



## Audit and Risk Management Committee

<b>Date:</b>	<b>Monday, 30 January 2017</b>
<b>Time:</b>	<b>6.00 pm</b>
<b>Venue:</b>	<b>Committee Room 1 - Wallasey Town Hall</b>

**Contact Officer:** Patrick Sebastian  
**Tel:** 0151 691 8424  
**e-mail:** [patricksebastian@wirral.gov.uk](mailto:patricksebastian@wirral.gov.uk)  
**Website:** <http://www.wirral.gov.uk>

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### AGENDA

**1. MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST**

Members are asked to consider whether they have any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state the nature of the interest.

**2. MINUTES (Pages 1 - 10)**

To approve the accuracy of the minutes of the meeting held on 22 November 2016.

**3. INTERNAL AUDIT UPDATE (Pages 11 - 20)**

**4. AGS SIGNIFICANCE GOVERNANCE ISSUES UPDATE (Pages 21 - 34)**

**5. IT UPDATE**

Further to Minute 29(2) 22 November 2016, the Head of Digital (SIRO) will provide a verbal update on Outstanding Audit Recommendations in respect of IT.

**6. CORPORATE RISK REGISTER: UPDATE (Pages 35 - 50)**

**7. MANAGEMENT OF INSURANCE AND CORPORATE RISK (Pages 51 - 56)**

**8. INSURANCE FUND BUDGET 2017-18 (Pages 57 - 66)**

- 9. EXTERNAL AUDIT - AUDIT COMMITTEE UPDATE (Pages 67 - 82)**
- 10. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 1)**
- 11. EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

The public may be excluded from the meeting during consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information.

RECOMMENDATION – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A (as amended) to that Act. The public interest test has been applied and favours exclusion.

- 12. ANY OTHER URGENT BUSINESS APPROVED BY THE CHAIR (PART 2)**

## AUDIT AND RISK MANAGEMENT COMMITTEE

Tuesday, 22 November 2016

Present: Councillor AER Jones (Chair)

Councillors A Davies P Gilchrist  
RL Abbey C Muspratt  
P Doughty L Rowlands  
D Elderton

Deputies: Councillors G Watt (In place of J Hale)

### 27 MEMBERS' CODE OF CONDUCT - DECLARATIONS OF INTEREST

Members were asked to consider whether they had any disclosable pecuniary interests and/or any other relevant interest in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

No such declarations were made.

### 28 MINUTES

**Resolved – That the minutes of the meeting held on 26 September 2016, be approved.**

### 29 INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced his report that identified and evaluated the performance of the Internal Audit Section and included items of note arising from the actual work undertaken during the period 1 September to 31 October 2016. The report focused upon:

- Any items of note arising from audit work conducted;
- Any issues arising that require actions to be taken by Members;
- Performance information relating to the Internal Audit Service;

Members' attention was drawn specifically to a number of items of note that had been identified, which included:

#### **Cyber Security**

An audit had been conducted of the Council's Cyber Security position as it was widely acknowledged that effective controls in this increasingly high risk area were vital to public bodies as they were in the front line of the cyber criminal's targets and (across the public sector) had recently experienced a dramatic increase in this type of activity.

The conclusion from the work undertaken was that Wirral had controls in place to address some of the business risks reviewed, however a number of areas were identified for improvement to address emerging risks and a 'Moderate' overall risk to the organisation, these included:

- Firewalls
- Vulnerability Monitoring
- Rogue Wireless Access Points
- Information Risk Register
- Information Security Training
- Cyber Insurance

#### **Prepaid Cards – Local Welfare Assistance Scheme (LWAS)**

A number of additional measures and controls had been agreed with management following the audit in order to enhance the control environment of the system and these had been implemented with immediate effect. In addition a significant number of issues were identified in respect to the service provided by 'allpay' Limited which had adversely impacted on the effectiveness of the prepaid card operation for the LWAS. It had been agreed that these matters will be raised directly with representatives of the company and that Internal Audit would continue to provide support to the Business Support and Housing Benefit Managers in resolving these issues.

#### **Performance and Management Planning**

Members were informed that a review of performance management will involve testing a sample of operational performance indicators and indicators from the Wirral Plan in order to assess the robustness of data quality.

#### **Children's Services**

An audit had recently been commissioned as part of the Children's Services Improvement Plan to evaluate and test data quality across a number of performance indicators currently in operation. The report informed that findings from this piece of work including identified development actions will be included within the Improvement Plan and reported to senior managers and Members.

The Chief Internal Auditor informed the Committee that here were currently no significant issues arising although it should be noted that achievement of the audit plan was slightly behind schedule for this time of year. This was primarily due to a number of vacant posts within the section that had proven difficult to fill. He advised that work was currently ongoing to attempt to address this issue and two recent staffing appointments had been made.

Members thanked the Officer for his comprehensive report, but expressed concern at the apparent lack of progress with regard to a number of IT related matters identified during the audit process, in particular data loss prevention,

that continued to be highlighted as an 'amber' risk after a period of nearly 3 years.

The Chair again expressed Members' thanks to the Officer and his team for all their work in the monitoring and reporting of internal audit findings.

**Resolved - That**

**1) the report be noted; and**

**2) the Head of Digital (SIRO) attend the next meeting of the Audit and Risk Management Committee to provide an update on Outstanding Audit Recommendations in respect of IT.**

**30 INTERNAL AUDIT ANNUAL COUNTER FRAUD UPDATE**

The Chief Internal Auditor introduced his report that updated Members on the activities of the Counter Fraud Team within Internal Audit. The report covered the year 2015/16 and current year to date.

