learning)	
Disabled Facilities	Finance & Place	

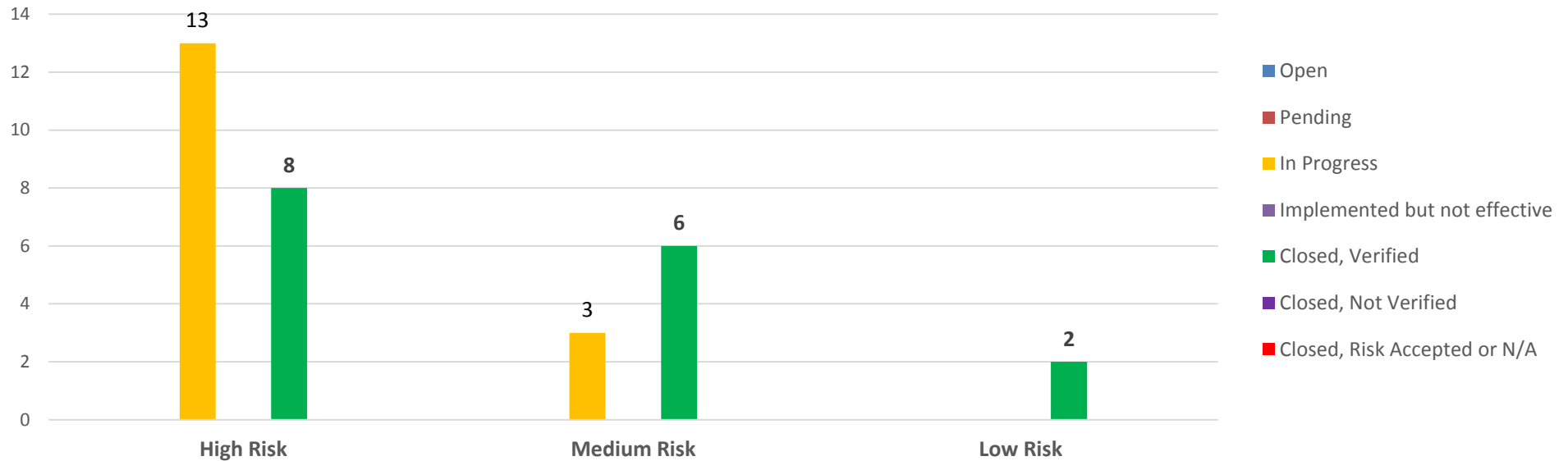
Emergency Procedures / Fire Safety	Communities, Culture & Homes	
Families Matter Grant	Wellbeing (Children & Learning)	
Feeder Systems	Business Services	
Flood Risk Management	Place	
Housing Rents & Arrears Collection	Communities, Culture & Homes & Finance	
NNDR	Finance & Commercialisation	
Parking (Income Collection)	Communities, Culture & Homes	
Pension Return	Business Services	
Public Health Outcomes	Wellbeing (Health & Adults)	
Recruitment & Retention	Business Services	
Shirley Warren Primary School	Wellbeing (Children & Learning)	

13. Exception Analysis to Date



	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						
High Risk	5	10	4			19
Medium Risk	1	13	4	1	1	20
Low Risk - Improvement	2		1	1		4
Grand Total	8	23	9	2	1	43

14. Follow Up Analysis



	Open	Pending	In Progress	Implemented but not effective	Closed – Verified	Closed – Not Verified	Closed – Management Accepts Risk	Closed – No Longer Applicable
High Risk			13		8			
Medium Risk			3		6			
Low Risk					2			
Grand Total	0	0	16	0	16	0	0	0

The Internal Audit Service follows up all audits where at least 1 high risk exception has been raised. These audits are followed up in the next financial year to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions are followed up within 3 months due to the potential severity of the risks identified. The overall position of the exceptions followed up currently through 2021/22 shows that **50%** have been closed by audit, however **50%** remain open and or are in progress.

Agenda Item 8

DECISION-MAKER:	Governance Committee
SUBJECT:	Annual Review of the Health and Social Care Contracts managed by the Integrated Commissioning Unit
DATE OF DECISION:	Tuesday 16 November 2021
REPORT OF:	Stephanie Ramsey, Director of Quality and Integration

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director Wellbeing (Health and Adults)	
	Name:	Guy Van Dichele	Tel: 07703 498 223
	E-mail	Guy.VanDichele@southampton.gov.uk	
Author:	Title	Commissioner, Community and Supplier Lead	
	Name:	Aleksandra Burlinson	Tel: 023 80832795
	E-mail	aleksandra.burlinson@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
N/A	
BRIEF SUMMARY	
<p>This paper informs the Governance Committee of the contracts managed by the Integrated Commissioning Unit (ICU) on behalf of Southampton City Council (the Council), and gives a summary of the current arrangements for monitoring these contracts, including mechanisms for assurance of quality, performance, and governance.</p>	
RECOMMENDATIONS:	
	<p>(i) To note the report's contents and the work of the Integrated Commissioning Unit (the ICU) to ensure contracts with external agencies for health and care services are properly managed, provide good quality and best value.</p>
REASONS FOR REPORT RECOMMENDATIONS	
1.	<p>The ICU manages a number of contracts on behalf of the council, including joint arrangements with the NHS at a Southampton place-based level for the Hampshire, Southampton and Isle of Wight Clinical Commissioning Group (CCG). The ICU is subject to internal and external audit processes which verify the management of contracts is undertaken in an appropriate manner and to a standard that provides assurance and limits risk to the council.</p>
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	

2.	Not providing an annual update on the ICU contracts and grants was considered and rejected as it would not support transparency in public expenditure.
----	--

DETAIL (Including consultation carried out)

3.	The ICU undertakes health and social care commissioning functions on behalf of the Council and a significant proportion of the NHS commissioning functions at a Southampton place-based level for the Hampshire, Southampton and Isle of Wight Clinical Commissioning Group. This includes responsibility for the management of associated contractual arrangements for care and support services on behalf of both organisations. The ICU works closely with Children’s, Adults and Public Health colleagues and other stakeholders to ensure fit for purpose contract design and effective management of contract performance.
----	--

4.	The ICU Procurement Team is responsible for health and care category procurements. ICU procurement business partners work closely with the commissioning and contract functions to ensure that the processes for tendering and award of contracts are compliant with council contract procedure rules and procurement regulations. The ICU procurement function was last audited by the council’s internal audit team in June 2021, the result of which was a finding of ‘Reasonable Assurance.’
----	--

5.	The ICU currently manages a total of 156 contracts. The contracts include block service contracts, framework agreements and partnership agreements with the CCG and other health bodies. These are delivered for services to Adults and Children, including Public Health services. From 1 April 2021, the grant budget and the management of grants moved to the Stronger Communities Team, under the overall management of Executive Director Communities, Culture and Homes. The ICU retains a small number of grants directly associated with the core business.
----	--

The 8 contracts which the ICU manages on behalf of the CCG represent a small portion of the wider joint undertaking between the two organisations. The majority of the integrated commissioning function between the council and the CCG is conducted through the delivery of both social care and health outcomes in the services commissioned through the ICU. The integration is further reflected in the embedding of health functions such as infection control into the social care settings, e.g. residential homes. The majority of other contracts commissioned by the CCG are managed by the Commissioning Support Unit (CSU) and not part of the ICU’s remit.

The ICU contracts and grants are listed in Appendix 1.

Total No Contracts	SCC	CCG	Partnership Agreements	Total No Grants
156	119	8	24	5

6.	The ICU additionally manages the terms under which the council accesses residential and nursing homes for adults both within the city and across the country. The number of individual arrangements is not included in the figures above due to their number (over 200 at any one time).
----	--

7.	<p>Contract compliance and Governance</p> <p>In order to ensure contract compliance and best value, the ICU undertakes contract-related functions to ensure that:</p> <ul style="list-style-type: none"> • Contracts are appropriately and optimally designed, such that service expectations are clearly defined and the benefits of services delivered can be evidenced. • Contracts are procured and awarded in accordance with the Council’s Contract Procedure Rules and Financial Procedure Rules and Procurement Legislation. • Suppliers are at all times compliant with contract terms, and non-compliance with respect to performance, quality, safety, and risk is appropriately managed. • The contracting authority remains at all times compliant with its own obligations with respect to contracts (i.e. payments, communications, expiry). • Contracts are subject to review prior to expiry, to enable internal scrutiny of recommendations for extensions or re-commissioning. • Any significant variations to contract or exemptions to Contract Procedure Rules are scrutinised and approved via internal governance processes and decisions are made and recorded in accordance with the council’s Officer Scheme of Delegation. 																																										
8.	<p>Major SCC Contracts</p> <p>Within the contracts for which the ICU is responsible, there are six contracts which can be considered ‘major’, in that their annual expenditure exceeds £1m. These are as follows:</p> <table border="1" data-bbox="323 1077 1520 1951"> <thead> <tr> <th>Contract Title</th> <th>Service Provider</th> <th>Contract Start Date</th> <th>Current Expiry Date</th> <th>Maximum Expiry Date</th> <th>Total Annual value 2021-22</th> </tr> </thead> <tbody> <tr> <td>Nursing home for older people (Northlands House)</td> <td>BUPA</td> <td>24/06/05</td> <td>23/06/30</td> <td>23/06/30</td> <td>£2.5 million</td> </tr> <tr> <td>Nursing home for people with dementia (Oak Lodge)</td> <td>BUPA</td> <td>08/02/10</td> <td>07/02/35</td> <td>07/02/35</td> <td>£1.6 million</td> </tr> <tr> <td>Level 3 Sexual Health services</td> <td>Solent NHS Trust</td> <td>01/04/17</td> <td>31/03/22</td> <td>31/03/24</td> <td>£2.3 million</td> </tr> <tr> <td>Substance Misuse Service for Adults 25+</td> <td>Change Grow Live</td> <td>01/07/19</td> <td>30/06/24</td> <td>30/06/26</td> <td>£2.2 million</td> </tr> <tr> <td>Health and Care related equipment service</td> <td>NRS Healthcare</td> <td>01/07/20</td> <td>30/06/25</td> <td>30/06/27</td> <td>£1.5 million</td> </tr> <tr> <td>Housing Related Support Service for Adults – Flexible Support</td> <td>Home Group Ltd</td> <td>01/07/17</td> <td>30/06/20</td> <td>30/06/22</td> <td>£1.5 million</td> </tr> </tbody> </table>	Contract Title	Service Provider	Contract Start Date	Current Expiry Date	Maximum Expiry Date	Total Annual value 2021-22	Nursing home for older people (Northlands House)	BUPA	24/06/05	23/06/30	23/06/30	£2.5 million	Nursing home for people with dementia (Oak Lodge)	BUPA	08/02/10	07/02/35	07/02/35	£1.6 million	Level 3 Sexual Health services	Solent NHS Trust	01/04/17	31/03/22	31/03/24	£2.3 million	Substance Misuse Service for Adults 25+	Change Grow Live	01/07/19	30/06/24	30/06/26	£2.2 million	Health and Care related equipment service	NRS Healthcare	01/07/20	30/06/25	30/06/27	£1.5 million	Housing Related Support Service for Adults – Flexible Support	Home Group Ltd	01/07/17	30/06/20	30/06/22	£1.5 million
Contract Title	Service Provider	Contract Start Date	Current Expiry Date	Maximum Expiry Date	Total Annual value 2021-22																																						
Nursing home for older people (Northlands House)	BUPA	24/06/05	23/06/30	23/06/30	£2.5 million																																						
Nursing home for people with dementia (Oak Lodge)	BUPA	08/02/10	07/02/35	07/02/35	£1.6 million																																						
Level 3 Sexual Health services	Solent NHS Trust	01/04/17	31/03/22	31/03/24	£2.3 million																																						
Substance Misuse Service for Adults 25+	Change Grow Live	01/07/19	30/06/24	30/06/26	£2.2 million																																						
Health and Care related equipment service	NRS Healthcare	01/07/20	30/06/25	30/06/27	£1.5 million																																						
Housing Related Support Service for Adults – Flexible Support	Home Group Ltd	01/07/17	30/06/20	30/06/22	£1.5 million																																						

9.	A detailed overview of each major contract and its current status is provided in Appendix 2 (i – v).
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
10.	There are no specific resource implications relating to this paper.
<u>Property/Other</u>	
11.	There are no property issues arising from this paper.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
12.	Each contract is provided for and managed by its own reference to legal powers enabling the council to undertake such contracting.
13.	Contract changes, extensions and direct awards are made in line with the council's Contract Procedure Rules.
14.	Decisions related to commissioning, procurement and contract activity are made and documented in accordance with the council's Officer Scheme of Delegation and Financial Procedure Rules.
<u>Other Legal Implications:</u>	
15.	N/A
RISK MANAGEMENT IMPLICATIONS	
16.	The ICU manages the commissioning, procurement and contract functions through its internal governance processes and the council policy and provides assurance to the council.
POLICY FRAMEWORK IMPLICATIONS	
17.	The commissioning, procurement and contract functions are conducted in line with the council's policy framework plans and meet the council's Contract Procedure Rules and Financial Procedure Rules and Officer Scheme of Delegation.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	List of ICU contracts and grants managed on behalf of the Council and CCG
2.	(i) Contracts for Northlands House and Oak Lodge (ii) Level 3 Sexual Health Service Contract (iii) Substance Misuse Contract for Adults 25+ (iv) Health and Care Related Equipment Service Contract (v) Housing Related Support Service Contract for Adults – Flexible Support

Documents In Members' Rooms

1.	N/A	
2.	N/A	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		No
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		No
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	N/A	
2.	N/A	

This page is intentionally left blank

Contract title:	Provision of Care for Older People at Northlands House Provision of a Care Home with nursing for residents over the age of 65 with dementia and a day care centre at Oak Lodge
Contract Number:	EC09/01/0989 EC09/01/1101
Service Provider(s):	BUPA Care Homes (CFCHomes) Limited
Commissioning Organisation:	Southampton City Council
Contract start date:	Northlands House 24/06/2005 Oak Lodge 08/02/2010
Current contract end date:	Northlands House 23/06/2030 Oak Lodge 08/02/2035
Maximum contract end date:	Northlands House 23/06/2030 Oak Lodge 08/02/2035
Current financial year value £:	£4,161,083 combined, including Funded Nursing Care (FNC) payments

Service Summary

The two contracts were commissioned as part of long-term arrangements under what are effectively Private Finance Initiatives. With both arrangements the Council provided the land, BUPA built the nursing homes at their cost, and a long-term arrangement for providing care was established. This guarantees access to a specified volume of nursing care beds each week at a set price – 62 bed spaces at Northlands; 40 bed spaces at Oak Lodge. Both contracts contain provision for respite care. Both agreements last for 25 years, which secures a minimum level of supply in the local nursing care market. Since the contracts began, the complexity need level of clients requiring nursing care has increased resulting in the contract not being reflective of current and future needs. This in turn means that BUPA are less well placed to support clients with higher needs. Negotiations with the provider are underway with a view to reshaping key elements of the contracts to re-establish both homes as prime routes for SCC to Southampton’s nursing care market.

There is an associated Section 75 partnership agreement in place, through which Hampshire, Southampton, and Isle of Wight CCG pays SCC for the Funded Nursing Care (FNC) element of the service. Currently, the CCG are also utilising and funding

Appendix 2 (i)

10 of the block-contracted beds as Discharge to Assess (D2A) beds (5 beds at each home). This is temporarily offsetting the impact of high contract void rates detailed below.

Finance

SCC is purchasing a number of beds in each home on a block basis, which means that the payment is made for all beds regardless of occupancy:

- 62 beds at Northlands at £819.59pw each
- 40 beds at Oak Lodge at £817.77pw each

Three of these beds are utilised for respite and therefore incur a slightly higher cost.

The above rates include the FNC payments (which SCC reclaims from the CCG via a S75 agreement) so the net rate SCC pays is:

- Northlands: £631.99pw
- Oak Lodge: £630.17pw

These rates compare favourably with those achievable in other nursing homes, where the average weekly fee is approximately £860pw, not including the FNC element.

BUPA assert that the prices in the contracts are no longer sufficient to cover the costs of running either of the two homes, and as a result the provider is more stringently interpreting the terms of the contract such that certain types placements (e.g. those with complex needs not specified in the block contracts, capital depleters, and those ending a 'discharge to assess' placement) are currently being separately 'spot purchased' from the provider. This is being addressed alongside the other contractual issues in the current negotiations.

Void Levels

Before the pandemic there were already issues with void levels mainly due to differing legal interpretations between SCC and BUPA of how the contracted beds could be utilised. These levels have deteriorated further during the pandemic. The 2x annual snapshot table below illustrates the extent to which activity level-related performance of these contracts has deteriorated over the last 2 years:

Date	Vacant Block Beds		
	Northlands	Oak Lodge	Total
Oct 2019	9	4	13
Mar 2020	18	3	21

Appendix 2 (i)

Oct 2020	33	12	35
Mar 2021	27	14	41
Sept 2021	28	13	41

The figures above exclude the 10 D2A beds funded by the CCG.

Other Aspect of Contract Performance

Other performance measures in these contracts, given that the Oak Lodge and Northlands contracts were let 12 and 17 years ago respectively, are now substantially dated and no longer relevant within the context of contemporary standards of quality and performance in the provision of adult nursing care, and are therefore not currently subject to routine monitoring. However, the council is proposing to update both contract key performance indicators in line with current ADASS and CQC standards as part of the re-negotiations with BUPA that are currently underway.

Quarterly contract monitoring meetings are being held with BUPA which cover both service quality as well as contractual compliance (with up-to-date performance measures being put in place). Current quality monitoring includes tracking monthly performance against the number of infections (Covid or others), occurrence and treatment of pressure ulcers, nutrition & weight loss, medication errors and resident involvement in care planning.

Covid and flu vaccination data is also being collected with the expectation that there will be several staff members not fully vaccinated by the deadline for care homes of 11th November and therefore unable to continue their employment. However, this will not have an effect on the service performance as BUPA have contingency plans in place.

Case Studies

There has been positive feedback about the homes' approach to D2A particularly at Oak Lodge. Practitioners involved in the D2A process have fed back that they are always very responsive to referrals and confirming if they are able to meet the needs of an individual. Use of the Trusted Assessor (a nurse based at the hospital who can complete assessments on behalf of a home) is mixed but has improved recently. Obtaining regular communication and updates from staff at Northlands has been a challenge but feedback is that this has improved recently. This type of feedback (both positive and negative) is being followed up through contract monitoring meetings, the next of which will be held on 27th October.

Contract title:	Level 3 Sexual Health Services
Contract Number:	EC09/01/2444
Service Provider(s):	Solent NHS Trust
Commissioning Organisation:	Southampton City Council
Contract start date:	1 April 2017
Current contract end date:	31 March 2022
Maximum contract end date:	31 March 2024
Current financial year value £:	£2,341,451

Service Summary

The service is commissioned as a specialist integrated sexual health service through a contract with Solent NHS Trust.

The service is commissioned to ensure that local residents have timely access to the high quality services to improve and manage their sexual and reproductive health through the delivery of a fully integrated, cost-effective sexual health (lead provider) service model, accessed by a digital single point of access.

Providing free and open-access to reproductive and sexual health services became a statutory responsibility for Local Authorities in April 2013, under the Health and Social Care Act 2012.

Level 3 Sexual & Reproductive Health Services have been integrated and co-located in Hampshire, Portsmouth and Southampton since 2012 providing a 'one stop shop' approach to the delivery of specialist sexual health services across all three local authority areas via a single point of access.

Local Authority and NHS Commissioners believe that this model provides the best outcomes for local residents as well as best value for commissioners and are keen to see the continued integration of local authority commissioned sexual health services with NHS commissioned services for the benefit of local residents.

The contract contains an option for a two-year extension. Southampton, Hampshire and Portsmouth are seeking to extend their contracts for 1 year initially (March 2022 – March 2023), with an agreement that if a Systems Thinking check phase is completed by the end of the calendar year 2021 it would trigger the extension of a second year (March 2023 – March 2024). System Thinking is a process that is used to inform how resources within the sexual health system can be maximised to contribute towards improvements relating to our local populations health outcome.

To do so, there needs to be a review of the *Thinking, Systems and Performance* that exist which impact on the Solent NHS Trust Sexual service

Contract Performance

Generally the service performs well, with few concerns regarding the quality. There is increasing demand on the remote/digital service options. There is a repeating theme regarding individuals' experiencing difficulty accessing the standard service easily due to lack of appointments available through the online booking system or the Single Point of Access (SPA) telephone service. The provider has managed to launch many alternative service pathways to work safely and innovatively through Covid-19 lockdown phases. These interventions have evaluation methods in place to inform their long term use.

The Provider records all activity through a legacy system. Commissioners sought a change with this contract to a national integrated sexual health service activity grouper (software programme called pathway Analytics) Making the change has highlighted some significant financial risks for the provider, which are being worked through. The proposed approach will see both systems in use for 2021 onwards, allowing the provider to continue to receive funding against the original methodology and tariffs, while providing commissioners with the necessary data and intelligence for future commissioner requirements.

The provider has, like many providers, continued to provide as much of their service as possible during the past 18 months.

Understanding the performance of the service during this time is complicated, with such radical changes and reductions to the range of services on offer as a result of the Covid pandemic and associated lockdowns, and for those that have remained, significant changes in the way they can be delivered makes it impossible to report meaningfully against the original performance measures.

Throughout the pandemic commissioners, clinical leads and provider representatives have therefore sought to ensure the most appropriate services were maintained and targeted vulnerable groups.

The table at the end of this document shows performance against KPIs over the life of the contract

For those areas indicated as red the following should be noted:

Contraception - % of woman who uptake LARC (all 4 methods) - All Ages	Red indicator shows a reduction in performance on previous years, however, for years 2 and 3 the performance remained above target , falling on 3% below target in year 4
STI - % of HIV tests completed as part of an STI screen	Red indicator shows a reduction in performance on previous years, however, for years 3 and 4 the performance remained above target.

Appendix 2 (ii)

STI - % of HIV tests completed as part of an STI screen (MSM)	Red indicator shows a reduction in performance on previous years, and amber a performance level remaining consistent. In all 3 years the performance remained above target
STI - % of HIV tests completed as part of an STI screen (BAC)	Red indicator shows a reduction in performance on previous year. In year 3 the performance remained above target.
Chlamydia Screening - Chlamydia detection rate per 100,000 population aged between 15-24	Detailed work with the provider and Public Health England is ongoing to understand and identify the most effective way of recording this area of work. In the meantime it is recognised as an area that will not be able to report achievement against the target.
Outreach - % of under 18 year old patients who were seen and had a risk assessment / review within the last 12 months	Red indicator shows a reduction in performance on previous year. In year 4 the performance remained above target.
Psychosexual - % of assessments completed within 18 weeks from date of referral	Work with the providers saw improvements over the first 3 years of the contract. These improvements were impacted in year 4 as a result of the pandemic and services ceasing to operate.

Financial Data

The contract includes the following financial mechanisms:

- The option to apply a 2% annual efficiency
- a tariff based approach to the majority of the contract with an upper cap in place
- a fixed payment price for a small element of the contract (2 service areas)

In addition to these financial approaches, the financial value of the contract has been varied over the years to take into account:

- annual agenda for change requirements
- new pathways to be adopted following government guidance, with some attracting additional funding (PrEP), while others did not (MGen)

For the period up to the March 2020 activity had always exceeded the required levels, so the full contract value was always paid. Since April 2020 Covid relief has been applied recognising the impossible task of delivering and reporting against contracted performance levels during tight government restrictions.

We approach 2021 -2022 with an element of open negotiation, drawing on the data and intelligence, the dynamic response to service changes and legal changes put in place around some pathways. This has enabled, and will continue to enable the

service to be responsive to need while commissioners ensure best value is achieved where possible.

Operational Issues and Good Practice

The service runs a specialised clinic for women sex workers, the TULIP clinic. This clinic provides a drop-in service for women, offering them a full range of contraception, screening for sexually transmitted infections, hepatitis B vaccinations and health promotion advice. These women often have vulnerabilities so having a specialist clinic that can meet their needs is invaluable.

Since the pandemic, attendance at this clinic has been poor and NHS Solent looked at different ways to reach women to make them aware that they can still access services even during the lockdown periods.

In April of this year, NHS Solent sexual health services teamed up with the local COVID vaccination centre in Southampton to offer outreach COVID vaccinations to any women attending the TULIP clinic over a 3 week period. Commissioners hoped that this would increase uptake of the vaccine in this high-risk group as well as increase attendance at our clinic. The service contacted all women that had attended the clinic previously, inviting them to attend for their sexual health screen and first COVID vaccination. In total the service vaccinated 14 women. The vaccination team arranged to come back to the clinic to provide their second vaccine 12 weeks later and there was almost 100% attendance. Any women that have attended the TULIP clinic since then that have not been vaccinated are fast-tracked through to the vaccination centre in Southampton. To support the safe work of working women, NHS Solent sexual health services is also working in collaboration with Southampton City Council to be a collection site for lateral flow testing for any women that access the TULIP clinic.

Contract Summary

	2017/18				2018/19				2019/20				2020/21			
	Year 1				Year 2				Year 3				Year 4			
Service Specification reference/descriptor/target	Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 4 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
Access - % of residents seen or assessed within 2 working days of first contact	80%	100%	20%	↔	80%	100%	20%	↔	80%	100%	20%	↔	80%	100%	20%	↔
Access - % of STI tests completed online	10%	0%	-10%	↔	10%	51%	41%	↑	10%	59%	49%	↑	10%	76%	66%	↑
Contraception - % of woman who uptake LARC (all 4 methods) - All Ages	35%	63%	28%	↔	35%	44%	9%	↓	35%	43%	8%	↓	35%	32%	-3%	↓
STI - % of HIV tests completed as part of an STI screen	75%	83%	8%	↔	75%	85%	10%	↑	75%	84%	9%	↓	75%	82%	7%	↓
STI - % of HIV tests completed as part of an STI screen (MSM)	90%	98%	8%	↔	90%	97%	7%	↓	90%	97%	7%	↔	90%	97%	7%	↔
STI - % of HIV tests completed as part	75%	90%	15%	↔	75%	91%	16%	↑	75%	86%	11%	↓	75%	89%	14%	↑

Contract Summary

	2017/18				2018/19				2019/20				2020/21			
	Year 1				Year 2				Year 3				Year 4			
Service Specification reference/descriptor/target	Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 4 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
of an STI screen (BAC)																
STI - % of test results being sent back to patient within 7 working days of specimen being collected	95%	97%	2%	↔	95%	97%	2%	↔	95%	98%	3%	↑	95%	98%	3%	↔
Chlamydia Screening - Chlamydia detection rate per 100,000 population aged between 15-24	1700	1986	286	↔	1700	1259	-441	↓	1700	1239	-461	↓	1700	831	-869	↓
Outreach - % of under 18 year old patients who were seen and had a risk assessment / review within the last 12 months	95%	79%	-16%	↔	95%	99%	4%	↑	95%	100%	5%	↑	95%	98%	3%	↓

Contract Summary

	2017/18				2018/19				2019/20				2020/21			
	Year 1				Year 2				Year 3				Year 4			
Service Specification reference/descriptor/target	Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 4 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
Psychosexual - % of assessments completed within 18 weeks from date of referral	95%	58%	-37%	↔	95%	71%	-24%	↑	95%	94%	-1%	↑	95%	76%	-19%	↓
Psychosexual - % of discharges with at most 6 therapeutic sessions	100%	0%	-100%	↔	100%	100%	0%	↑	100%	100%	0%	↔	100%	100%	0%	↔

This page is intentionally left blank

Contract title:	Adult Substance Use Disorder Services (SUDS) Drug and Alcohol treatment for adults 25+ years
Contract Number:	EC09/01/2722A
Service Provider(s):	Change Grow Live (CGL)
Commissioning Organisation:	SCC
Contract start date:	01/07/2019
Current contract end date:	30/06/2024
Maximum contract end date:	30/06/2026
Current financial year value £:	£2,235,253

Service Summary

This contract offers adult substance use disorder treatment to adult population (25+) in Southampton. This service works in tandem with the same service offered to young people up to the age of 24 (delivered by No Limits).

The service is harm reduction and recovery oriented, evidence based and tailored to meet the needs of individuals and communities in order to empower people to lead drug/alcohol free lives where possible. The service offers treatment to address alcohol, opiate and non-opiate use as well as the use of other drugs, such as prescribed medication, novel psychoactive substances and image and performance enhancing drugs. The service provides both medical and psychosocial interventions and works co-operatively with the Young Peoples substance use service in order to provide clinical treatment for the 11-24 year age group, including pharmacological interventions, health screening, and Blood borne virus screening and interventions.

Contract Performance

The Adult Substance Use Disorder service commenced operation in July 2019. The previous commissioned service had seen a reduction in the number of individuals successfully completing treatment and therefore, following a period of implementation commissioners and provider started to address improving performance across a number of KPI's such as numbers in effective treatment, successful completions and re-presentations. An improvement plan was put into place and as a result of the actions being progressed, the number of successful completions improved as shown in the table below.

Appendix 2 (iii)

1.2 Successful completions as a proportion of all in treatment (Report from the National Drug Treatment Monitoring Service for April 2020, showing that successful completions had improved from 1/4/19 – 31/3/20 against the baseline period 1/4/18 – 31/3/19

(n) = number of successful completions / all in treatment

Baseline period: Completion period: 01/04/2018 to 31/03/2019

Latest Period: Completion period: 01/04/2019 to 31/03/2020

Benchmarking comparison: Top quartile range for local comparators

Direction of travel (D.O.T): Current data measured against the baseline (B) and Last Quarter (LQ). Due to rounding small differences may not be visible in displayed percentages but are taken into account in D.O.T. calculation.

	Baseline period		D.O.T		Latest period		Top Quartile range for Comparator LAs	Range to achieve Top Quartile
	(%)	(n)	B	LQ	(%)	(n)		
Opiate	4.6%	34 / 732			6.0%	48 / 796	7.63% - 12.74%	61 to 101
Non-opiate	33.3%	60 / 180			34.7%	58 / 167	43.46% - 66.36%	73 to 110
Alcohol	34.5%	143 / 415			39.4%	148 / 376	41.40% - 51.67%	156 to 194
Alcohol and non-opiate	26.7%	46 / 172			33.7%	68 / 202	38.46% - 71.70%	78 to 144

However, in 2020-2021 performance was impacted due to the experience of the pandemic.

Successful completions reduced and have not yet recovered to pre-pandemic levels. Part of the reason for this is that the service took the decision not to close any service user's treatment episodes during the pandemic as they wished to keep in contact and support all service users and ensure that they were safe and able to re-start treatment quickly if they dropped out. The service issued service users with mobile phones in order to be able to keep in touch with them and offered frequent telephone contact as well as contact via zoom and social media. Not all service users were able to make use of these methods of communication and therefore for a small number of service users face to face contact, maintaining social distance and appropriate PPE, was enabled.

The service started to work towards opening up services from autumn 2020 onwards but service managers have indicated that they recognise that in comparison with other local authority areas they have been relatively slow in doing this. CGL had produced their own national "roadmap" to return to office-based working, which could be adapted as required for local services. However, this reflected a relatively cautious approach to a return to office based working and one-to-one interventions. CGL were in discussion throughout this time with both Public Health England and with local commissioners regarding their approach to "opening up" of services. Staff have now returned to the office, working in "bubbles", and face to face interaction and interventions, including group work, with service users is increasing.

There is increased focus on ensuring that performance returns to at least pre-pandemic levels by the end of this financial year and a recovery trajectory is in place and is being monitored robustly by both providers and commissioners. The recovery trajectory is supported by the improvement plan which is updated regularly, and which covers areas of underperformance and areas that will improve quality and outcomes for service users, including areas that have been identified from service user feedback. The Recovery Trajectory and Improvement Plan have been provided on page 13. The Improvement Plan is reviewed and updated regularly, and was last reviewed and updated in August 2021. Successful completions are the most important of the KPI's for this service and is monitored nationally as well as locally, with the Public Health England team offering support to Local Authorities where needed.

Successful Completions:

	Opiates	Non opiates	Alcohol	Alcohol and non-opiates
Pre-pandemic level	6.0%	34.7%	39.4%	33.7%
Qtr 4 2020-21	2.0%	33.3%	30.2%	35.4%
Qtr 1 2021-22	3.4%	42.0%	32.2%	49.4%

Appendix 2 (iii)

As can be seen from the table above, based on available national reporting for the period Apr 21 – Jun 21 successful completions are beginning to recover. This information is also supported by local “real time” data reports and commissioners are working with the provider in order to ensure that the trajectory is met. Successful completions for “alcohol and non-opiates” have improved beyond pre-pandemic levels.

Other areas for improvement are:

- 90% of all eligible clients (previously or currently injecting) in treatment have had an appropriate HCV test recorded
- 95% of people, in structured treatment, with identified use of opiates who have received overdose recognition and prevention intervention and been offered naloxone
- 95% of all in structured treatment have Support Plans reviewed every 12-24 weeks
- 90% of people on OST engaging in Psychosocial interventions

All of the above are being closely monitored by both provider and commissioner. The improvement plan addresses each area of poor performance. The commissioner is meeting with the provider Service Manager on a monthly basis to review the trajectory and to discuss progress in all areas. The commissioner also meets with the Area Operational Manager every 6 weeks to discuss developments and to review concerns around performance. In addition, performance is reported on and discussed in detail at each quarterly monitoring meeting. The provider has proved responsive to commissioners’ concerns and has undertaken considerable analytical work and segmentation of the data to identify areas where improvements are required.