The Chief Internal Auditor 's report informed that although the Counter Fraud Team had worked closely and collaboratively with the Fraud Investigation Team within Revenues and Benefits, the majority of whom had now transferred to the Department for Work and Pensions (DWP), his report did not include the extensive specialist activities of their work which was reported to Members separately.

The Audit and Risk Management Committee was advised of the work of the Counter Fraud Team, its continued chairing and co-ordination of the Mersey Regional Fraud Group (MRFG). Members were also advised of the activities and appropriate actions undertaken to address the risk of fraud and actions taken to prosecute perpetrators, recover losses and improve financial controls respectively.

The Chair expressed Members' thanks to the Officer and their continued support of the work undertaken by his team.

**Resolved - That the report be noted.**

**31 ANNUAL GOVERNANCE STATEMENT - SIGNIFICANT GOVERNANCE ISSUES UPDATE**

The Assistant Director Finance and Section 151 Officer introduced his report that was intended to provide a regular update on progress in the delivery of the Annual Governance Statement Action Plan and the opportunity for Members to highlight areas of concern to inform the Annual Governance Statement.

The Assistant Director Finance and Section 151 Officer informed that this was the first report to the Audit and Risk Management Committee setting the scene as a standing agenda item to allow regular updates on matters of concern identified in the Annual Governance Statement.

Members were informed that a more detailed report would be presented to the Audit and Risk Management Committee at its next meeting in January 2017.

**Resolved - That the report be noted.**

## 32 **ARRANGEMENTS FOR THE APPOINTMENT OF EXTERNAL AUDITORS**

The Assistant Director Finance and Section 151 Officer introduced his report that updated Members on the requirements of the Local Audit Accountability Act 2014 regarding public sector external audit appointments as detailed in the report to the Audit and Risk Management Committee in September 2016.

Members were informed that following endorsement of the recommended approach to adopt the Local Government Association's national sector led body, Public Sector Audit Appointments Ltd (PSAA) had advised that formal acceptance of this approach was required by the Council before 31 March 2017.

**Resolved – That COUNCIL BE RECOMMENDED to formally accept the Local Government Associations national sector led approach (PSAA) for the appointment of external auditors.**

## 33 **CORPORATE RISK REGISTER**

The Assistant Director Finance and Section 151 Officer introduced the report of the Chief Executive that provided an update in respect of the corporate risks. Progress towards the development of Risk Registers for Pledge Strategies, new Delivery Units and the revised Transformation Programme were also summarised. A copy of the Register was appended to the report.

The Assistant Director Finance and Section 151 Officer informed that since the review carried out on 16 August Ofsted had published a report on its inspection of the Council's services for children in need of help and protection, children looked after and care leavers, and in addition reviewed the effectiveness of the Local Safeguarding Children Board. He informed that overall Ofsted judged that children's services in Wirral had been deemed inadequate and that the Wirral Safeguarding Children's Board was also inadequate. This had rightly led to reconsideration of the effectiveness of the existing controls for the corporate 'Safeguarding' risk and the need for additional action.

As a result the Director of Children's Services had proposed amendments to the entry in the Corporate Risk Register relating to Safeguarding. Members were also advised that this particular entry related to a safeguarding incident whereas the Ofsted report was more relevant to compliance and process.

**Resolved – That**

- 1) the update to the controls for the 'Safeguarding' risk be noted; and**
- 2) further reports on the Corporate Risk Register be brought to future meetings of this Committee.**

**34 MANAGEMENT OF INSURANCE AND CORPORATE RISK**

The Assistant Director Finance and Section 151 Officer introduced his report that set out progress made since his previous report to the Audit and Risk Management Committee in September 2016 (Minute No. 21 refers) and key actions planned for 2016/17.

The report provided an update to Members of the Audit and Risk Management Committee with regard to progress in respect of those actions since his last report that included:

- Corporate Insurance Budget 2017/18
- Corporate Risk management Policy
- Corporate Risk Register
- Alignment of Risk Management and Performance Management
- Traded Service for Schools and Academies
- Policy Renewals – April 2017
- Tender for Casualty and Computer Insurance
- Claims handling Charges

Members noted that new liability claims continued to be reported at a historically low level, and how this should have a beneficial impact on the cost of external claims handling under the new Casualty insurance contract referred to in the report.

**Resolved – That the report be noted.**

**35 CODE OF CORPORATE GOVERNANCE**

The Assistant Director: Law and Governance and Monitoring Officer introduced his report that sought the Committee's approval in respect of the Council's revised Code of Corporate Governance.

The Assistant Director: Law and Governance and Monitoring Officer's report informed that the Council's current Code of Corporate Governance had last been reviewed in 2013. A review had been scheduled to be undertaken last year, however it was delayed following notification from CIPFA that a revised Code would be issued shortly.

CIPFA issued the new CIPFA / SOLACE Guidance / Framework for Delivering Good Governance in Local Government in April 2016 and the same was made available in June 2016. This enabled the review of the Code of Corporate Governance to be undertaken.

The Audit and Risk Management Committee was apprised of the key changes made to the Code which are:

**D: Determining the interventions necessary to optimise achievement of the intended outcomes.**

This aspect of the Code examined the strategic combination of legal, regulatory and practical interventions, with a view to them ensuring that the intended outcomes are achieved.

**G: Implementing good practices in transparency reporting and audit to deliver effective accountability.**

The purpose of this aspect of the Code is to ensure that those making decisions and delivering services are held accountable for the same. Transparency is a key driver for this Code, with both internal and external audit required to contribute to effective accountability.

Members discussed a number of areas in relation to the detail of the systems and processes contained in the Code of Corporate Governance - specifically Core Principles and intended outcomes - and feedback surveys and evidence gathering, both past (for comparison) and planned for the future.

**Resolved –**

- 1) That COUNCIL BE RECOMMENDED to approve the revised Code of Corporate Governance at Appendix 1 to the report and the framework detailed therein; and**
- 2) That the Council's Constitution be updated accordingly.**

**36 STATEMENT OF ACCOUNTS 2015/16 UPDATE**

The Assistant Director Finance and Section 151 Officer introduced his report that updated the Committee on the audit progress for 2015/16 including the

issuing of the Auditors Opinion and publication of the Statement of Accounts in September 2016.

He informed that Committee on 26 September 2016 had considered the Audit Findings Report issued by Grant Thornton and, given that work was on-going; delegated to the Chair of the Committee and the Head of Financial Services, as Acting Section 151 Officer authority for the finalisation of the Statement of Accounts 2015/16. This had taken place prior to publication of the Statement of Accounts which was published by the statutory deadline of 30 September 2016.

He further informed that the Audit Opinion issued on 30 September 2016 stated that the financial statements gave a true and fair view of the financial position of the Council at 31 March 2016, of its expenditure and income for the year and that they had been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law. The opinions issued were set out in Appendix 1 to the report.

The Audit and Risk Management Committee was apprised that, in October, the Annual Audit Letter had been issued and was a separate item on the current meeting agenda. At this time Grant Thornton had yet to formally issue the certification of completion of the audit. This would formally conclude the audit. The certificate was currently outstanding due to an objection brought by a local elector and related to the Lender Option Borrower Option (LOBO) category of borrowings held by the Council. A number of other Councils had received similar objections, and the auditor's response was being co-ordinated nationally by the National Audit Office and had yet to be released. Members noted that the outcome of this will not affect the opinions already issued on the Statement of Accounts and VFM.

**Resolved – That the report be noted.**

## 37 **EXTERNAL AUDIT - ANNUAL AUDIT AND INSPECTION LETTER**

Mr Chris Whittingham of Grant Thornton UK LLP, the Council's external auditors, presented a report to Members on work undertaken with regard to the Annual Audit and Inspection Letter for Wirral Council, Year ending 31 March 2016.

- Financial statements opinion – an unqualified opinion on the Council's financial statements were provided on 30 September 2016.
- Value for Money conclusion – in September 2016 the Office for Standards in Education, Children's Services and Skills (Ofsted) issued its report on the inspection of the Council's services for children in need of help and protection, looked after children and care leavers. The external auditor

identified that the report highlighted evidence of weaknesses in the Council's arrangements. However the Council had accepted the findings and had developed an action plan to address the identified weaknesses.

The external auditor was satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016 except for the matter set out above. The external auditor had therefore issued a qualified 'except for' value for money conclusion in their audit report on 30 September 2016.

As reported in the previous item, the external auditor had yet to formally issue the certification of completion of the audit.

Members noted the fee for 2015/16 was £184,783, excluding VAT which was in line with the external auditor's planned fee for the year – and a reduction compared to the previous year 2014/15 (£213,150).

**Resolved: That the report be noted.**

### 38 **REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

The Group Solicitor introduced the report of the Head of Legal and Member Services that presented a summary of the use of covert surveillance by the Council, to detect evidence of criminal behaviour, between 1 June and 1 November 2016. The report stated that since the meeting on 13 June 2016, the Council had obtained approval from a magistrate to use covert surveillance to detect suspected illegal fly tipping at a site in Wirral.

The Group Solicitor also informed that the Protection of Freedoms Act 2012 came into force on 1 November 2012 and made the following changes to the law, that:

- a Magistrate's approval is required for a local authority's use of RIPA - in addition to the authorisation needed from a senior officer and the more general oversight by elected councillors.
- use of RIPA to authorise directed surveillance is confined to cases where the offence under investigation carries a custodial sentence of six months imprisonment or more except in relation to underage sales of alcohol and tobacco, where this sentencing threshold will not apply.

The Group Solicitor further informed that annual training had taken place on 18 October 2016, conducted by Stephen Morris an acknowledged expert in this field. As a result a new paragraph 10 had been added to the policy and procedure guidance document that sets out the procedure to be followed if covert surveillance can only be authorised under the Data Protection Act 1998 and not under RIPA.

**Resolved – That**

- 1) the report be noted; and**
  - 2) the amendments and additions to the Policy and Guidance Document contained in Appendix 1 be approved.**
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**Audit and Risk Management Committee**  
**Monday, 30 January 2017**

<b>REPORT TITLE:</b>	<b>INTERNAL AUDIT UPDATE</b>
<b>REPORT OF:</b>	<b>CHIEF INTERNAL AUDITOR</b>

**REPORT SUMMARY**

This report identifies and evaluates the performance of the Internal Audit Service and includes details of any issues arising from the actual work undertaken during the period 1<sup>st</sup> November to 31<sup>st</sup> December 2016. There are 2 items of note concerning audit work undertaken that are brought to the attention of the Members for this period and these are identified at Section 3.2.

**RECOMMENDATION**

Members note the report.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

- 1.1 To provide the Members with assurance that the Council is taking appropriate measures to ensure that the control environment is effective and to comply with statutory requirements to provide an adequate and effective internal audit service.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options considered.