Commissioners will continue to work closely with the provider to achieve the actions detailed in the Improvement plan and to achieve the best outcomes for service users.

Comment from CGL – “We are fully utilising our Exit Tracker Toolkit to ensure that successful completions are conducted in a safe and structured way. We are in 4th place in the Service Comparison out of 52 Services and ranked number 1 for non-opiates/alcohol at the end of quarter 1 2021-22”

Psychosocial interventions provided:

Following a period where many groups and psycho-social interventions had to either be suspended or moved to a virtual platform, CGL is now developing its programme of group work again. Previously a wide range of sporting and activity opportunities was offered by Saints4Sports and these will be added to the programme as they start to come back online. Many of these groups and activities have proved popular with service users and support them in structuring their time and helping them to build non-drug and alcohol using networks, a crucial factor in achieving success in treatment.

CGL also support service users to gain experience that will enable them to eventually gain employment through the volunteering, educational and employment opportunities that are offered. In quarter 1 of 2021-2022:

- Volunteers have completed BBV, Hepatitis C and needle exchange training and a range of other courses designed to develop confidence.
- A cooking group has commenced which could offer the participants an opportunity to access NVQ courses in food and nutrition and First Aid at St Vincent's College and other educational opportunities are being explored.

Financial Data

The contract is paid on a block basis, i.e., the annual contract value is divided into 12 payments.

Southampton City Council has been successful in attracting additional funding in order to expand and improve services to some hard-to-reach cohorts of service users. The following was added to the main contract by way of variation.

Alcohol Extended Brief Interventions (EBI) Telephone Support:

Aim of the service: An extended brief intervention is motivationally based and can take the form of motivational-enhancement therapy or motivational interviewing. The aim is to motivate people to change their behaviour by exploring with them why they behave the way they do and identifying positive reasons for making change. The aims of the service are:

- to deliver telephone based Extended Brief Interventions for people with alcohol use disorders
- to reduce the harm of problematic alcohol consumption for people with alcohol use disorders, their families, friends, communities and the city.

The service is evidence based, free, non-judgemental and confidential. This is not an emergency service and nor is the service aimed at dependent drinkers, whose needs are likely to require more structured forms of treatment. People with alcohol dependence will be referred into Change Grow Live structured treatment services.

Additional contract value: The cost of the service is £38,000 per annum. The funding has been provided temporarily by the Public Health (Southampton) team from an underspend from another service.

Future funding implications for SCC: The sustainability of the work will depend on a long term means of funding being identified. Commissioners are working with the Public Health Consultant and Senior Public Health Practitioner in order to achieve this.

The service commenced in August 2020 and funding has been agreed to support it until 31st March 2022.

Operational Issues and Good Practice

The provider has worked well with partners and stakeholders and has developed good links with a wide range of providers in order to offer a holistic approach to recovery for many service users. Examples of good partnership working in order to offer appropriate and holistic treatment and psychosocial interventions for individual service users:

- **Southern Health NHS Trust** – meetings held with Southern Health to set up COVID vaccinations for clients and staff. Through joint partnership working CGL were able to vaccinate 30 vulnerable service users in 2 of the clinics supported by HCA staff who worked through a list of invites to people with underlying respiratory conditions.
- **Southampton City Ambulance Service (SCAS)** – CGL is working with SCAS, to set up a pilot scheme where they work closely together and share vital information. The pathway has now been approved by NHS governance team and is going live in Q2.
- **Parent Support Link** – Monthly meetings are held with the Deputy Service Manager to look at best ways of supporting and complimenting each other's services. PSL attended Change, Grow, Live's recent naloxone and needle exchange training, we also provided Drug and Alcohol training for their staff.
- **Solent Mind** – CGL psychologist and PSI team leader meets up on a weekly basis to discuss referrals.
- **Hampshire and IOW Bus Planning**– CGL's regional Lead Nurse attended IOW bus planning meeting this quarter as well as attending regular meetings with BBV community and hospital teams. The bus is proving effective as an engagement tool and a BBV interventions tool.
- **Domestic abuse bill with VAWG** – Service Manager attended all meetings re the Violence against women and girls DA Bill re statutory requirements – analysis of providers meetings.
- **Phoenix@Pause Board** - Service Manager attends as Board member
- **Public Actions Groups (PAG meetings)** CGL attend to discuss issues in local areas such as City Centre, Shirley, Portswood & Bitterne.
- **Fire safety meetings**, which look at preventing fires and potential fires across the city.
- **Homeless Hostels** - regular meetings with hostels in this quarter to look at better ways of working.
- **Smoking cessation workshop** with Solutions4health – All staff have attended a smoking cessation Workshop with the hope that staff will attend further training for them to become smoking cessation practitioners.
- Partnership working meeting held with ANA Treatment Centre attended by Deputy Service Manager, Regional lead nurse and Consultant Psychiatrist.

Appendix 2 (iii)

Performance Indicator number	Service Specification reference/descriptor/target	2019/20				2020/21				2021/22			
		Year 1				Year 2				Year 3			
		Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
1	90% of all eligible clients (previously or currently injecting) in treatment have had an appropriate HCV test recorded	90%	74%	-16%	↔	90%	76%	-14%	↑	90%	92%	2%	↑
2	50% of all eligible clients (previously or currently injecting) in treatment have completed a course of HBV injections	50%	69%	19%	↔	50%	53%	3%	↓	50%	78%	28%	↑
3	95% of people, in structured treatment, with identified use of opiates who have received overdose recognition and prevention intervention and been offered	95%	71%	-24%	↔	95%	80%	-15%	↑	95%	79%	-16%	↓

Appendix 2 (iii)

		2019/20				2020/21				2021/22			
		Year 1				Year 2				Year 3			
Performance Indicator number	Service Specification reference/descriptor/target	Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
	naloxone												
4	95% of people who use drugs and/or alcohol are offered triage/initial assessment within 2 working days or referral	95%	100%	5%	↔	95%	100%	5%	↔	95%	100%	5%	↔
5	95% of people who use drugs and/or alcohol are offered a comprehensive assessment within 5 working days of triage/ initial assessment	95%	100%	5%	↔	95%	100%	5%	↔	95%	100%	5%	↔

Appendix 2 (iii)

Performance Indicator number	Service Specification reference/descriptor/target	2019/20				2020/21				2021/22			
		Year 1				Year 2				Year 3			
		Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
6	95% of all in structured treatment have Support Plans reviewed every 12-24 weeks	95%	61%	-34%	↔	95%	94%	-1%	↑	95%	58%	-37%	↓
7	95% of first clinical interventions are in place within 5 working days following the comprehensive assessment.	95%	99%	4%	↔	95%	99%	4%	↔	95%	100%	5%	↑
8	% of people on OST engaging in Psychosocial interventions (benchmarking in Yr 1)	95%	44%	-51%	↔	95%	11%	-84%	↓	95%	100%	5%	↑

Appendix 2 (iii)

Performance Indicator number	Service Specification reference/descriptor/target	2019/20				2020/21				2021/22			
		Year 1				Year 2				Year 3			
		Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
9	90% TOPS recorded at START	90%	100%	10%	↔	90%	100%	10%	↔	90%	82%	-8%	↓
10	90% TOPS recorded at REVIEW	90%	0.64	-26%	↔	90%	76%	-14%	↑	90%	100%	10%	↑
11	90% TOPS recorded at EXIT	90%	100%	10%	↔	90%	100%	10%	↔	90%	3%	-87%	↓

Appendix 2 (iii)

Performance Indicator number	Service Specification reference/descriptor/target	2019/20				2020/21				2021/22			
		Year 1				Year 2				Year 3			
		Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
12	8.5% of clients should successfully complete treatment: [Successful Completions/ all in treatment] OPIATES	9%	9%	0%	↔	9%	4%	-5%	↓	9%	42%	33%	↑
13	50% of clients should successfully complete treatment: [Successful Completions/ all in treatment] NON-OPIATES	50%	29%	-21%	↔	50%	30%	-20%	↑	50%	32%	-18%	↑
14	40% of clients should successfully complete treatment: [Successful Completions/ all in treatment] ALCOHOL	40%	45%	5%	↔	40%	33%	-7%	↓	40%	49%	9%	↑

Appendix 2 (iii)

		2019/20				2020/21				2021/22			
		Year 1				Year 2				Year 3			
Performance Indicator number	Service Specification reference/descriptor/target	Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
15	50% of clients should successfully complete treatment: [Successful Completions/ all in treatment] ALCOHOL & NON-OPIATES	50	36%	-14%	↔	50	28%	-22%	↓	50	49%	-1%	↑

Agreed Trajectory for return to pre-pandemic Successful Completion levels (2021-22):

Southampton	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sept-21	Actual	Monthly Target	To Achieve by Mar 2022
Successful Completion Opiate	4	6	5	5	7	5	32	5	60
Successful Completion Non Opiate	0	6	3	4	3	7	23	7	42
Successful Completion Non Opiate & Alcohol	3	6	7	4	5	5	30	5	58
Successful Completion Alcohol	6	13	10	16	14	11	70	10	139

For Year so far	YTD Target	Actual	(Shortfall) /Surplus
Opiate	30	32	2
Non Opiate	42	23	(19)
Non Opiate & Alcohol	30	30	0
Alcohol	60	70	10

Shortfall to be added to Q2 targets



SUDS Service Improvement plan Au

This page is intentionally left blank

Contract title:	Health and Care Related Equipment Service
Contract Number:	EC09/01/2862
Service Provider(s):	Nottingham Rehab Ltd T/A NRS Healthcare
Commissioning Organisation:	Southampton City Council and Portsmouth City Council
Contract start date:	1 July 2020
Current contract end date:	30 June 2025
Maximum contract end date:	30 June 2027
Current financial year value £:	£1.5m

Service Summary

The current service provider was appointed following a tender process in 2019-20. The service was re-commissioned in partnership with Portsmouth City Council, based on the previously successful cooperation between the authorities.

The contract payment mechanism comprises two components - a small element of fixed costs (mainly relating to overheads such as staffing, premises, transport) and then a larger variable cost element which relates to payment by piece of equipment and includes delivery, installation, collection and cleaning. Funds are also credited back to commissioners when equipment is returned to the store in a useable condition. This payment mechanism was also in place for the previous contract and enables much greater visibility of the amount of equipment being purchased, enabling commissioners to track and scrutinise demand. Spend will therefore always be influenced by the amount of equipment issued and this is directly generated by the demand from health and care prescribers who make the requests for their clients.

The prescribers who request equipment from the contract are health and care staff across the Council, hospital and Solent NHS Trust. At the start of the contract an equipment catalogue was agreed with the service ensuring that each item was the most appropriate and cost effective. Prescribers make requests from that catalogue and where there is a need to go off the catalogue owing to a particular bespoke client need, there is a process in place which commissioners oversee.

In order to provide additional scrutiny to this contract, an operational manager who is an experienced practising OT, works alongside commissioners in the Integrated Commissioning Unit. This person monitors prescribing team activity and picks up on any changes along with high spend and unusual requests on a daily basis. This provides commissioners with assurance that all spend on the contract is legitimate.

Appendix 2 (iv)

The Operational Manager holds regular sessions with prescribers to make sure they are up to speed with the latest equipment and to ensure that the contract is meeting their need.

A further area of commissioning focus is on the recycling of equipment. Recycling levels are monitored each month and the operational manager will formally sign off any equipment to be condemned if it is over a certain level of value.

The change-over between providers and mobilisation of the service occurred during the pandemic and presented numerous challenges. However, a good working relationship and cooperation between the authorities and the provider meant that the provider was ready for the go-live date of 1 July 2020.

Contract Performance

The contract has been performing well since the start and both customer and prescriber satisfaction is reported as high this has been against a backdrop that includes the mobilisation period being undertaken in parallel with the beginning of COVID 19 and subsequent challenges associated with sourcing materials required from abroad to maintain equipment. However, since July 2021 there has been a slight decrease in the KPI performance, mostly affecting deliveries and collections of equipment. This is due to three NRS experienced driver/fitters leaving NRS Southampton very suddenly. The employment market for drivers has become very competitive and the staff left due to finding other (more highly paid) driving positions. NRS are reporting driver/fitter vacancies across all of their contracts due to the current market conditions.

NRS have recognised the dip in performance and have advised commissioners of measures they are undertaking to rectify the situation, such as recruitment open days, internal transfers of staff, re-training of staff to undertake additional duties. They anticipate being able to operate to full capacity again in 6-8 weeks.

Financial Data

The contract is structured so that the expenditure on equipment fluctuates according to demand for equipment. The analysis of spend for the first year of the contract indicates a much higher need for specialist and complex equipment.

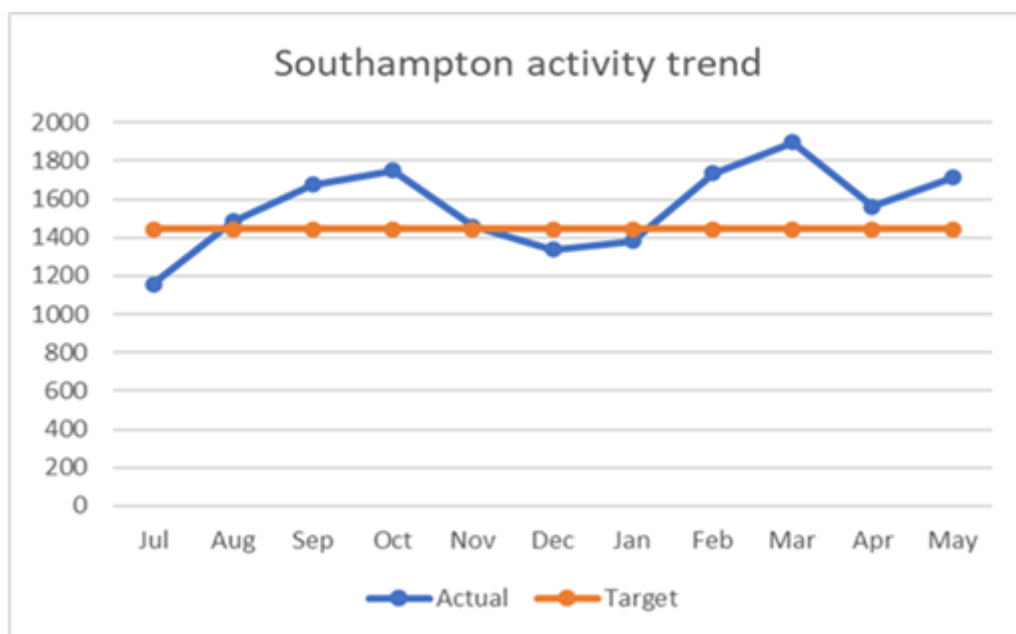
There has been detailed analysis of this over-activity which would appear to be significantly influenced by Covid and the new national hospital discharge policy which came into force in March 2020, meaning that people are being discharged from hospital sooner. Data is showing:

- There has been an increase in the number of complex patients and high cost equipment being provided this year compared to previous years
NRS are providing approximately 5000 fewer items per year but significantly more complex/expensive equipment, averaging £113.42 per item, a £43 per item increase on the highest previous year. This includes equipment such as:

Appendix 2 (iv)

- Profiling beds – 203 more provided this year compared to previous year
- Bariatric beds – which cost £1154 per bed – there were 22 last year which, although we no longer have access to the historical records held by the previous JES provider, was felt to be a substantial increase.
- Dynamic mattresses – which are only prescribed for the most dependent individuals who have skin pressure damage or who are at high risk of skin breakdown. There has been a 334% increase (302 more) in the demand for dynamic mattresses on previous year's average.
- The specials equipment spend has also been high - The special equipment spend is also the highest it's been, approximately £20,000 more than the previous three years average,

The chart below compares the actual activity trends from July 2020 (contract start) to May 2021 with the original pre-COVID projection. Whilst Covid demand may fluctuate, the new national discharge policy will continue to have an impact on activity levels.



Commissioners are responding to this increased demand by putting in measures for tighter monitoring, e.g. the operational lead is checking all special equipment which is purchased off catalogue and directly authorising all children's equipment, bath lifts, ceiling track and gantry hoists which tend to be more expensive in addition to authorising any collective order or adaptation exceeding authorised limits for prescribers.

Operational Issues and Good Practice

Since the start of the contract, a good working relationship has been established with the new provider. The provider has proved willing to go the extra mile, both on an organisational level as well as the individual level. Below are some examples of the operational good practice observed and recorded by the SCC operational lead for the service.