### **3.0 BACKGROUND AND AUDIT OUTPUT**

- 3.1. Internal Audit operate an effective reporting mechanism for Members of the Audit and Risk Management Committee that summarises audit work completed and identifies issues raised on timely bi-monthly basis. This report supports these arrangements by focussing on the following:

- Any items of note arising from audit work conducted,
- Any issues arising that require actions to be taken by Members,
- Performance information relating to the Internal Audit Service,
- Developments being undertaken to improve the effectiveness of the Internal Audit Service.

The information contained within this report is for the period 1<sup>st</sup> November to 31<sup>st</sup> December 2016.

#### **3.2. Items of Note**

##### **3.2.a Resourcelink System**

Following discussion at the previous meeting of this Committee regarding audits undertaken during 2016 of the Resourcelink system and those agreed actions including some of an information governance nature, which remained outstanding. Further work has now been completed by Internal Audit to identify progress made by officers and it is pleasing to report that all of the outstanding actions have now been implemented. Internal Audit has further work scheduled in this area during 2017/18 to verify and assess the effectiveness of the new arrangements and their impact upon the control environment and the outcome of this work will be reported to Members in due course.

### 3.2.b Business Rates – Valuations

Business rates are collected by local authorities from those who occupy non-domestic properties. The value of the Non-Domestic Rates (NDR) liability is based on the rateable value of the commercial property, as determined by the Valuation Office Agency, which broadly represents the yearly rent the property could have been let for on the open market on a particular date. The Authority maintains a Ratings List for the collection of business rates due. An audit has been undertaken with the objective to determine whether the controls within the NDR Valuations system provide reasonable assurance that operating data is accurate and reliable and focused on the following risk areas:

- Policies & Regulations
- New & Amended Properties
- Notification to the Valuation Office
- Valuation Office Listing
- Reconciliations & Monitoring
- Security of Data

The work concluded with a number of recommendations to management to improve the control environment although the audit findings did not present a significant risk to the organisation. The recommendations included: a review of current service provision and resources; enhancing the use of available technology for service delivery; improvements to the current internal reporting practices; and a review of the use of completion notices. All recommendations were agreed and are currently being implemented. Follow up work is scheduled for later in the year to assess progress made and evaluate the effectiveness of actions taken. The outcome of this work will be reported to Members in due course.

### 3.3 Outstanding Audit Recommendations

3.3.a Attached at Appendix 1 is a table identifying information relating to those audits where recommended actions included in audit reports for 2015/16 and the current year to date have not been fully implemented within agreed timescales and yet still present a serious risk. Following discussion at the previous meeting of this Committee in November 2016 some further changes have been made to the format of this report to reflect a request made by Members.

3.3.b Where items are addressed by officers those entries are removed from the report on a rolling basis.

3.3.c All of the reports identifying outstanding actions are currently BRAG rated as 'amber' indicating that progress is being made to address identified issues. A number of these relate to audits undertaken within ITS and are the subject of a separate report to this Committee by the Chief Information Officer outlining actions being taken and providing Members with necessary assurances that risks in these areas are being managed effectively.

### 3.4 Internal Audit Performance Indicators

3.4.a The Service constantly evaluates and measures the effectiveness of its performance in terms of both quality and productivity by means of a number of performance indicators in key areas as identified below. These include delivery of the annual Internal Audit Plan and ensuring that all of the audits identified in the plan are completed on schedule. This is particularly important at the present time as the requirement for Internal Audit involvement in a number of important corporate initiatives has increased dramatically.

IA Performance Indicator	Target	Actual
Percentage delivery of Internal Audit Plan 2016/17.	65	60
Percentage of High priority recommendations agreed with clients.	100	100
Percentage of returned client survey forms for the reporting period indicating satisfaction with the Internal Audit service.	90	100
Percentage of internal audit reports issued within 10 days of the completion of fieldwork.	100	99

3.4.b There are currently no significant issues arising although it should be noted that achievement of the audit plan is slightly behind schedule for this time of year. This is primarily due to a number of vacant posts experienced within the section during the year. Two appointments have recently been made to address the problem and it is envisaged that impact on delivery of the plan will be minimal at the year end.

### 3.5 Internal Audit Developments

#### 3.5.a Continuous Improvement

This is important to the overall efficiency and effectiveness of the Internal Audit Service and as such a Continuous Internal Audit Improvement and Development Plan has been formulated that incorporates new and developing areas of best practice from across the profession, ensuring that the service continues to constantly challenge how efficient and effective it is at delivering its service to all of its stakeholders and making any relevant changes and improvements as required. Some of the actions currently ongoing include:

- Ongoing development of the Quality Assurance and Improvement Programme (approved by ARMC – September 2015) in line with the Public Sector Internal Auditing Standards;
- Ongoing development and implementation of a more streamlined and dynamic AGS working to allow for further changes made to the CIPFA/SOLACE best practice guidance;

- Ongoing improvement of corporate counter fraud awareness across the Council;
- Further developments in reporting arrangements for stakeholders;
- Further development of the Mersey region Counter Fraud group led by Wirral Internal Audit to include joint fraud exercises and training;
- Continuing development of the use of computer assisted auditing techniques in the evaluation and testing of system controls for more effective and efficient auditing;
- Ongoing development and implementation of a new automated planning and management system for the service;
- Ongoing implementation of paperless working environment
- Implementation of more streamlined planning process for 2017/18.

#### **4.0 FINANCIAL**

4.1 There are none arising from this report.

#### **5.0 LEGAL IMPLICATIONS**

5.1 There are none arising from this report.

#### **6.0 RESOURCE IMPLICATIONS**

6.1 There is none arising from this report.

#### **7.0 RELEVANT RISKS**

7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.

7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

#### **8.0 ENGAGEMENT/CONSULTATION**

8.1 Members of this Committee are consulted throughout the process of delivering the Internal Audit Plan and the content of this regular routine report.

#### **9.0 EQUALITY IMPLICATIONS**

9.1 There are none arising from this report.

**REPORT AUTHOR:** Mark P Niblock  
 Chief Internal Auditor  
 telephone: 0151 666 3432  
 email: markniblock@wirral.gov.uk

#### **APPENDICES**

Appendix 1: Audit Recommendations Status Report

**REFERENCE MATERIAL**

Internal Audit Plan 2016/17

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	Routine report presented to all meetings of this Committee.

**INTERNAL AUDIT OUTSTANDING AUDIT RECOMMENDATIONS  
PERIOD: 01 APRIL 2015 TO 31 DECEMBER 2016**

<b><u>Summary</u></b>	<b>Total</b>	<b>R</b>	<b>A</b>
<b>1. Completed Audits</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>2. Follow Up Audits Completed</b>	<b>2</b>	<b>0</b>	<b>2</b>
<b>3. Advice And Guidance / Consultancy</b>	<b>0</b>	<b>0</b>	<b>0</b>

**INTERNAL AUDIT ACTIVITY SUMMARY FOR ARMC MEMBERS**

**MONTH: OCTOBER, NOVEMBER AND DECEMBER 2016**

**1. Completed Audits**

Audit	Date	Area [Section]	Organisational Risk	Areas for Development / Improvement and comments	Total Recs (H)	Timescale / Responsible Officer	Outcome	BRAG Status
Information Governance and Security - Intranet Policies and Guidance	12/07/2016	Authority Wide	Minor	Ten recommendations were made which do not present a significant risk to the organisation.	10 (0)	November 2016 Authority-Wide	The Head of Digital will be attending ARMC in January 2017 to provide assurances regarding progress being made.	A

**INTERNAL AUDIT ACTIVITY SUMMARY FOR ARMC MEMBERS**

**MONTH: OCTOBER, NOVEMBER AND DECEMBER 2016**

**2. Follow Up Audits Completed**

Audit	Follow up date	Original Report date	Area [Section]	Organisational Risk Position as at the date of the original audit	Areas for Development / Improvement and comments	Original Total Recs (H)	Implementation timescale for all actions Director	Outcome	BRAG Status Current position	Organisational Risk Current Position
ICT Business Continuity	04/09/2015	Dec 14	Authority-Wide	Moderate	Ensure that all Directorates include ICT business continuity requirements in their risk registers and CESG to approve the critical services list so that business continuity plans can be put in place using the new template.	4 (4)	December 2015 Authority-Wide	The Head of Digital will be attending ARMC in January 2017 to provide assurances regarding progress being made.	A	Moderate
Data Loss Prevention	07/11/2016	Oct 14	Authority-Wide	Major	A DLP policy for the management of information assets should be produced, agreed by the Information Governance Board, and made available to all staff. This will ensure the correct management of information via the delivery of a technical solution by IT Services and the development and enforcement of appropriate working practices by Information Asset Owners.	3 (3)	January 2017 Information Governance Board	The Head of Digital will be attending ARMC in January 2017 to provide assurances regarding progress being made.	A	Major

**KEY:****Organisational Risk**

<b>MAJOR</b>	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to major risk.
<b>MODERATE</b>	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to moderate risk.
<b>MINOR</b>	The likelihood/impact of the risks identified during the review, should these materialise, would leave the Council open to minor risk.
<b>NEGLIGIBLE</b>	There were no weaknesses identified during the review.

**RAG status**

<b>B</b>	<b>Audits</b>	All actions agreed and implemented, with no further Internal Audit action necessary.
	<b>Follow Ups</b>	All actions implemented, with no further Internal Audit action necessary.
<b>G</b>	<b>Audits</b>	Most actions agreed and implemented, e.g. low priority recommendations are outstanding, with no further Internal Audit action planned.
	<b>Follow Ups</b>	Most actions implemented, e.g. low priority recommendations are outstanding, with no further Internal Audit action planned.
<b>A</b>	<b>Audits</b>	Actions agreed and officers committed to implement within agreed timescale.
	<b>Follow Ups</b>	Actions in process of being implemented within agreed timescale with some implemented.
<b>R</b>	<b>Audits</b>	Actions agreed
	<b>Follow Ups</b>	Little or no progress made to implement actions within agreed timescale.

**Recommendation Priority Rating**

<b>HIGH</b>	A matter that is fundamental to the control environment for the specific area under review. The matter may cause a system objective not to be met. This needs to be addressed as a matter of urgency (suggested timescale: within one month).
<b>MEDIUM</b>	A matter that is significant to the control environment for the specific area under review. The matter may threaten the achievement of a system objective.
<b>LOW</b>	A matter that requires attention and would improve the control environment for the specific area under review. The matter may impact on the achievement of a system objective.



**Audit and Risk Management Committee  
Monday, 30 January 2017**

<b>REPORT TITLE:</b>	<b>SIGNIFICANT GOVERNANCE ISSUES UPDATE</b>
<b>REPORT OF:</b>	<b>ASSISTANT DIRECTOR FINANCE (S151)</b>

**REPORT SUMMARY**

This report provides Members with a progress update on actions taken by officers to address items of concern identified in the Annual Governance Statement for 2015/16.