Appendix 2 (iv)

- Customer service staff and management being utilised and delivering items on their way home after work if the driver technicians are overloaded.
- Excellent communication and organisational abilities, sourcing items at the last minute and transferring from other sites nationally.
- Driver technicians will work over their allocated hours to get the job done. For instance, on Saturdays when they have had multiple last-minute urgent orders placed, working past 12pm to make sure the patient gets the equipment needed and target dates activities are completed (Saturday contracted hours 9am – 12pm)
- Excellent collaboration and communication with the Clinical Advisory team, source items that are not on the catalogue.
- All complaint, concerns, issues, queries are dealt with quickly and professionally, every concern is responded to.
- Communication between Management and Commissioner is good, great working relationship, honest and transparent.
- A culture of finding a solution to solve problems that arise, for example using spare parts to quickly make an item serviceable whilst waiting for a permanent replacement part or repair.
- Good customer service - when family members are collecting from the warehouse, NRS will always offer to take the equipment to the customer's vehicle.
- The NRS Service Manager is passionate about doing a great job and working as a team. They realise that it's an important job, take pride in the role and find it satisfying and rewarding.
- The NRS specials technician was a key role that we requested in the specification. This role is very responsive, and the technician will upload an item to the digital catalogue urgently and has specialist knowledge so that we can utilise the recycled special stock and save money.
- The NRS Service Manager is knowledgeable and quick to respond to any queries with regards to legacy stock compatibility etc.
- Recently an NRS technician raised concerns regarding the condition of a returned item of a child's equipment. The item appeared very badly soiled and dilapidated. This was notified to the commissioner, who took photographs and notified children's services. This prompted a home visit by a social worker, where serious safeguarding issues regarding neglect were discovered. This resulted in the child being removed from the home environment for their safety.

Contract Summary

		2020/21				2021/22			
		Year 1				Year 2			
Performance Indicator number	Service Specification reference/descriptor/target	Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
1	Equipment delivery timescales met for 3 working days, 5 working days, Next Day, Same Day and 3 Hour deliveries. As detailed within the service specification.	98%	96%	2%	↔	98%	98%	0%	↑
2	Equipment delivery timescales met for 7Working Day deliveries. As detailed within the service specification.	95%	95%	0%	↔	95%	93%	-2%	↓
3	Equipment delivery of standard equipment in the catalogue	100%	92%	-8%	↔	100%	99%	-1%	↑
4	Equipment collection timescales met for all requested collections. As detailed within the service specification	95%	100%	5%	↔	95%	99%	4%	↓
5	Service Provider achieves recycling levels submitted in tender proposal for new stock	90%	79%	-11%	↔	90%	77%	-13%	↓
6	Combined recycling level achieved, new stock and recycled equipment.	80%	73%	-7%	↔	80%	73%	-7%	↔

Appendix 2 (iv)

The two KPIs below are reported annually and data has been received for year 1 as below.

Nottingham Rehab Services	Joint Equipment Store	Service Users reporting their experience of service has been satisfactory, good or excellent.	80%
Nottingham Rehab Services	Joint Equipment Store	Prescribers reporting their experience of service has been satisfactory, good or excellent	90%

Contract title:	Housing Related Support Service for Adults – Flexible Support (Lot 5)
Contract Number:	EC09/01/2454/E
Service Provider(s):	Home Group Ltd
Commissioning Organisation:	Southampton City Council
Contract start date:	1 July 2017
Current contract end date:	30 June 2022
Maximum contract end date:	30 June 2022
Current financial year value £:	£1,473,108

Service Summary

This service is part of a group of support services providing housing related support (HRS) to vulnerable people in the city. This service is the largest in the group and offers short-term (up to a maximum of two years), flexible support to individuals in the city who are vulnerable due to homelessness, mental health issues, learning disability issues and other reasons. The support enables individuals to live independent lives within supported accommodation.

The housing support services have recently been reviewed and the proposal for re-commissioning was approved by the Cabinet on 13 September 2021 and will be considered at Council on 11 October 2021, with proposals for re-commissioning of the housing support services through a framework approach in 2022.

Contract Performance

For the majority of Performance Indicators (PI) the Flexible Support Service reports separately against Accommodation and Non-Accommodation. Contract summaries (see the tables below) across the 4 years shows mixed performance, although year 4 is not reflective of the commissioned service as a result of Covid-19. Establishing the contract monitoring forms over the initial 12 – 24 months of the contract was challenging. The service draws on complex metrics. Our standard contract monitoring methods did not adequately capture the flow of residents in and out of properties and providers found it harder to extract data around some metrics than originally thought during pre-contract negotiations. Solutions were put in place and reporting improved in a number of areas in year 3 and 4.

Appendix 2(v)

Move on has presented challenges for all services with a reduction (up to the pandemic) of private rented sector (PRS) options. Other areas took time to establish (year 1) and results started to show, and be addressed in year 2, such as contingency planning.

Apart from year 4, the non-accommodation service showed improvements against performance indicators. The accommodation service showed some areas of improvement, with other areas struggling to maintain the required levels of delivery.

For those areas indicated as red the following should be noted

NB: For all KPI's the RAG rating indicates the performance in comparison to the previous year and not the target.	
Accommodation	
Utilisation	Lower performance was impacted by a high level of voids arising from the quality of available properties. Improved void reporting is now in place and helps track delays. Not all delays are avoidable.
Percentage of people who make a planned move on from accommodation	Year 2 was a difficult year and steps taken to address move on saw improvements in year 3. Move on slowed to an almost halt last year due to the pandemic.
% of people who access community placements.	This was a new area for the contracts and sought to show how services engaged with community opportunities to support clients. This area of development was improving over years 2 and 3 but was impacted by covid in year 4.
% of clients who signed their PCP	Year 1 took time to establish but went on to exceed the target in years 2 and 3. Red indicator in year 3 shows a reduction in performance on previous year but the performance remained above target . In year 4 the reduction was the result of reduced face to face work with clients, impacting on the ability to sign PCPs
% of service users who have a contingency plan in place	This indicator was not fully implemented until year 3, dropping off in year 4 during the height of the pandemic.
% of service users who have agreed an outcome And % of service users who have achieved an outcome	Providers took time to develop mechanisms for capturing the outcomes information. Year 2 showed the need for clarification around the definition of the indicator, which led to a clearer reporting in year 3 but the red indicator reflects a drop in performance on the previous year despite being close to target.
% of service users achieved the agreed	After taking time to develop the indicator in year 1, as with the above, year 2 showed the need for

Appendix 2(v)

outcome of those who identify and agree outcomes	clarification around the definition of the indicator, which led to clearer reporting in year 3, but the red indicator reflects a drop in performance on the previous year despite being above target in years 3 and 4

NB: For all KPI's the RAG rating indicates the performance in comparison to the previous year and not the target.	
Non Accommodation	
Utilisation	The flexible nature of the service led to more staff hours being allocated to the Accommodation element and not the Non Accommodation element of the contract. This was addressed and utilisation came close to target by year 3 but fell away again during the pandemic period.
% moved on in a planned way	The provider has worked to retain and support individuals with complex needs, but increasing complexity of cases led to increased levels of unplanned move on rates. The pandemic has reduced the unplanned move on rates due to a block on evictions, however this will have unintended consequences elsewhere.
% of people who access community placements.	This was a new area for the contracts and sought to show how services engaged with community opportunities to support clients. This area of development was improving over years 2 and 3 but was impacted by covid in year 4.
% of clients who signed their PCP	Year 1 took time to establish but went on to exceed the target in years 2 and 3. In year 4 the reduction was the result of reduced face to face work with clients during the pandemic, which affected the ability to sign PCPs
% of service users who have a contingency plan in place	This indicator was not fully implemented until year 3, dropping off in year 4 during the height of the pandemic.
% of service users who have agreed an outcome And % of service users who have achieved an outcome	Providers took time to develop mechanisms for capturing the outcomes information. Establishing clear definitions, data capture and reporting was required and led to varying performance. Outcomes are reported over 4 domains (e.g. behaviour) and 3 time periods (short, medium and long). Despite pre contract discussions it resulted in mixed and varied reporting by the provider.

In addition to the contract monitoring forms, providers submit a series of reports covering quality, service user accountability, equality and diversity and financial matters. These reports provide a detailed and qualitative insight into the service delivery and provide some additional assurance to commissioners. Reports were not submitted during 2020 due to covid-related suspension of contract monitoring, but more detailed discussions took place through outbreak planning meetings and other Covid-related forums.

At a service level, there have been positive outcomes throughout the life of the contract, with strong community connections established early on, but diminished during the last 18 months due to Covid-19. The service has also supported a number of positive moves into independent or appropriate accommodation (e.g. Extra care). However, there have been challenges and areas of poor performance prior to the pandemic which would indicate the service was not achieving the level of outcomes desired or sought through the contract. High voids and long term tenancies led to fewer units of accommodation being available for individuals in other services to move into. Void reporting and length of tenure will feature more in the performance reporting of the new contracts. Commissioners have also recognised that for some individuals, there is a long term need for low level support. This is reflected in the new service specifications.

At an individual level, many clients have benefited from a positive, supportive and adaptive service. Individual case studies highlight approaches and positive outcomes for individuals. Enabling individuals to set, agree and achieve outcomes in the short, medium and long term look positive in the performance data. However, through this review and the wider Rough Sleeper Initiative work it is evident this service has not been able to support those with complex or higher levels of support needs. New service specifications will be clearer about the need to undertake crisis interventions and offer intensive support.

Financial Data

The contract operates on a 'block' basis, which means that the annual sum does not change unless there is an agreed variation. The contract received a temporary 10% uplift in 2020 in respect of Covid-19 relief given by the government. There were no other variations to this contract and no increases to the contract value over the five years of the contract.

Operational Issues and Good Practice

Over the past 18 months, providers commissioned to deliver HRS to vulnerable single adults, young people and young parents across Southampton have, like so many support providers, shown the depth and breadth of their commitment to these often excluded groups during the pandemic. The commitment of staff, high standards of hygiene and collective working is believed to be a key contributor behind the very low numbers of individuals in the HRS setting contracting the virus. Adopting best

Appendix 2(v)

practice around staffing rotas, working innovatively in the provision of 'distraction packs' to those needing to isolate and drawing on experience to engage and encourage individuals to make step changes in their often chaotic lives has also been recognised locally, regionally and nationally.

Staff worked with all individuals identified as vulnerable, whether insistent on staying on the streets, in unsuitable accommodation or in hostel and supported accommodation to explore ways to keep them safe, protect those who were identified as clinically vulnerable and help them make step changes to protect themselves and others.

Individuals having no recourse to public funds present a number of unique challenges, whether the individual is homeless or fleeing domestic violence. Commissioned services, while restricted through the use of the public purse, find ways through flexible options and their own resources to offer support and in some cases accommodation to these vulnerable individuals.

Appendix 2(v)

Contract Summary -- Home Group Limited - Accommodation

Performance Indicator number	Service Specification reference/descriptor/target	Year 1				Year 2				Year 3				Plus 1 (Year 4)			
		Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 4 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
PI 1	Utilisation	98%	95%	-3%	↔	98%	91%	-7%	↓	98%	85%	-13%	↓	98%	85%	-13%	↔
PI 2	Percentage of people who make a planned move from an accommodation service into a more independent setting within the required timescales	75%	80%	5%	↔	75%	41%	-34%	↓	75%	83%	8%	↑	75%	21%	-54%	↓
PI 3	% of people who access community placements	60%	0%	-60%	↔	60%	18%	-42%	↑	60%	29%	-31%	↑	60%	4%	-56%	↓
PI 4	% of people provided with 'healthy conversation'	80%	0%	-80%	↔	80%	185%	105%	↑	80%	402%	322%	↑	80%	672%	592%	↑
PI 5	% of Service Users who have participated, signed and own their PCP	80%	24%	-56%	↔	80%	85%	5%	↑	80%	82%	2%	↓	80%	46%	-34%	↓
PI 6	% of Service Users who have contingency plan in place	80%	0%	-80%	↔	80%	0%	-80%	↔	80%	93%	13%	↑	80%	66%	-14%	↓
PI 7	% of Service Users who have agreed outcome	80%	0%	-80%	↔	80%	139%	59%	↑	80%	71%	-9%	↓	80%	79%	-1%	↑
PI 8	% of Service Users who have achieved an outcome	60%	0%	-60%	↔	60%	128%	68%	↑	60%	55%	-5%	↓	60%	62%	2%	↑
PI 9	% of Service Users who report improved levels of self-confidence / self-worth	60%	0%	-60%	↔	60%	65%	5%	↑	60%	145%	85%	↑	60%	163%	103%	↑
PI 10	% of Service Users who report improved life skills (reported against all outcomes achieved as %)	60%	0%	-60%	↔	60%	37%	-23%	↑	60%	103%	43%	↑	60%	122%	62%	↑
PI 11	% of Service Users achieved the agreed outcome out of those who identify and agree outcomes	70%		#DIV/0!	↔	70%	187%	117%	↑↑↑	70%	79%	9%	↓	70%	78%	8%	↓

Contract Summary – Home Group Limited – Non-accommodation

Performance Indicator number	Service Specification reference/descriptor/target	Year 1				Year 2				Year 3				Plus 1 (Year 4)			
		Year 1 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 2 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 3 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)	Year 4 Target	YTD Performance	YTD Difference to Target	Direction of Travel (against previous YTD)
PI 1	Utilisation	98%	58%	-40%	↔	98%	79%	-19%	↑	98%	81%	-17%	↑	98%	39%	-59%	↓
PI 2	% of people who have left the service in a planned way	75%	71%	-4%	↔	75%	58%	-17%	↓	75%	63%	-12%	↑	75%	72%	-3%	↑
PI 3	% of people who access community placements	60%	2%	-58%	↔	60%	19%	-41%	↑	60%	12%	-48%	↓	60%	8%	-52%	↓
PI 4	% of people provided with 'healthy conversation'	80%	0%	-80%	↔	80%	0%	-80%	↔	80%	0%	-80%	↔	80%	0%	-80%	↔
PI 5	% of Service Users who have participated, signed and own their PCP	60%	68%	8%	↔	60%	91%	31%	↑	60%	94%	34%	↑	60%	47%	-13%	↓
PI 6	% of Service Users who have contingency plan in place	60%	0%	-60%	↔	60%	13%	-47%	↑	60%	96%	36%	↑	60%	80%	20%	↓
PI 7	% of Service Users who have agreed outcome	80%	71%	-9%	↔	80%	184%	104%	↑	80%	206%	126%	↑	80%	196%	116%	↓
PI 8	% of Service Users who have achieved an outcome	60%	18%	-42%	↔	60%	46%	-14%	↑	60%	65%	5%	↑	60%	50%	-10%	↓
PI 9	% of Service Users who report improved levels of self-confidence / self-worth	60%	11%	-49%	↔	60%	94%	34%	↑	60%	110%	50%	↑	60%	116%	56%	↑
PI 10	% of Service Users who report improved life skills (reported against all outcomes achieved as %)	60%	5%	-55%	↔	60%	58%	-2%	↑	60%	76%	16%	↑	60%	92%	32%	↑

This page is intentionally left blank

Appendix 1 V4 FINAL Descending ICU Contracts list October 2021

Contract Title	Contract Reference EC/MW	Supplier Name (Service Provider)	Contract Start Date	Current Contract Expiry Date	Maximum Expiry Date	Notice Period for termination	Agreement Type	Total annual contract value 2021/22	SCC/Contracting Organisation Contribution 2021/22	Partner Contribution 2021/22	Cost Centre	Account Code	Finance Portfolio	Funding Detail
Northlands House - Care Contract - Residential Home for Older People - 61 block beds + 1 respite bed	EC09/01/0989	BUPA Care Homes (CFC Homes) Limited	24/06/05	23/06/30	23/06/30	N/A	Block Contract	£2,528,149.00	£2,112,429.00	£415,720.00	AQ0080	A57030	Adults'	CCG funds the FNC element
Level 3 Sexual Health Services	EC09/01/2444	Solent NHS Trust	01/04/17	31/03/22	31/03/24	12 months	Block Contract	£2,341,451.00	£2,341,451.00	£0.00	AP0120	A44240	Public Health	The annual total for 21-22 is estimated as variations are not formally fully agreed at present.
Lot 1 Alcohol Drugs and Substance Misuse Services	EC09/01/2722A	change, grow, live (CGL)	01/07/19	30/06/24	30/06/26	6 months	Block Contract	£2,235,253.00	£2,235,253.00	£0.00	AQ0020	A44240	Adults'	
Oak Lodge - Care Contract - Residential Home for People with OPMH - 38 block beds +2 respite beds	EC909/01/1101	BUPA Care Homes (CFC Homes) Limited	08/02/10	07/02/35	07/02/35	N/A	Block Contract	£1,632,934.00	£1,241,654.00	£391,280.00	AQ0080	A57030	Adults'	CCG funds the FNC element
Health and Social Care related Equipment Store	EC09/01/2862	Nottingham Rehab Services	01/07/20	30/06/25	30/06/25	1 month	Block Contract	£1,537,919.00	£773,573.00	£764,346.00	AQ0060	A44240	Adults'	Part funded by the CCG, £764,346 in 2021/22
Housing Related Support Services for Adults: Lot 5 - Provision of Flexible Housing Related Support Service in Southampton	EC09/01/2454/E	Home Group Ltd	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£1,473,108.00	£1,473,108.00	£0.00	AQ0140	A44240	Adults'	
Short Break Services	EC09/01/2709	Various	01/04/19	31/03/23	31/03/23	6 months	Framework	£898,594.00	£708,137.46	£190,456.54	AQ0070, AC0130, AC0910	A44240	Children's/Adults'	Part funded by CCG, £190,456 in 2021/22
Older Persons Accommodation Based and Floating Support Service	MW277	Housing Support Services (SCC)	01/03/16	31/03/22	31/03/23	6 months	SLA	£806,000.00	£806,000.00	£0.00	AQ0140	A44240	Adults'	
Living Well Service	EC09/01/2608	SCiA Group	14/02/18	31/03/23	31/03/25	12 months	Block Contract	£739,360.00	£600,000.00	£139,360.00	AQ0110	A44240	Adults'	SCC - £600,000 ICU and £139,360 ASC
Advice, Information and Guidance	EC09/01/2552	Southampton Citizens Advice Bureau	01/02/18	31/01/23	31/01/25	3 months	Block Contract	£630,464.00	£630,464.00	£0.00	AQ0090	A44240	Adults'	
Lot 2 Alcohol Drugs and Substance Misuse Services	EC09/01/2722B	No Limits (South)	01/07/19	30/06/24	30/06/26	6 months	Block Contract	£482,497.00	£482,497.00	£0.00	AQ0020	A44240	Adults'	
Housing Related Support Services for Adults: Lot 1 – Provision of a Combined Assessment, Intensive and Resettlement Housing Related Support Service in Southampton	EC09/01/2454A	Two Saints	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£472,472.00	£472,472.00	£0.00	AQ0140	A44240	Adults'	
Community Solutions	EC09/01/2775	Southampton Voluntary Services	01/10/19	30/09/22	30/09/23	6 months	Block Contract	£448,950.00	£164,950.00	£284,000.00	AQ0090	A44240	Adults'	Part funded by the CCG, £284,000 in 2021/22
Residential Recovery and Rehabilitation for People with Enduring MH	EC09/01/2679	Home Group Ltd	01/09/19	31/08/22	31/08/23	6 months	Block Contract	£422,300.00	£282,943.00	£139,357.00	AQ0040	A44240	Adults'	Part funded by CCG, £139,357 in 2021/22
International Recruitment of Social Workers	MW341	Tripod Partners Limited	25/08/21	31/03/22	TBC	TBC	Block Contract	£418,009.00	£418,009	£0.00	Service Area	Service Area	Adults'	
Drug Treatment Crime and Harm Reduction (Universal Grant)	EC09/01/3113B	change, grow, live (CGL)	01/09/21	31/08/22	31/08/22	3 months	Block Contract	£415,000.00	£415,000	£0.00	AQ0020	A47000	Adults'	
Domestic Violence Service - Prevention & Early Intervention 2021/2022 (Lot 1)	EC09/01/3043	Yellow Door	01/04/21	31/03/22	31/03/22	3 months	Block Contract	£397,000.00	£339,000.00	£58,000.00	AQ0170	A44240	Adults'	Part funded by the CCG and the OPCC, total £58,000 in 2021/22
Carer's Support Services	EC09/01/2585	Southampton Mencap	01/04/18	31/03/23	31/03/25	3 months	Block Contract	£353,115.00	£183,115.00	£170,000.00	AQ0150	A44240	Adults'	Part funded by CCG, £170,000 in 2021/22
Housing Related Support Services for Children and Young Persons: Lot 2 – Housing Support for Young People, Young Parents and a Flexible Floating Support Service	EC09/01/2461B	Two Saints	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£337,480.00	£337,480.00	£0.00	AQ0140	A44240	Adults'	
Supported Lettings and High Intensity Floating Support for People Experiencing Homelessness	EC09/01/2846B	Society of St James	22/07/19	31/03/22	31/03/22	3 months	Block Contract	£323,664.00	£323,664.00	£0.00	AQ0140	A43100	Adults'	
Asymptomatic Community Testing (Pharmacies)	n/a	Pharmacies	01/04/21	30/11/21	30/11/21	3 months	LCS	£320,000.00	£320,000.00	£0.00	AP0510	A44240	Public Health	
Rough Sleeper Services (Navigation, , NRPF, Outreach support for Sex workers)	EC09/01/2486C	Two Saints	01/07/19	31/03/22	31/03/22	3 months	Block Contract	£313,548.00	£313,548.00	£0.00	AQ0140	A43100	Adults'	
Housing Related Support Services for Adults: Lot 4 - Provision of an Intensive Lifeskills and Resettlement Housing Related Support Service in Southampton	EC09/01/2454D	The Salvation Army	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£288,578.16	£288,578.16	£0.00	AQ0140	A44240	Adults'	
Housing Related Support Services for Children and Young Persons: Lot 1 – Housing and Flexible Floating Support for Young People	EC09/01/2461A	YMCA Fairthorne Group	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£275,301.00	£275,301.00	£0.00	AQ0140	A44240	Adults'	
Rough Sleeper Drugs and Alcohol Enhanced Outreach Team Service	EC09/01/3113	change, grow, live (CGL)	01/05/21	31/03/22	31/03/22	3 months	Block Contract	£274,195.00	£274,195.00	£0.00	AQ0020	A44240	Adults'	
Integrated Mental Health Employment Support Service	MW278	Employment Support Team (SCC)	01/04/17	31/03/22	31/03/22	4 months	SLA	£265,760.00	£146,000.00	£119,760.00	AQ0140	A49800	Adults'	In-house service, part-funded by UHS £21,500 and CCG £98,260
Integrated Advocacy Services	EC09/01/2912	VoiceAbility Advocacy	01/04/20	31/03/23	31/03/24	3 months	Block Contract	£264,157.00	£250,173.00	£13,984.00	AQ0190, AQ0050	A44240	Adults'	Part funded by CCG, £13,984 in 2021/22
Family Group Conferences	EC09/01/2922	Daybreak Family Group Conferences	01/04/20	31/03/22	31/03/22	6 months	Block Contract	£257,650.00	£257,650.00	£0.00	AC0190	A44240	Children's	
Housing Related Support Services for Children and Young Persons: Lot 3 – Hostel/Foyer Style Support for Young People	EC09/01/2461C	YMCA Fairthorne Group	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£240,420.96	£240,420.96	£0.00	AQ0140	A44240	Adults'	

Appendix 1 V4 FINAL Descending ICU Contracts list October 2021

Housing Related Support Services for Adults: Lot 2 - Provision of an Intensive and Resettlement Housing Related Support Service in Southampton	EC09/01/2454B	Society of St James	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£189,449.00	£189,449.00	£0.00	AQ0140	A44240	Adults'	
Discharge 2 Assess D2A	MW291	Bondcare	04/12/17	30/09/21	30/09/21	1 month	NHS Standard Contract	£179,000.00	£179,000.00	£0.00	CCG	CCG	Adults'	
Healthwatch Southampton	EC09/01/2618	Southampton Voluntary Services	01/07/18	30/06/23	30/06/25	3 months	Block Contract	£178,890.96	£178,890.96	£0.00	AQ0130	A44240	Adults'	
Home Care Bridging Service	TBC	Enthuse Care Limited	15/09/21	31/03/22	31/03/22	Two weeks	Block Contract	£173,754	£173,754	£0.00	AA1250	A57605	Adults'	
Home Care Bridging Service Contract - Main contract for 260 hours per week	MW337	Whispers Care Solution	15/09/21	15/03/22	15/03/22	1 month	Block Contract	£173,380	£173,380	£0.00	AA1250	A57605	Adults'	
Somewhere Safe To Stay For People Experiencing Homelessness	EC09/01/2846D	The Salvation Army	27/08/19	31/03/22	31/03/22	3 months	Block Contract	£173,000.00	£173,000.00	£0.00	AQ0140	A43100	Adults'	
Housing Related Support Services for Adults: Lot 3 - Provision of an Intensive Lifeskills and Resettlement Housing Related Support Service in Southampton	EC09/01/2454C	Society of St James	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£169,507.00	£169,507.00	£0.00	AQ0140	A44240	Adults'	
Stop Smoking Support and Development Team	EC09/01/3061	Solutions 4 Health Limited	01/04/21	31/03/22	31/03/23	3 months	Block Contract	£164,500.00	£164,500.00	£0.00	AP0440	A44240	Public Health	
Southampton Safeguarding Children Partnership	EC09/01/2869	SCC, HSIOWCCG, Hampshire Constabulary	29/09/19	28/09/23	28/09/25	6 months	Block Contract	£163,331.00	£101,546.00	£61,785.00	AC0340	A91010	Children's	Part funded by CCG (£42,025), Hants Constabulary (£16,600), National Probation Service (£1,522) and Community Rehabilitation Service (£1,638) - £61,785 in 2021/22
Provision of Discharge-to-Assess Beds at Netley Waterside Nursing Home	MW316	Revitalise	16/11/20	30/09/21	30/09/21	3 months	NHS Standard C	£142,500.00	£142,500.00	£0.00	CCG	CCG	Adults'	
Domestic Violence - Refuge Service 2021/2022 (Lot2)	EC09/01/3043b	Home Group Ltd	01/04/21	31/03/22	31/03/22	3 months	Block Contract	£127,000.00	£127,000.00	£0.00	AQ0170	A44240	Adults'	
Housing Related Support Services for Adults: Lot 6 - Provision of an Accommodation Based Housing Support Service to People with Alcohol Related Housing and Support Needs	EC09/01/2454F	Society of St James	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£126,640.80	£126,640.80	£0.00	AQ0140	A44240	Adults'	
Day Centre Services	EC09/01/2872	Two Saints	01/04/20	31/03/25	31/03/27	4 months	Block Contract	£120,000.00	£120,000.00	£0.00	AQ0140	A44240	Adults'	
Direct Payment Support Service	EC09/01/2897	Enhams Trust	01/04/20	31/03/23	31/03/24	4 months	Block Contract	£117,098.00	£117,098.00	£0.00	AQ0210	A44240	Adults'	
Provision of Discharge-to-Assess Beds at Oaklands House	MW317	Oaklands House Nursing Home	16/11/20	30/09/21	30/09/21	3 months	NHS Standard C	£114,400.00	£114,400.00	£0.00	CCG	CCG	Adults'	
Northlands House - Care Contract - Residential Home for Older People - Maximun D2A 10 beds	EC09/01/0989	BUPA Care Homes (CFC Homes) Limited	01/04/21	30/09/21	30/09/21	N/A	NHS Standard Contract	£110,579.00	£110,579.00	£0.00	CCG	CCG	Adults'	
Smoking Cessation - Lung Health Checks	MW314	University Hospital Southampton NHS Foundation Trust	01/11/20	30/04/22	30/04/22	1 month	Block Contract	£109,553.53	£109,553.53	£0.00	AP0440	A44240	Public Health	
Rehabilitation and Reablement Beds	60043635	Northover Group	01/04/19	31/03/2022	31/03/22	3 months	Block Contract	£107,921.64	£107,921.64	£0.00	AA0300	A44240	Adults'	
Southampton Eating Well Service	EC09/01/2720	City Catering Southampton	01/11/19	30/11/23	30/11/23	3 months	Block Contract	£105,000.00	£105,000.00	£0.00	AH0750	A41000	Adults'	
Comprehensive Counselling for children & Young People 5-25 Lot 1	EC09/01/2563	No Limits (South)	01/09/18	31/08/22	01/09/24	3 months	Framework	£104,151.00	£104,151.00	£0.00	AC0130	A44240	Children's	
Mental Capacity Deputyship Service	EC09/01/2595	Hampshire County Council	16/10/18	N/A	n/a	6 months	Block Contract	£103,600.00	£103,600.00	£0.00	AQ0040	A52000	Adults'	
Peer Support Service	EC09/01/2865	Solent Mind	01/04/20	31/03/23	31/03/25	3 months	Block Contract	£93,944.00	£93,944.00	£0.00	AQ0230	A44240	Adults'	
Southampton Safeguarding Adults Board (SSAB)	EC09/01/3048	SCC, HSIOWCCG, Hampshire Constabulary	01/04/19	31/03/23	31/03/24	6 months	Block Contract	£92,489.00	£51,586.00	£40,903.00	AA0270	A91800	Adults'	Part funded by CCG (£29,605) and Hants Constabulary (£11,298) - total £40,903 in 2021/22
Housing Related Support Services for Children and Young Persons: Lot 4 - Supported Lodgings Service	EC09/01/2461D	Step By Step Partnership Limited	01/07/17	30/06/22	30/06/22	3 months	Block Contract	£88,420.80	£88,420.80	£0.00	AQ0140	A44240	Adults'	
Employment Support Approach for People Receiving Community Treatment for Drug and Alcohol Dependence who are unemployed	N/A	Employment Support Team (SCC)	01/09/21	31/03/23	31/03/23	3 months	SLA	£85,995.00	£85,995.00	£0.00	TBC	TBC	Adults'	
Independent visitor and Advocacy	EC09/01/2716	National Youth Advocacy Service	01/04/19	31/03/24	31/03/24	1 month	Block Contract	£84,431.00	£84,431.00	£0.00	AC0130	A44240	Children's	
Women with Complex Needs	EC09/01/3084	Stonewater Housing Association	01/04/20	31/10/21	31/10/21	3 months	Block Contract	£83,000.00	£83,000.00	£0.00	AQ0170	A91500	Adults'	
Out of Hours Service	TBC	Hampshire County Council	01/04/20	31/03/23	31/03/23	3 months	Block Contract	£75,288.18	£75,288.18	£0.00	AQ0180	A49800	Adults'	
Autism Support Hampshire	N/A	Autism Hampshire	01/11/18	31/10/23	31/10/23	3 months	Block Contract	£75,000.00	£75,000.00	£0.00	CCG	CCG	Adults'	