**RECOMMENDATION**

Members should note the report and if appropriate escalate any matters deemed relevant to Cabinet.

## **SUPPORTING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

- 1.1 The Annual Governance Statement for 2015/16 was presented to this Committee in September 2016. Following discussion by Members it was agreed that a standard agenda item be included for future meetings to allow for regular updates on matters of concern identified in the AGS to be presented.
- 1.2 To ensure that risks to the Council are managed effectively.
- 1.3 To ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A Toolkit for Local Authority Audit Committees'.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options considered.

### **3.0 BACKGROUND**

- 3.1 At the meeting of this Committee in September 2016 the Annual Governance Statement for 2015/16 was presented. Following discussion by Members it was agreed that a standard Agenda item be added to future meetings of this Committee to provide a regular update on progress being made by officers to address key governance issues faced by the Council and to allow Members to escalate areas of concern to the Cabinet where required.
- 3.2 The body responsible for overseeing work in this area is the Council's Corporate Governance Group. This group met in October 2016 and January 2017 and agreed the formulation of a detailed plan of action that included the designation of responsible officers and timescales for action to address outstanding governance issues. This action plan is attached at Appendix 1.
- 3.3 The governance issues identified in the action plan comprise:
  - The one significant issue identified in the Annual Governance Statement (AGS) for 2015/16,
  - Follow up of the Ofsted improvement Plan,
  - Other Governance Issues including those reported in the AGS and any additional emerging issues.

### **PROGRESS**

- 3.4 Progress is currently being made to address all issues identified in the action plan with clear targets, timescales and responsible officers having been identified and tasks allocated and work underway. Regular updates on actions being taken to address identified issues are scheduled to be reported to the Corporate Governance Group on bi-monthly basis by responsible officers and

an escalation process has been implemented for reporting issues arising including failure to achieve targets to the Senior Leadership Team for appropriate action.

- 3.5 All actions identified are currently BRAG rated as 'Amber' or 'Green' indicating that work is in progress to achieve 'systems' and 'outcome' targets within agreed timescales.

#### **4.0 FINANCIAL**

- 4.1 There are none arising from this report.

#### **5.0 LEGAL IMPLICATIONS**

- 5.1 There are none arising from this report.

#### **6.0 RESOURCE IMPLICATIONS**

- 6.1 There is none arising from this report.

#### **7.0 RELEVANT RISKS**

- 7.1 Appropriate actions are not taken by officers and Members in response to the identification of risks to the achievement of the Council's objectives.
- 7.2 Potential failure of the Audit and Risk Management Committee to comply with best professional practice and thereby not function in an efficient and effective manner.

#### **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 Members of this Committee are consulted throughout the process of preparing the AGS.

#### **9.0 EQUALITY IMPLICATIONS**

- 9.1 There are none arising from this report.

**REPORT AUTHOR:** Mark P Niblock  
Chief Internal Auditor  
telephone: 0151 666 3432  
email: markniblock@wirral.gov.uk

#### **APPENDICES**

Governance Issues Action Plan 2016/17

#### **REFERENCE MATERIAL**

CIPFA/SOLACE Delivering Good Governance in Local Government

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit and Risk Management Committee	March/June/Sept/Nov 2016

## GOVERNANCE ISSUES ACTION PLAN 2015/16

### Significant Governance Issues

### Appendix 1

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
<p><b>2015/16 AGS</b> The Council has identified that further action is required to address organisational and managerial compliance with certain Council processes and procedures, including performance appraisals, absence management, contract procedure rules and essential training.</p>	<p><b>Performance Appraisals</b></p> <p><u>Outcome required</u> Compliance with Council processes and procedures. Target 100% PA by 31 March 2017 including CYP</p> <p><u>16/17 Actions Planned</u> Ongoing awareness-raising communications Ongoing monthly monitoring reports to SLT and regular reports available for SMs</p> <p><u>Performance measures to monitor compliance</u> % of performance appraisals completed and registered in reporting year – managers / employees. Additional analysis of problem areas as needed.</p>	<p>SLT</p> <p>Head of Human Resources and Organisational Development</p>	<p><u>Latest Performance measures – 22/12/16</u></p> <p><u>Managers</u> Business Services – 97.8% Children’s Services – 89% Delivery Services - 99.40% Strategic Hub – 98.3% Transformation – 75% (3/4) Total – 97.0%</p> <p><u>All Staff</u> Business Services – 95.4% Children’s Services – 67.6% Delivery Services – 95.7% Strategic Hub – 93.7% Transformation – 62.5% (10/16) Total – 90.9%</p>	<b>Amber</b>	<b>Green</b>
	<p><b>Absence Management</b></p> <p><u>Outcome required</u> Compliance with Council processes and procedures.</p>	<p>SLT</p>	<p>Working days lost per FTE 1/4/16- 31/10/16 (run 14/12/16) (compared to same period last year) Business services - 3.74 (4.01) Children’s services - 6.32 (7.32) Delivery services - 7.1 (7.31)</p>	<b>Amber</b>	<b>Green</b>