Appendix 1 V4 FINAL Descending ICU Contracts list October 2021

School & College Health & Well-being Drop-in services and Sexual Health Support & Interventions Lot 2	EC09/01/2563	No Limits (South)	01/09/18	31/08/22	01/09/24	3 months	Framework	£66,573.00	£66,573.00	£0.00	ACO130	A44240	Children's	
Home Care Bridging Service Contract - Interim contract for 200 hours per week	MW335	Whispers Care Solution	01/09/21	01/12/21	01/12/21	1 month	Block Contract	£66,300	£66,300	£0.00	AA1250	A57605	Adults'	
Play and Youth Development (Lot1)	EC09/01/2852	Southampton Children's Play Association	01/01/20	31/12/23	31/12/24	6 months	Block Contract	£65,554.00	£62,554.00	£3,000.00	AQ0240	A44240	Adults'	Part funded by CCG, £3,000 in 2021/22
Consultancy Services for the development of a Commercial Business Plan for City Telecare Services	SCC-ICU-0025	TEC SERVICES ASSOCIATION C.I.C	08/09/21	07/02/22	07/02/22	N/A	Block Contract	£60,250	£60,250	£0.00	TBC	TBC	Adults'	
Safe Families For Children Services	EC09/01/2655	Safe Families For Children	01/04/18	31/03/23	31/03/23	3 months	Block Contract	£60,000.00	£60,000.00	£0.00	AC0190	A44240	Children's	
Domestic Abuse Perpetrator and Prevention Services	CS06738	Hampshire County Council	01/09/18	31/08/23	31/08/25	6 Months	Block Contract	£53,000.00	£53,000.00	£0.00	AQ0170	A44240	Adults'	
Provision of Project Co ordinator and accompanying Personalisation budget	MW329	Society of St James	01/04/21	31/03/22	31/03/22	3 months	Block Contract	£51,000	£51,000	£0.00	AQ0140	A43100	Adults'	
Breastfeeding Support Service	SCC-CR-833	National Childbirth Trust	01/04/19	31/03/22	31/03/22	1 month	Block Contract	£49,072.00	£49,072.00	£0.00	AC0130	A44240	Adults'	
Southampton LFD Testing Service	MW336	Southampton Primary Care Limited	24/06/21	31/03/22	31/03/22	3 months	Block Contract	£48,000	£48,000	£0.00	Service area	service area	Adults'	
Bereavement Support Grant	N/A	Countess Mountbatten Hospice Charity Limited	01/09/21	31/08/22	31/08/22	N/A	Grant	£47,000	£47,000	£0.00	TBC	TBC	Adults'	
Tier 2 Adult Weight Management	MW302	WW GBR Ltd	01/04/19	31/03/22	30/09/22	3 months	Block Contract	£43,200.00	£43,200.00	£0.00	AP0420	A44240	Public Health	
Monitoring and Management of the Community Equipment Service	EC09/01/2640	Promoting Independence in People Ltd	01/04/17	30/06/22	30/06/22	3 months	Purchase Order	£41,124.00	£41,124.00	£0.00	AQ0060	A49800	Adults'	
Southampton Mental Health Network Grant	N/A	Communicare in Southampton	01/05/21	30/04/22	30/04/23	N/A	Grant	£39,998	£39,998	£0.00	AQ0040	A49800	Adults'	
Shopmobility	EC09/01/2988	Southampton Voluntary Services	01/04/20	31/03/22	31/03/22	6 months	Block Contract	£38,268.00	£38,268.00	£0.00	AQ0090	A44240	Adults'	
The Appropriate Adult Service	CS14221	The Appropriate Adult Service Limited	01/07/21	30/06/24	30/06/26	6 months	Block Contract	£37,409	£37,409	£0.00	AC0200	A57000	Children's	
Rough Sleeper Initiative Data Intelligence work	MW344	Homeless Link	13/09/21	22/01/22	22/01/23	3 months	Block Contract	£35,000	£35,000	£0.00	AQ0140	A43100	Adults'	
Weight Management Tier 2 Services	MW331	Saints Foundation	05/08/21	31/08/22	31/08/22	3 months	Block Contract	£30,000	£30,000	£0.00	TBC	TBC	Public Health	External funding - grant awarded to SCC for weight management services.
Oak Lodge - Lease for Care Home and Day Centre	SC4/15/4889(f)	BUPA Care Homes (CFC Homes) Limited	08/02/10	07/02/60	07/02/60	N/A	Block Contract	£28,297.32	£28,297.32	£0.00	AQ0110	A22010	Adults'	
Support Planning and Brokerage (SPB) Pilot	EC09/01/3003	SPECTRUM Centre for Independent Living	01/04/20	31/03/22	31/03/22	6 months	Block Contract	£28,080.00	£28,080.00	£0.00	AQ0120	A44240	Adults'	
Play and Youth Development (Lot2)	EC09/01/2852	Community Playlink	01/01/20	31/12/23	31/12/24	6 months	Block Contract	£26,000.00	£24,600.00	£1,400.00	AQ0240	A44240	Adults'	Part funded by CCG, £1,400 in 2021/22
Appropriate Adults Services for Vulnerable Adults Held in Police Custody	N/A	Office of the Police and Crime Commissioner for Hampshire	01/07/21	30/06/24	30/06/26	6 months	Grant	£25,718	£25,718	£0.00	AQ0230	A49800	Adults'	
Play and Youth Development (Lot 4 Central)	EC09/01/2852	City Reach Youth Project	01/01/20	31/12/23	31/12/24	6 months	Block Contract	£25,153.00	£17,873.00	£7,280.00	AQ0240	A44240	Adults'	Part funded by CCG, £7,280 in 2021/22
Play and Youth Development (Lot4 East)	EC09/01/2852	Weston Church Youth Project	01/01/20	31/12/23	31/12/24	6 months	Block Contract	£25,153.00	£17,873.00	£7,280.00	AQ0240	A44240	Adults'	Part funded by CCG, £7,280 in 2021/22
Pause Practice Agreement (Licence Agreement)	N/A	Pause Creating Space for Change	01/08/20	31/08/22	31/08/22	n/a	Block Contract	£25,000.00	£25,000.00	£0.00	Service Area	Service Area	Public Health	
Play and Youth Development (Lot 4 West)	EC09/01/2852	Youth Options	01/01/20	31/12/23	31/12/24	6 months	Block Contract	£24,411.00	£17,131.00	£7,280.00	AQ0240	A44240	Adults'	Part funded by CCG, £7,280 in 2021/22
Rent Deposit Scheme	MW315	City Life Church Southampton	01/11/20	31/03/22	31/03/22	1 month	Block Contract	£24,000	£24,000	£0.00	AQ0140	A43100	Adults'	
Asymptomatic Community Testing (outbreaks and vulnerable settings)	N/A	SPCL	01/05/21	31/03/22	31/03/22	30 days	Block Contract	£24,000	£24,000	£0.00	Service area	Service area	Public Health	
Play and Youth Development (Lot3)	EC09/01/2852	The Avenue Centre	01/01/20	31/12/23	31/12/24	6 months	Block Contract	£23,500.00	£23,000.00	£500.00	AQ0240	A44240	Adults'	Part funded by CCG, £500 in 2021/22
Tier 2 Weight Management Services	MW343	Solent Medical Services	01/10/21	31/08/22	31/08/22	2 months	Block Contract	£22,949.00	£22,949.00	£0.00	TBC	TBC	Public Health	External funding - grant awarded to SCC for weight management services.
HCA pilot	N/A	Hampshire Care Association	01/09/21	31/08/22	31/08/22	3 months	Grant	£21,000	£21,000	£0.00	TBC	TBC	Adults'	
Oak Lodge Facilities Management (day centre meals)	SC4/15/4889(f)	BUPA Care Homes (CFC Homes) Limited	08/02/10	07/02/60	07/02/60	N/A	Block Contract	£20,530.92	£20,530.92	£0.00	AQ0080	A44240	Adults'	
Weston Adventure Playground	EC09/01/2941	Weston Adventure Playground Association	01/01/20	31/12/23	31/12/24	6 months	Block Contract	£20,000.00	£20,000.00	£0.00	AQ0240	A44240	Adults'	
Dementia Friendly Communities	SCC-SOR 1099	Southampton Voluntary Services	23/11/20	22/05/22	22/05/22	3 months	Block Contract	£19,834	£19,834	£0.00	AQ0040	A49800	Adults'	
Homeless support Services (Volunteer Coordinator)	EC09/01/3001	City Life Church Southampton	01/04/20	31/03/22	31/03/22	3 months	Block Contract	£17,000.00	£17,000.00	£0.00	AQ0140	A43100	Adults'	
Asymptomatic Community Testing (volunteers)	N/A	Southampton Voluntary Services	01/05/21	31/03/22	31/03/22	30 days	Block Contract	£16,900	£16,900	£0.00	Service area	Service area	Public Health	

Appendix 1 V4 FINAL Descending ICU Contracts list October 2021

Commissioned grants programme	N/A	Communicare in Southampton	01/04/13	31/08/22	31/08/22	12 months	Grant	£16,500.00	£16,500.00	£0.00	AQ0090	A44240	Communities, Culture and Leisure	
Independent Fostering Partnership Agreement	EC09/01/2422	Various	01/04/17	30/03/22	30/03/22	12 months	Block Contract	£16,000.00	£16,000.00	£0.00	AQ0180	A49800	Adults'	
Post-19 Learning and Skills	EC09/01/2650	The Rose Road Association	01/09/18	31/07/23	31/07/23	6 months	Block Contract	£13,800.00	£13,800.00	£0.00	N/A	N/A	Children's	
HIV Self Sampling Testing	EC09/01/2413A	SH:24	29/10/19	31/03/22	31/03/22	3 months	Framework	£10,000.00	£10,000.00	£0.00	AP0130	A44240	Public Health	
Research in Practice	n/a	The Dartington Hall Trust	01/04/21	31/03/23	31/03/23	n/a	Block Contract	£13,500	£13,500	£0.00	Service area	Service area	Children's	
Independent Chair for the Southampton Safeguarding Children Partnership and Portsmouth Safeguarding Children Partnership (SSCP)	MW305	Derek Benson	25/06/19	24/06/22	24/06/23	2 months	Block Contract	£13,200.00	£13,200.00	£6,600.00	AC0340	N/A	Children's	Part funded by Portsmouth City Council, £6,600 in 2021/22.
Research in Practice	n/a	The Dartington Hall Trust	01/04/21	31/03/23	31/03/23	n/a	Block Contract	£12,834	£12,834	£0.00	Service area	Service area	Adults'	
Independent Chair for the Southampton Safeguarding Adults Board (SSAB)	MW306	Deborah Stuart-Angus	01/01/20	31/12/21	31/12/22	2 months	Block Contract	£12,000.00	£12,000.00	£0.00	AA0270	N/A	Adults'	
Child Death Overview Panel	N/A	Hampshire County Council	01/10/19	N/A	N/A	N/A	Block Contract	£11,475.00	£11,475.00	£0.00	N/A	N/A	Children's	
Development of SEND Local Offer	MW330	The Rose Road Association	01/04/21	31/03/22	31/03/22	3 months	Block Contract	£10,000	£10,000	£0.00	AC0570	A11000	Children's	
Play and Youth Development (Lot 5 Activity 1)	EC09/01/2852	Saints Foundation	01/01/20	31/12/23	31/12/24	6 months	Block Contract	£9,000.00	£7,370.00	£1,630.00	AQ0240	A44240	Adults'	Part funded by CCG, £1,630 in 2021/22
Play and Youth Development (Lot 5 Activity 2)	EC09/01/2852	SOCO music Project	01/01/20	31/12/23	31/12/24	6 months	Block Contract	£9,000.00	£7,370.00	£1,630.00	AQ0240	A44240	Adults'	Part funded by CCG, £1,630 in 2021/22
Support Planning and Brokerage (SPB) Portal	MW323	Public Consulting Group UK Limited	01/07/21	31/03/23	31/03/23	3 months	Block Contract	£8,400	£8,400	£0.00	AQ0120	A44240	Adults'	
Tier 2 Adult Weight Management in Pregnancy	MW304	Slimming World Limited	01/05/19	31/03/22	30/09/22	3 months	Block Contract	£7,000.00	£7,000.00	£0.00	AP0420	A44240	Public Health	
Housing Support for Older People at Rose Brook Court	EC09/01/3000	Saxon Weald Housing Association	01/04/20	31/03/23	31/03/25	6 months	Block Contract	£6,500.00	£6,500.00	£0.00	AQ0140	A44240	Adults'	
Children Residential Co-ordination Partnership agreement.	MW298	Various	01/09/18	30/09/24	30/09/24	12 months	Block Contract	£6,000.00	£6,000.00	£0.00	AQ0180	A49800	Adults'	
Personal Assistants (PA) Finder System	HCC No ref	Hampshire County Council	01/04/20	31/03/23	31/03/24	6 months	Block Contract	£1,800.00	£1,800.00	£0.00	AQ0210	A44240	Adults'	
Oak Lodge - Care Contract - Residential Home for People with OPMH - 10 maximum D2A beds	EC909/01/1101	BUPA Care Homes (CFC Homes) Limited	01/04/21	30/09/21	30/09/21	N/A	NHS Standard Contract	£1,180.00	£1,180.00	£0.00	CCG	CCG	Adults'	
Emergency Hormonal Contraception LCS for Under 25s (LCS)	EC09/01/2423A	Pharmacies	01/04/19	31/03/22	31/03/22	3 months	LCS	£0.00	£0.00	£0.00	AP0150	A44240	Public Health	
NHS Health Checks (LCS)	EC09/01/2973	GP Practices	01/04/20	31/03/22	31/03/22	3 months	LCS	£0.00	£0.00	£0.00	AP0010	A44240	Public Health	
Long Acting Reversible Contraception (LCS)	EC09/01/2423B	SPCL	23/03/17	31/03/22	31/03/22	3 months	LCS	£0.00	£0.00	£0.00	AP0160	A44240	Public Health	
Placement of Children and Young People with Independent Fostering Agencies	EC09/01/2422	Various	01/04/17	31/03/22	31/03/22	12 months	Framework	£0.00	£0.00	£0.00	AC0180	A44240	Children's	
Trusted Professionals	MW296	University Hospital Southampton NHS Foundation Trust	22/05/18	N/A	N/A	N/A	Block Contract	£0.00	£0.00	£0.00	N/A	N/A	Adults'	This service does not require payment.
Children's Residential Placements – Consortia Commissioning	EC09/01/2457	Children's Residential Care Framework	01/10/18	30/09/24	30/09/24	12 months	Framework	£0.00	£0.00	£0.00	AQ0180	A49800	Adults'	
Post 16 Accommodation & Support – Consortia Commissioning	EC09/01/2649	Various	01/02/19	31/03/23	31/03/23	6 Months	Framework	£0.00	£0.00	£0.00	AC0260	A61125	Children's	
Smoking Cessation in Community Pharmacies (LCS)	N/A	Pharmacies	15/04/19	31/03/22	31/03/22	3 months	LCS	£0.00	£0.00	£0.00	AP0440	A44240	Public Health	
Home Care Services	EC09/01/2635	Various	01/04/19	31/03/23	31/03/25	6 months	Framework	£0.00	£0.00	£0.00	AA1250	N/A	Adults'	
Needle Syringe Program (LCS)	N/A	Pharmacies	01/07/19	31/03/22	31/03/22	3 months	LCS	£0.00	£0.00	£0.00	AP0280	A44240	Public Health	
Supervised Consumption (LCS)	N/A	Pharmacies	01/07/19	31/03/22	31/03/22	3 months	LCS	£0.00	£0.00	£0.00	AP0300	A44240	Public Health	
Shared Care (LCS)	N/A	GP practices	01/07/19	31/03/22	31/03/22	3 months	LCS	£0.00	£0.00	£0.00	AP0290	A44240	Public Health	
Noms and Voids - Shirley Road	EC09-01-2684(a)	Hilldale Housing Association	28/08/19	08/08/36	08/08/44	12 months	Block Contract	£0.00	£0.00	£0.00	N/A	N/A	Adults'	
Noms and Voids - Brook Lodge	EC09/01/2608	Saxon Weald Housing Association	07/10/19	06/10/44	06/10/44	3 months	Block Contract	£0.00	£0.00	£0.00	N/A	N/A	Adults'	
Noms and Voids - Spring Crescent	MW309	Hilldale Housing Association	01/04/20	31/03/32	31/03/45	6 months	Block Contract	£0.00	£0.00	£0.00	N/A	N/A	Adults'	
Noms and Voids - Mercator Close	MW310	Bespoke Supportive Tenancies LTD	07/09/16	06/09/51	06/09/51	N/A	Block Contract	£0.00	£0.00	£0.00	AC0190	A44240	Adults'	
Nicotine Replacement Therapy (LCS)	N/A	Pharmacies	01/08/20	30/04/22	30/04/22	3 months	LCS	£0.00	£0.00	£0.00	AP0440	A44240	Public Health	

Appendix 1 V4 FINAL Descending ICU Contracts list October 2021

Noms and Voids - Osborne Gardens	MW319	Golden Lane Housing Limited	25/09/20	24/09/45	24/09/45	3 months	Block Contract	£0.00	£0.00	£0.00	N/A	N/A	Adults'
Discharge to Assess beds	MW338	New Century Care	16/08/21	30/09/21	30/09/21	1 month	Block Contract	£0.00	£0.00	£0.00	CCG	CCG	Adults'
Discharge to Assess beds	MW339	Methodist Homes Association	19/08/21	30/09/21	30/08/21	1 month	Block Contract	£0.00	£0.00	£0.00	CCG	CCG	Adults'

	Total number	Total annual contract value 2020/21	SCC/Contracting Organisation Contribution 2020/21			Partner Contribution 2020/21
SCC contracts	119	£26,452,616.43	£23,633,664.89			£2,825,551.54
CCG contracts	8					
Partnership agreements	24	£162,731,961	£67,799,820			£94,925,541
Grants	5	£0.00	£0.00			£0.00
Totals	156					