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
	<p><u>16/17 Actions Planned</u> Ongoing support for DMTs – including training, serious case reviews Development of Health and Well-being strategy</p> <p><u>Performance measures to monitor compliance:</u> Number of working days / shifts lost due to sickness absence compared to profiled target, and comparative figures for similar authorities.</p>	HoHR/OD	<p>Strategic - 2.93 (4.63) Transformation - 3.6 (2.43) Total 6.21 (6.71) Target for 7 months 16/17 = 6.13</p> <p>Forecast full year 10.94, compared to full year 15/16 of 11.83 and target for 16/17 (Operational Health report) of 10.75.</p>		
	<p><b>Contract Procedure Rules</b></p> <p><u>Outcome required</u> Compliance with Council processes and procedures</p> <p><u>16/17 Actions planned</u> New e/learning module 'Understanding Procurement Process' mandatory for all managers complete by 31/3/17 Revised structure to be in place by 31 March 17</p> <p><u>Performance measures to monitor compliance:</u>  % of managers completed mandatory training (Target 100% by 31/3/17)</p>	<p>SLT</p> <p>Head of Procurement</p>	<p>E/ learning released for use on 31/10/16. 15% of managers completed training as at 16/12.</p>	Amber	Green

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
	<p>Consent given by Procurement to waiver the application of Contract Procedure Rules in respect of contracts with value in excess £50k (PRAD 1 – CPR Exception)</p> <ul style="list-style-type: none"> <li>- total applications received by Procurement</li> <li>- % approved by Procurement</li> </ul> <p>Approval by Assistant Director of Finance (ADF) to Contract extension (PRAD 2)</p> <ul style="list-style-type: none"> <li>- total applications received by ADF</li> <li>- % approved by ADF</li> </ul> <p>Approval by ADF to Contract Variation / overspend (PRAD 3)</p> <ul style="list-style-type: none"> <li>- total applications received by ADF</li> <li>- % approved by ADF</li> </ul> <p>Notice to proceed with Contract award – total value in excess £500k (PRAD 4)</p> <ul style="list-style-type: none"> <li>- total submitted by Commissioning officer</li> <li>- total approved by appropriate Director (as per Procurement system)</li> </ul>		<p>As at 16/12/16</p> <p>PRAD 1 - Received 52. Approved 65%</p> <p>PRAD 2 - Received 23. Approved 100%</p> <p>PRAD 3 - Received 8. Approved 100%</p> <p>PRAD 4 - Received 12. Approved 12</p>		
	<p><b>Essential Training</b></p> <p>Outcome required</p>	HoHR/OD	<p>Latest Performance - as at 3/11/16</p> <p>Managers Responsibility for Information – 96%</p>	Amber	Green

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
	<p>Compliance with Council processes and procedures. Target 100% of managers completed mandatory training by 31/3/17</p> <p><u>16/17 Actions Planned</u> Ongoing awareness-raising communications Ongoing monthly monitoring reports to SLT</p> <p><u>Performance measures to monitor compliance</u> % of management and employees completing 2016/17 corporate mandatory training by 31 March 2017</p>		<p>Risk Management – 22% Attendance Management – 11% Managing Reasonable Adjustments (released 30/9/16 – 1.7% Understanding Procurement Processes (released 30/10/16) - 0% (Nov 16) Managing Performance &amp; Capability – available from 1/17 (As at 1/1/17 – overall 26% completion )</p> <p><u>Employees - as at 3/11/16</u> Responsibility for Information – 78% Risk Management – 15% Equality &amp; Diversity – 10% (As at 1/1/17 – overall 37.5% completion)</p> <p>Actions:- Mandatory modules outlined in Performance Appraisal and Intranet Training page. Email reminder to managers 8/11/16, for cascading to employees. Reminders in monthly Managers Brief since May 16 Regular news story on Intranet. Communications Strategy to be developed with Sally Dunbar</p>		
Improvement Notice issued by the Secretary of State for Education (30 <sup>th</sup> September 2016) to address areas for improvement identified in the report of the inspection of services for children in need of	<p><u>Outcome required</u> To address all the areas for improvement identified in the report of the inspection of services for children in need of help and protection, children looked after and care leavers and the review of the effectiveness of the local safeguarding children board</p>	Director of Children's Services	<p>Improvement Board created and meets monthly. The Improvement Board has met on 4 occasions at the time of this report.</p> <p>An Independent Chair for the Improvement Board has been appointed, Eleanor Brazil, as has an Independent DfE Advisor, Tony Crane.</p> <p>The Improvement Plan, agreed by the Board,</p>	Amber	Amber

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
<p>help and protection, children looked after and care leavers and the review of the effectiveness of the local safeguarding children board published by Ofsted on 20 September 2016</p>	<p>published by Ofsted on 20 September 2016 <u>Actions to achieve outcomes</u> Create an Improvement Board with Independent Chair to oversee:</p> <ul style="list-style-type: none"> <li>• The development of an Improvement Plan to deliver appropriate and sustainable improvement</li> <li>• The implementation of the improvement plan with monthly progress reports</li> <li>• Data, analysis and recommendations supported by evidence of impact of improvements on the quality of practice and experience of children and families</li> </ul> <p><u>How will this be monitored</u> Advisers from the Department for Education will undertake reviews of progress against the improvement agenda at least every six months.</p> <p>Ofsted will undertake quarterly monitoring visits to review progress against the recommendations</p>		<p>was submitted to the Department for Education and Ofsted on the 23<sup>rd</sup> December 2016 which addresses how the recommendations made by Ofsted and the Requirement of the Improvement Notice will be met</p> <p>Actions completed since July 2016:-</p> <ul style="list-style-type: none"> <li>• Recruitment process underway for the Deputy Director post - interviews in early January;</li> <li>• Recruitment process underway for nine Senior Management posts</li> <li>• Established the First Response Team at the integrated front door, increased capacity so initial Child Protection investigations are carried out in a timely manner;</li> <li>• Secured an Independent LSCB Chair;</li> <li>• Interim additional capacity established in the IRO Service which has reduced caseloads to required levels;</li> <li>• Co-located an HR Team in Children's Services to oversee the recruitment of staff; improve sickness management; co-ordinate staff development;</li> <li>• Implemented the Coaching &amp; Mentoring Audit Programme underpinned by the new Performance Management &amp; Quality Assurance Framework;</li> <li>• Agreement to recruit additional Personal Advisers to ensure every care leaver has access to dedicated support and advice;</li> </ul>		