Contract Reference EC/MW	Supplier Name (Service Provider)	Lead Client Manager (Commissioning Lead)	Contracts Lead	Contract Start Date	Current Contract Expiry Date	Maximum Expiry Date	Notice Period for termination	Contracting Organisation	Agreement Type	Total annual contract value 2021/22	SCC/Contracting Organisation Contribution 2021/22	Partner Contribution 2021/22	Cost Centre	Account Cde	Finance Portfolio
EC09/01/2267	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Donna Chapman	Sadie Brackstone	01/04/15	N/A	N/A	3 months	SCC	s75	£126,954,000.00	£47,360,000.00	£79,594,000.00	Various	Various	Adults'
EC09/01/2376b	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Jamie Schofield	Ireen Kagwa	01/04/16	31/03/22	31/03/22	4 months	SCC	s75	£17,270,000.00	£5,093,000.00	£12,177,000.00	N/A	N/A	Adults'
N/A	Solent NHS Trust	Donna Chapman	Sadie Brackstone	01/04/18	31/03/23	31/03/25	12 months	SCC	s75	£9,010,649.00	£9,010,649.00	£0.00	Various	Various	Public Health
EC09/01/2377	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Kate Dench	Merlyn Ganeshamoorthy	01/04/15	N/A	N/A	N/A	SCC	s75	£2,600,000.00	£1,274,000.00	£1,326,000.00	AA0100	A91120	Adults'
EC09/01/0989	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Matthew Harrison	Ireen Kagwa	24/06/05	23/06/30	23/06/30	N/A	SCC	s75	£2,528,149.00	£2,112,429.00	£415,720.00	AQ0080	A57030	Adults'
EC09/01/1101	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Matthew Harrison	Ireen Kagwa	08/02/10	07/02/35	07/02/35	N/A	SCC	s75	£1,632,934.00	£1,241,654.00	£391,280.00	AQ0080	A57030	Adults'
EC09/01/2086	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Debbie Chase	Katerina Ploumakis	01/04/13	N/A	N/A	12 months	SCC	s75	£775,867.00	£775,867.00	£0.00	APO330,AQ0010,AP0010,AP0230,AP0240,AP0350, AP0320	A44240	Public Health
EC09/01/2679A	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Alison Boynton	Merlyn Ganeshamoorthy	01/09/19	31/08/22	31/08/23	12 months	SCC	s75	£422,300.00	£282,943.00	£139,357.00	AQ0040	A44240	Adults'
EC09/01/2538	Southern Health NHS Foundation Trust	Amanda Luker	Aleksandra Burlinson	01/04/19	31/03/22	31/03/22	12 months	SCC	s75	£331,216.51	£249,195.12	£82,021.39	AA0170; AA0040	A91010; A9300	Adults'
EC09/01/2775(a)	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Adrian Littlemore	Katerina Ploumakis	01/10/19	30/09/22	30/09/23	6 months	SCC	s256	£257,000.00	£0.00	£257,000.00	AQ0090	A44240	Adults'
EC09/01/1788	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Matthew Harrison	Merlyn Ganeshamoorthy	01/05/10	31/03/22	31/03/22	6 months	SCC	s256	£190,456.54	£0.00	£190,456.54	AC0130, AQ0070	A91120	Children's
EC09/01/1874	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Phil Lovegrove	Merlyn Ganeshamoorthy	01/04/11	31/03/22	31/03/22	6 months	SCC	s76	£165,898.00	£165,898.00	£0.00	AC0130	A53000	Children's
n/a	Office of the Police and Crime Commissioner for Hampshire	Sandy Jerrim	Katerina Ploumakis	01/04/21	31/03/22	31/03/22	N/a	SCC	Block Contract	£160,000	£0	£160,000.00	AQ0170	A44240	Adults'
EC09/01/2813	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Alison Boynton	Sadie Brackstone	01/04/19	31/03/22	31/03/22	6 months	SCC	s256	£98,260.00	£0.00	£98,260.00	AG0210	A93000	Adults'
EC09/01/2893	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Sandy Jerrim	Katerina Ploumakis	01/09/19	31/03/22	31/03/22	2 months	SCC	S76	£70,000.00	£70,000.00	£0.00	AQ0140	A43100	Adults'
EC09/01/2624	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Marie Woodhouse	Ireen Kagwa	01/03/17	30/04/23	31/03/24	3 months	HSIOWCCG	s256	£65,000.00	£65,000.00	£0.00	AC0130	A91120	Children's
EC09/01/1970(i)	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Sandy Jerrim	Katerina Ploumakis	01/11/15	31/03/22	31/03/22	3 months	SCC	S256	£58,000.00	£58,000.00	£0.00	AQ0170	A91120	Adults'
EC09/01/1484(f)	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Katherine Elsmore	Ireen Kagwa	01/04/08	31/03/22	31/03/22	3 months	SCC	S76	£41,185.00	£41,185.00	£0.00	AC0130	A53000	Children's
EC09/01/3035	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Marie Woodhouse	Sadie Brackstone	01/04/20	31/03/23	31/03/25	3 months	SCC	s256	£30,062.08	£0.00	£30,062.08	AQ0230	A44240	Adults'
EC09/01/2582	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Russell Turner	Katerina Ploumakis	01/01/20	31/12/23	31/12/23	6 months	scc	s256	£30,000.00	£0.00	£30,000.00	AQ0240	A44240	Children's
EC09/01/2912A	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Colin McAllister	Sadie Brackstone	01/04/20	31/03/22	31/03/24	9 months	SCC	s256	£13,984.00	£0.00	£13,984.00	AQ0190	A91120	Adults'
EC09/01/2423B	NHS Hampshire, Southampton and Isle of Wight Clinical Commissioning Group	Russell Turner	Ireen Kagwa	01/04/17	31/03/23	01/04/24	3 months	SCC	S256	£13,800.00	£0.00	£13,800.00	AP0160	A44240	Public Health
MW305(i)	Portsmouth City Council	Deborah Key	Merlyn Ganeshamoorthy	25/06/19	24/06/22	24/06/23	6 months	SCC	Block Contract	£13,200.00	£0.00	£6,600.00	N/A	N/A	Children's
EC09/01/2376a	Solent NHS Trust	Jamie Schofield	Ireen Kagwa	01/04/16	31/03/22	31/03/22	4 months	SCC	s75	£0.00	£0.00	£0.00	N/A	N/A	Adults'

This page is intentionally left blank

Agenda Item 9

DECISION-MAKER:		GOVERNANCE COMMITTEE COUNCIL	
SUBJECT:		LOCAL APPOINTMENT OF EXTERNAL AUDITORS	
DATE OF DECISION:		16 NOVEMBER 2021 (GOVERNANCE COMMITTEE) 17 NOVEMBER 2021 (COUNCIL)	
REPORT OF:		EXECUTIVE DIRECTOR FOR FINANCE, COMMERCIALISATION & S151 OFFICER	
<u>CONTACT DETAILS</u>			
Executive Director	Title:	Executive Director for Finance, Commercialisation & S151 Officer	
	Name:	John Harrison	Tel: 023 80834897
	E-mail:	John.Harrison@southampton.gov.uk	
Author:	Title:	MTFS & Revenue Manager	
	Name:	Stephanie Skivington	Tel: 023 80832692
	E-mail:	Stephanie.Skivington@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY		
Not Applicable		
BRIEF SUMMARY		
<p>The Local Audit and Accountability Act 2014 ('the Act') requires that a local auditor is appointed no later than 31 December in the financial year preceding the financial year of the accounts to be audited. This report sets out the proposals for appointing the external auditor to the Council for the 2023/24 accounts and beyond, noting that the current appointment applies up to and including the 2022/23 accounts.</p>		
<p>Regulations made under the Act allow authorities to opt in for their external auditor to be appointed by an 'appointing person'. Public Sector Audit Appointments Ltd ('PSAA') has been specified by the Secretary of State as an 'appointing person' (or 'sector led body'). PSAA has now formally invited the Council to opt-in, along with all other authorities, to the appointment scheme for the financial years 2023/24 to 2027/28, so that they can enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's external auditor from April 2023.</p>		
RECOMMENDATIONS:		
Governance Committee		
	(i)	To consider and recommend to Council that it accepts the PSAA invitation to 'opt-in' to the sector led national scheme for the appointment of external auditors.
Council		
	(i)	That Council accepts the PSAA invitation to 'opt-in' to the sector led national scheme for the appointment of external auditors for the five financial years commencing 1 April 2023.

REASONS FOR REPORT RECOMMENDATIONS	
1.	Whilst the Council has until December 2022 to appoint the external auditors for the 2023/24 accounts, PSAA has formally invited the Council to opt-in to the national scheme. Details relating to PSAA's invitation are provided in Appendices 1 and 2 of this report. If the Council is to take advantage of this national scheme for appointing external auditors then it needs to take the decision to enable it to accept the invitation by early March 2022.
2.	The Local Audit (Appointing Person) Regulations 2015 ('the Regulations') require that a decision to opt-in must be made by a meeting of the Council (meeting as a whole). The Council then needs to formally respond to PSAA's invitation in the form specified by PSAA.
3.	PSAA will commence the formal procurement process in February 2022. It expects to award contracts in August 2022 and consult with authorities on the appointment of auditors during late summer/autumn 2022 so that it can make an appointment by the statutory deadline of December 2022.
4.	It is considered that the national scheme conducted by PSAA will produce better outcomes and will be less burdensome for the Council than any procurement undertaken locally. More specifically: a) Collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements; b) Any auditor conflicts or independence issues at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon; c) Without the national appointment, the Council would need to establish a separate independent auditor panel, which could be difficult, costly and time-consuming; d) It provides the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; e) PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements; and f) Supporting the sector-led body offers the best way of to ensuring there is a continuing and sustainable public audit market into the medium and long term.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
5.	There are three options open to the Council under the Act. In summary, these comprise: a) Setting up an independent auditor panel and undertaking an individual external auditor procurement and appointment exercise; b) Joining with other councils to set up a joint independent auditor panel and undertaking a joint audit procurement and appointing exercise; or c) Opting-in to a national sector led body that will negotiate contracts and make the appointment on behalf of councils.
6.	If the Council chooses not to opt-in then there would be a need to establish an independent auditor panel. In order to make a stand-alone appointment the auditor panel would need to be set up by the Council itself. The members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close

	families and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council's external audit.
7.	Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
8.	Neither of these options are recommended. Both these options would be more resource-intensive processes to implement and without the bulk buying power of the sector led procurement, would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process.
9.	Only auditors registered to undertake local audits by the Financial Reporting Council are eligible for appointment. It should be noted that currently there are only nine providers on the register, nearly all of whom are firms with a national presence. This means that any local procurement exercise, as described above, would seek tenders from these same firms, subject to the need to manage any local independence issues. Local firms could not be invited to bid.
DETAIL (Including consultation carried out)	
10.	The Council's current external auditor is Ernst & Young LLP. This appointment was made in 2017 under the first national opt-in scheme run by PSAA and applies to the accounts for financial years 2018/19 to 2022/23.
11.	The Local Audit and Accountability Act 2014 ('the Act') sets out the arrangements for the appointment of local auditors and gives authorities the ability to decide how and by whom their auditors are appointed. Regulations made under the Act allow authorities to 'opt-in' for their auditor to be appointed by an 'appointing person'.
12.	PSAA is an independent, not-for-profit company limited by guarantee incorporated by the Local Government Association. It was specified as an 'appointing person' in 2016 by the Secretary of State under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018. PSAA costs are around 4% of the scheme with any surplus distributed back to scheme members. PSAA will make auditor appointments for authorities that choose to opt-in to this second national appointment scheme for audits of the accounts for financial years 2023/24 to 2027/28.
13.	There are pressures on the local audit market arising from additional work and recruitment and retention challenges. PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the

	amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
14.	<p>The principal benefits in choosing to opt-in to the national scheme are as follows:</p> <p>a) PSAA will manage the procurement process to ensure both quality and price criteria are satisfied and will consult on individual auditor appointments;</p> <p>b) PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for formal collaboration or joint working initiatives;</p> <p>c) PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements;</p> <p>d) PSAA will consult with authorities on the scale of audit fees and ensure these reflect scale, complexity and audit risk;</p> <p>e) It is expected that scheme management costs will be minimised and any surpluses returned to scheme members;</p> <p>e) The overall procurement costs would be lower than an individual smaller scale local procurement.</p>
15.	The scope of the audit will still be specified nationally with the National Audit Office responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
16.	The PSAA scale fee for the 2020/21 audit is £109,891, however EY has submitted a proposed rebasing of the scale fee to £178,126 to reflect changes in work required to address professional and regulatory requirements and scope associated with risk. There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market. In 2019 the Ministry of Housing, Communities and Local Government (as was) accepted that audit fees had become insufficient to reflect the increased challenges in auditing local authorities. In response to the Redmond Review the Government committed to review and reform regulations to provide the appointing person with greater flexibility to ensure the costs to audit firms of additional work are met and reduce the need for time consuming case-by-base consideration. A consultation on changes to the Local Audit (Appointing Person) Regulations 2015 took place earlier this year. The Government also announced £15 million nationally in additional funding in 2021/22 to support affected local bodies to meet the anticipated rise in audit fees in 2021/22. The Council's share is not yet known or whether the additional funding will be ongoing.
17.	The proposed fees for the subsequent years cannot be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms, however opting-in to a national scheme will provide maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering into a large scale collective procurement arrangement.

18.	If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees for 2023/24.
-----	--

Property/Other

19.	None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

20.	Section 7 of the Act requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment which is reserved to full Council.
21.	Section 12 of the Act makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
22.	Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015. In July 2016 the Secretary of State specified PSAA as the appointing person.

Other Legal Implications:

23.	None.
-----	-------

RISK MANAGEMENT IMPLICATIONS

24.	The principal risks are that the Council <ul style="list-style-type: none"> a) Fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or b) Does not achieve value for money in the appointing process. These risks are considered best mitigated by opting into the sector-led approach through PSAA.
25.	There is a risk that through the national procurement exercise PSAA may fail to attract sufficient capacity to enable auditor appointments to every opted-in body or realistic market prices. In this eventuality PSAA has fallback options to extend one or more existing contracts for 2023/24 and also 2024/25.

POLICY FRAMEWORK IMPLICATIONS

26.	Not applicable.
-----	-----------------

KEY DECISION?	Yes/No
----------------------	---------------

WARDS/COMMUNITIES AFFECTED:	None
------------------------------------	-------------

<u>SUPPORTING DOCUMENTATION</u>
--

Appendices	
1.	PSAA Invitation – Southampton City Council
2.	Form of notice of acceptance of the invitation to opt in
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes/No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	Yes/No
Other Background Documents	
Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None

22 September 2021

To: Ms Hopkins, Chief Executive
Southampton City Council

Copied to: Mr Harrison, S151 Officer
Councillor Fuller, Chair of Audit Committee or equivalent

Dear Ms Hopkins,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

This page is intentionally left blank

Appointing Period 2023/24 to 2027/28

Form of notice of acceptance of the invitation to opt in

(Please use the details and text below to submit to PSAA your body's formal notice of acceptance of the invitation to opt into the appointing person arrangements from 2023)

Email to: ap2@psaa.co.uk

Subject: **Southampton City Council**

Notice of acceptance of the invitation to become an opted-in authority

This email is notice of the acceptance of your invitation dated 22 September 2021 to become an opted-in authority for the audit years 2023/2024 to 2027/2028 for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that **Southampton City Council** has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations, and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: **[insert name of signatory]**

Title: **[insert role of signatory]** (authorised officer)

For and on behalf of: **Southampton City Council**

Date: **[insert date completed]**

This page is intentionally left blank

DECISION-MAKER:	Governance Committee
SUBJECT:	Annual Risk Management Report 2021
DATE OF DECISION:	16 November 2021
REPORT OF:	Executive Director for Finance and Commercialisation and Section 151 Officer

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director for Finance and Commercialisation and Section 151 Officer	
	Name:	John Harrison	Tel: 023 8083 4897
	E-mail	john.harrison@southampton.gov.uk	
Author:	Title	Risk and Insurance Manager	
	Name:	Peter Rogers	Tel: 023 8083 2835
	E-mail	peter.rogers@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY

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

BRIEF SUMMARY

The Governance Committee is responsible for ensuring that an adequate and effective framework for the identification and management of risk is in place and that appropriate action is being taken to manage risk. The Annual Risk Management Report 2021 (Appendix 1) provides a summary of the council's risk management framework together with information on the arrangements in place to manage risk.

RECOMMENDATIONS:

- | | |
|-----|--|
| (i) | To review and comment on the Annual Risk Management Report 2021 (Appendix 1) and to note the 'Summary - Strategic Risks' (Appendix 2) and the 'Strategic Risk – Governance document' (Appendix 3). |
|-----|--|

REASONS FOR REPORT RECOMMENDATIONS

- | | |
|----|--|
| 1. | This report is presented to the Governance Committee as the member body responsible for providing independent assurance on the adequacy of the risk management framework and the internal control and reporting environment. |
| 2. | In addition, the Committee needs to satisfy itself that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies. |

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- | | |
|----|---|
| 3. | No alternative options have been considered |
|----|---|

DETAIL (Including consultation carried out)

4.	The Annual Risk Management Report 2021 is intended to provide assurance to the Governance Committee that the council has in place effective risk management arrangements and that key risks are being managed and monitored appropriately.
5.	The report provides a summary of the council's risk management framework and provides information and assurance on the key arrangements in place across the council to identify and manage risk.
6.	Also included is a summary of the council's Strategic Risks (Appendix 2), which are reviewed and considered by the Finance, Commercialisation and Performance Board on a quarterly basis, together with a 'Strategic Risk – Governance' document (Appendix 3) that sets out the process in terms of how the Strategic Risk Register is managed.
7.	The report has been presented to and reviewed by the Finance, Commercialisation and Performance Board on 27 th October 2021.

RESOURCE IMPLICATIONS

Capital/Revenue

8.	None
----	------

Property/Other

9.	None
----	------

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

10.	The Accounts and Audit (England) Regulations 2015 Part 2 Section 3A(c) require the Council to have in place a 'sound system of internal control which includes effective arrangements for the management of risk'.
-----	--

Other Legal Implications:

11.	None
-----	------

RISK MANAGEMENT IMPLICATIONS

12.	The report is intended to provide the Governance Committee with assurance regarding the arrangements in place to manage risk.
-----	---

POLICY FRAMEWORK IMPLICATIONS

13.	None
-----	------

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	Not applicable
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Annual Risk Management Report 2021
2.	Summary - Strategic Risks (Confidential Item)
3.	Strategic Risk – Governance

Documents In Members' Rooms

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

This page is intentionally left blank

RISK MANAGEMENT ANNUAL REPORT 2021



November 2021



Risk Management – Annual Report 2021

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

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

This report provides a summary of the council's risk management framework and provides information and assurance on the key arrangements in place across the council to identify and manage risk. Risk may be defined as ‘the effect of uncertainty on objectives’ recognising that risk taking is both necessary and fundamental to the success of any organisation.

ROLES AND RESPONSIBILITIES

The council's Risk and Insurance Service, which is part of Finance and Commercialisation, is responsible for:

- Facilitating the continuing development of the council's risk management arrangements including developing appropriate guidance and information.
- Supporting services in the management of operational and strategic risk.
- Facilitating and supporting the Executive Management Board ('EMB') in respect of the identification, management and review of the council's key strategic risks.
- Arranging appropriate risk financing measures and providing advice and guidance on the extent of insurance or self-insurance arrangements.
- Where appropriate, arranging the placement of cover with insurers including the negotiation of premium rates and policy terms.

RISK MANAGEMENT FRAMEWORK

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

- **Risk Management Policy**

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

- **Strategic Risk Register**

The Strategic Risk Register is a key document in terms of identifying, assessing and managing the council's key strategic risks. The Strategic Risk Register is developed and managed in consultation with EMB and individual Executive Directors. The Strategic Risk Register is updated and then reviewed on a quarterly basis.

- **Report Templates**

The council's standard corporate report template, briefing template and EMB report template all include a 'Risk Management' section that requires a report author to consider and provide the 'decision taker/recipient' with relevant and proportionate information regarding the risks associated with the project, topic or initiative that is the subject of the report.

- **Project and Programme Risk Management**

The need to identify and manage risk runs throughout the project and programme management governance process from initiation to implementation. Guidance is available to assist both project managers and project sponsors/boards in understanding the importance of understanding and managing risk.

- **Partnerships**

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

- **Hampshire and Isle of Wight Local Resilience Forum**

The Hampshire and Isle of Wight Local Resilience Forum ('LRF') comprises of local Emergency Service Responders (Police, Fire, Ambulance), Local Authorities as well as associated businesses, organisations and voluntary sector representatives. Through the LRF, these organisations work together to prepare for, respond to, and recover from emergencies. The LRF is also responsible for emergency plans and procedures for major incidents and has in place a risk assessment matrix that lists of all the risks considered by LRF.

- **Medium Term Financial Forecast**

A 'Key Financial Risks' document identifies the key risks to the council's financial position over the short to medium term together with a summary of the mitigating actions in place and/or planned which is reviewed on a quarterly basis as part of financial monitoring.

- **Business Planning**

As part of the business planning process Executive Directors and their management teams are required, via a SWOT analysis, to consider the risks that may impact on delivery of their key priorities and outcomes and the necessary mitigations.

- **Internal Audit**

Internal audit plays a vital role in advising the council that arrangements in relation to governance, risk and internal control are in place and operating effectively. Response to internal audit activity should lead to the strengthening of the internal control environment. The annual 'Internal Audit Plan' is informed by the council's Strategic Risks together with discussions with individual Executive Directors and EMB.

- **Fraud Risk Management**

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

- **Operational Risk Management**

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

RISK MANAGEMENT ACTIONS AND INITIATIVES : 2021

- **Strategic Risk Register**

The Strategic Risk Register was reviewed by EMB at End Q3 20-21 (Jan 21), End Q4 20-21 (June 21) and then by the new Finance, Commercialisation & Performance Board at End Q1 21-22 (July 21) and End Q2 21-22 (Oct 21). This new Board, which comprises all members of EMB, has a specific focus and receives reports in respect of these three areas of activity. See Appendix 2 which is a summary of the key Strategic Risks as at End Q2 21-22.

The End Q4 20-21 review also included a review of 'Core Cities' risk registers in order to enable EMB to consider how the council's strategic risks compare or contrast to those identified by Core Cities.

- **Strategic Risk - Governance [Planned Action on 2020 Report]**

A Strategic Risk – Governance' paper (Appendix 3) was developed and approved by the Finance, Commercialisation & Performance Board at the End Q1 21/22 review. This document details the governance structure and associated process in terms of how strategic risks are identified and managed and sets out an agreed process in terms of how an Executive Director may escalate or propose a new risk for inclusion on the council's Strategic Risk Register. The creation of the new Board provided an opportune moment for this paper to be developed.

- **Risk Management - Covid**

The Risk & Insurance Service continues to provide support to colleagues in Public Health in respect of the ongoing management and development of the Outbreak Control Plan Risk Log. Periodically this risk log is 'quality assured' to ensure adherence to SCC corporate risk management policies and strategies and to ensure that risks are being appropriately recorded.

In addition, a guidance document was developed and issued to SCC schools providing updated advice regarding Travel insurance following cover restrictions imposed by insurers as a result of Covid.

- **Other Risk Management activity**

The Risk & Insurance Manager sits on the following Boards and is able to ensure that risk management issues are able to be raised and given proper consideration:

- Information Governance Board
- Health & Safety Board
- Fire Safety Programme Board
- Emergency Preparedness, Resilience and Response Board

- **Project and Programme Risk Management**

The production of risk registers/risk logs is now embedded as part of project management governance where the use of a 'Risks, Assumptions, Issues, Dependencies ('RAID') Log' is now the 'business as usual' approach. The 'risk' element of the RAID log was further developed and improved in 2021 in consultation with the Project Management Team.

- **Cyber Risk**

Discussions and meetings have been held with the council's insurance broker and an expert from their 'Cyber, Media & Technology Practice' together with the council's Head of IT to explore and further understand the developing 'Cyber Liability Insurance Market' and the prerequisite underwriting risk control requirements.

- **Property Fire and Security surveys [Planned Action on 2020 Report]**

The annual programme of fire and security surveys, that was paused by insurers in 2020 due to Covid, recommenced in 2021 with appropriate Covid precautions in place. Site visits with insurers to the following locations took place:

- City Depot
- Civic Centre
- Potters Court

A small number of risk improvement actions were identified (mainly around 'housekeeping') and are being actioned and/or are being further discussed with insurers regarding the agreed action. In addition, insurers undertook remote virtual surveys of five school sites based on reviews of previous survey information. One action arose which was communicated and actioned by the school.

- **Motor Accumulation Survey**

This survey was undertaken at the request of the motor insurance underwriters and was focussed on City Depot where the majority of council's commercial motor fleet is based. The review, which looked at the council's operations, safety and risk control arrangements and potential exposures to loss, did not identify any mandatory 'Risk Requirements'. It did, however, include some risk improvement recommendations in respect of a contingency management plan to address mitigation measures in the event of the loss of waste and recycling vehicles, or loss/inaccessibility to depot facilities. These are currently being progressed by the service.

- **Housing – Fire Safety**

The council's housing fire safety works programme, led by Property Services, continues. This programme has seen sprinklers installed into all 19 high rise housing blocks and around 1,200 accredited fire doors and frames fitted, as well as a range of associated passive fire safety works around fire stopping and compartmentation. Although the main focus has been on the high rise blocks there is an ongoing programme to replace fire doors and improve fire stopping in medium and low rise blocks which is being progressed on a risk based approach.

- **Solent Unitaries Insurance Group**

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

- Data Breach Claims
- Insurance renewal terms
- Covid risk and insurance issues
- On street Electric Vehicle Charging
- Cyber Liability

- **School Minibus Survey – Risk & Insurance**

The outcome of this exercise was communicated to those SCC schools who operate a minibus in early 2021. The purpose of the exercise (which arose out of the 'virtual motor risk management' review undertaken by our motor insurers in 2020) was to obtain a better understanding of the day to day management and operation of school minibuses from a risk and insurance perspective.

NEW RISK MANAGEMENT ACTIVITIES PLANNED OR BEING CONSIDERED

[Note: The following may need to be reprioritised or reconsidered subject to the business need and/or any ongoing impact of Covid]

- **Contracts – Indemnity and Insurance [Deferred]**

It was intended that the Risk & Insurance Team develop and deliver a training session for the Supplier Management Team, Integrated Contracts Unit and Legal (Contracts Team) around developing a better understanding of 'insurance and indemnity clauses in contracts. This training had to be deferred due to other priorities however the session will look to be delivered at some point in the current financial year.

- **Property Reinstatement revaluation programme [Deferred]**

The approach in respect of the periodic reviews of property sums insured is to be reviewed in conjunction with Property Services in order that a consistent approach, that also reflects insurers expectations, is in place.

- **Risk Management Policy**

The 'Risk Management Policy 2017-21', will be reviewed and updated to ensure that it continues to reflect good practice and remains aligned with the business need. The updated document will be published on the intranet and communicated as appropriate.

- **Risk Register templates**

To review, in consultation with the insurer's risk management consultancy service, the format of the risk register templates to ensure that they remain aligned with good practice and are fit for purpose.

For further information please contact Peter Rogers, Risk & Insurance Manager 023 8083 2835 or insurance@southampton.gov.uk

Document is Confidential

This page is intentionally left blank

STRATEGIC RISK – GOVERNANCE

Risk management is an essential component of the Council's overall governance and internal control arrangements. It provides the framework and processes to enable the organisation to manage risk in a systematic, consistent and efficient way.

Strategic risks are those risks that are of significant, cross-cutting importance to the council such that they are considered to require the attention and oversight of the council's senior management team. Strategic risks reflect a combination of organisational 'resilience' and 'governance' type risks together with risks that are more transient in nature. Organisational 'resilience' type risks typically include business continuity and disaster recovery whilst organisational 'governance' risks typically relate to those areas where ongoing assurance in respect of arrangements in place to manage risk is appropriate e.g. safeguarding, information governance, health and safety.

In addition, there will be risks that are more transient in nature and may reflect new or emerging risks where Finance, Commercialisation & Programme Management Board ('the Board') oversight is considered necessary. Often these may only require oversight for a limited period whilst suitable risk mitigations are developed and implemented.

Report Format

The Strategic Risk Register is presented in an 'Assurance' type format with each Strategic Risk having an overall 'Current Risk Score' based on a combined assessment of the likelihood or probability of the risk event occurring and its potential impact, after considering the controls already put in place. Each risk also has a 'Target Risk Score' which is intended to reflect 'where the risk is now' with where 'we would like to risk to be'. The risk scores are captured on a 'Weighted Risk Matrix' that forms part of the Strategic Risk Register together with an overall 'Summary' and an 'Exceptions' report which is intended to flag issues or areas of specific concern.

Each strategic risk has its own report the which includes 'Expected Key Controls' (that inform and direct the type and nature of the required mitigating actions), 'Sources of Assurance' (that reflect the existing controls in place to manage the risk) and 'Mitigating Actions/Comments' (detailing further actions being undertaken or planned to further manage the risk). Each 'Expected Key Control' is then 'scored' at the end of each quarter in terms of the level of assurance that can be placed on the effectiveness of the controls /mitigations in place.

Reporting arrangements

The Board will be presented with the updated Strategic Risk Register on a quarterly basis. In addition, the information in respect of the Council's strategic risks will be to the Governance Committee on an annual basis as part of an annual 'Risk Management Report' noting that the Governance Committee is *"responsible for ensuring that an adequate and effective framework for the identification and management of risk is in place and that appropriate action is being taken to manage risk"*.

Responsibility of the Finance, Commercialisation & Programme Management Board

The Board is responsible for identifying and agreeing the Council's strategic risks and for ensuring that appropriate actions are in place, or are being taken, to manage the risks in a way that reflects the council's overall risk appetite. The Board may periodically seek further information or assurance in respect of an individual risk and in such cases a 'deep dive' will be undertaken and presented to the Board by the 'Risk Owner'.

The Board is also responsible for ensuring that any new, emerging or changing risks are identified and considered. Individual Executive Directors may also seek to escalate a significant 'director risk' for proposed inclusion on the Strategic Risk Register. Any such risk would however be expected to be of

significant, cross-cutting importance to the council such that it is considered to require Board oversight. Where an Executive Director proposes a new risk for inclusion in the Strategic Risk Register, any such proposal must include sufficient information to enable the Board to give it proper consideration. Proposals should be submitted in advance to the Risk and Insurance Manager.

In addition, on an annual basis, the Board will also receive a summary of 'Core Cities' strategic risks in order to consider how the council's strategic risks compare or contrast to those identified by Core Cities.

Responsibility of Risk Owners

It is the responsibility nominated 'Risk Owner', as detailed on the Strategic Risk Register, to ensure that the risk is reviewed and updated to reflect position at the end of each quarter. This review should include the 'risk description', the 'overall risk scoring', the 'assurance levels' and assurance that all significant issues/controls relating to the risk have been captured. The 'Risk Owner' will typically be an Executive Director however it may be an internal Board or Group that has operational responsibility for managing an issue on behalf of the Council. In such circumstances it is the responsibility of the Chair of the respective Board or Group to provide an agreed update.

Responsibility of the Risk and Insurance Manager

It is the responsibility of the SCC Risk and Insurance Manager to review, critically challenge and quality assure the Strategic Risk Register, in consultation with the 'Risk Owner' or their nominated lead, on at least a quarterly basis. The Risk and Insurance Manager will facilitate and collate the quarterly updates and present the updated Strategic Risk Register to the Board together with a Briefing Note to highlight any key issues. The Risk and Insurance Manager will also, on at least an annual basis, collate and present a summary of 'Core Cities' risks to the Board.

Where the Board may seek further information or assurance in respect of an individual risk the Risk and Insurance Manager will liaise with the 'Risk Owner' in terms of undertaking any 'deep dive' exercise.

Review

This document will be reviewed annually with any significant proposed changes reported to the Board for approval.

DECISION-MAKER:	GOVERNANCE COMMITTEE
SUBJECT:	STRATEGIC CONTRACTS ANNUAL REPORT
DATE OF DECISION:	16 NOVEMBER 2021
REPORT OF:	HEAD OF SUPPLIER MANAGEMENT

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director – Finance and Commercialism	
	Name:	John Harrison	Tel: 023 8083 4897
	E-mail:	John.Harrison@southampton.gov.uk	
Author:	Title	Head of Supplier Management	
	Name:	Paul Paskins	Tel: 023 8083 4353
	E-mail:	Paul.Paskins@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
<p>Appendix 1 to this report is confidential in accordance with paragraph number 7(A) of the Council’s Access to Information Procedure Rules in Part 4 of the Council's Constitution as it contains information about council contracts and contractors which may be deemed to be confidential and commercially sensitive. It is not therefore in the public interest to put this information in the public domain as it could place the council at a commercial disadvantage.</p>	
BRIEF SUMMARY	
<p>This report provides the Governance Committee with an overview of the performance, governance and contractual matters relating to the council’s most strategically important contracts.</p> <p>The report is produced by the Supplier Management Service on an annual basis to cover the preceding financial year.</p>	
RECOMMENDATIONS:	
	(i) That the Governance Committee notes the Strategic Contracts Annual Report to the period April 2021 as attached as Appendix 1.
REASONS FOR REPORT RECOMMENDATIONS	
1.	The report is provided for information.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
	N/A
DETAIL (Including consultation carried out)	
2.	The council delivers several key services through contracts with third-party suppliers.
3.	The Supplier Management Service has responsibility for the procurement, contract management and supplier performance for what are known as the ‘Strategic Contracts’. These are the contracts deemed be the most strategically important to the council.

4.	This joined-up approach to contract management and procurement is designed to ensure that the council procures, puts in place and appropriately manages contracts which meet the strategic council's objectives now, and in the future, and achieves value-for money-through its contracting arrangements.
5.	A separate arrangement is in place for health and care commissioning, procurement, and contract management all of which are managed by the Integrated Commissioning Unit (ICU).
6.	The Supplier Management Service is comprised of contract management, procurement and commercial specialists and is responsible for the central management of all aspects of the 'contract lifecycle' and performance.
7.	The portfolio of Strategic Contracts for the measurement period consists of the following: <ul style="list-style-type: none"> • Highways Services Partnership • CCTV and Intelligent Traffic Systems (known as City Watch) • Street Lighting Private Finance Initiative • Leisure (Sport and Recreation) • Southampton Guildhall • Golf Course • St Mary's Leisure Centre • Schools Private Finance Initiative • Commercial Waste Transfer and Disposal Service • Waste Management Services Domestic • Temporary Agency Labour.
8.	This report looks back on the performance from 1 April 2020 to 31 March 2021 and includes how Covid-19 impacted on the contracts and performance.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
	N/A
<u>Property/Other</u>	
	N/A
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
	Local Government Act 1972. Localism Act 2011
<u>Other Legal Implications:</u>	
	N/A
RISK MANAGEMENT IMPLICATIONS	
	N/A
POLICY FRAMEWORK IMPLICATIONS	
	N/A

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	None
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Strategic Contracts Annual Report 2020_2021
Documents In Members' Rooms	
1.	N/A
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
Other Background Documents	
Other Background documents available for inspection at: N/A	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

This page is intentionally left blank

Document is Confidential

This page is intentionally left blank