Governance Issue	Outcome required Target Date Actions to achieve outcome How this will be monitored	Responsible officer	Progress Update	BRAG Rating - 'Outcome'	BRAG Rating - 'Arrangements'
			<ul style="list-style-type: none"> <li>• Confirmed Social Work Practice Standards to reset the bar for the quality of practice; rolling out management standards in January;</li> <li>• All strategy meetings on new cases are implemented on time with police involvement within the integrated front door;</li> <li>• LSCB is overseeing work on thresholds, working groups underway to inform big events scheduled for January;</li> <li>• Performance clinics now in place with managers and performance reports developed to support practice, in particular around Care Leavers, and the improvement journey.</li> <li>• LSCB activity includes clear expectations of compliance requirements for notifying the LADO; greater independence of the LSCB and sub groups through increased partner chairing; statutory notifications procedure in place;</li> </ul>		

## Other Governance Issues

Governance Issue	Outcome required Actions to achieve outcome How this will be monitored	Responsible officer Expected Delivery Date	Progress Update	BRAG Rating 'Outcome'	BRAG Rating 'Arrangements'
<p>ICT Business Continuity and Resilience Plans</p> <p>The Council has identified weaknesses in its business continuity arrangements, which may be susceptible due to the Council not having in place robust ICT business continuity plans. The Council must ensure that these plans are in place for its identified critical services to ensure these services can function effectively in the event of an incident.</p>	<p><u>Outcome required</u> Robust ICT business continuity plans in place for all business critical systems.</p> <p><u>16/17 Actions Planned</u> See progress update.</p> <p><u>Performance measures to monitor compliance</u> % of desk top review of business plans completed by business continuity and IT leads.</p>	<p>Chief Information Officer / Head of Corporate and Community Safety (HCCS)</p>	<p>HCCS has received business plans for all 30 identified critical services. Plan owners responsible for contacting Business Continuity and Environment Officer (BCEO) to arrange for desk-top review by BCEO and IT lead. Update 31/10/16</p> <p>Desk top reviews performed by BCEO for 5 critical services with dates arranged for a further 3 and no IT resource identified to support desk top reviews. Update 29/11/16.</p> <p>2 IT officers now identified to support reviews. Desk top reviews completed – 5 by BCEO, 2 by BCEO &amp; IT. Dates arranged for 2 further reviews. ICO looking to bring in additional consultancy support for undertaking Business Impact Assessments.</p> <p>Key outstanding actions –</p> <ul style="list-style-type: none"> <li>- plan owners to agree dates with BCEO / IT for desk-top reviews.</li> </ul>	Amber	Amber
<p>ICT Business Continuity and Resilience Plans - continued</p> <p>The Council has identified the need to strengthen its ICT resilience and respond</p>	<p><u>Outcome required</u> Robust plans in place for ICT Resilience, including data centres.</p> <p><u>16/17 Actions Planned</u> See progress update</p>	<p>Chief Information Officer</p>	<p>The findings of the scrutiny review panel set up to review the Council's IT disaster recovery arrangements were reported to Cabinet on 7/11/16. The report noted that at present Wirral does not have a current fit for purpose IT disaster recovery plan. A 'number of projects in progress are expected to greatly increase the IT</p>	Amber	Amber

to risks related to the current location of its data centres	<p><u>Performance measures to monitor compliance</u> Success will be monitored and measured against the project plans to be developed by the partners who win the contract to deliver the work. Reported to Cabinet that expected alternative data centre location will be set up by April 2017.</p>		<p>resilience of the Council and mitigate risks associated with a catastrophic failure'. Cabinet approved the recommendations, including IT Services to develop and document a comprehensive IT Disaster Recovery Plan. CIO to report on progress to future Cabinet. Planned implementation of the recommendations by Sept 2017.</p> <p>Contract has been signed with Merseytravel to house one of the Council's two data centres (primary and back-up) currently located in Treasury Building. ITS Currently developing the specification for the refurbishment and improvement of the TB data hall and procuring specialist datacentre building company. Next steps include developing specification for the move and re-commissioning of the data centre equipment and procuring specialists to project manage.</p>		
2016/17 Inspections Information Commissioner's Office	<p><u>Outcome required</u> Improved assurance over information governance areas reviewed by ICO</p> <p><u>16/17 Actions planned</u> Action Plan in place to implement agreed recommendations</p> <p><u>Performance measures to monitor compliance</u> All agreed high and medium priority recommendations implemented within agreed timescale</p>	Chief Information Officer	<p>ICO audit reviewed 2 areas - Subject Access requests and Records Management. Both assessed as limited assurance. Draft Action Plan included recommendations for Records Management and for subject access request. Target date for implementation of actions primarily 31 March or 30 April 2017 and work currently underway. Recommendations to be presented in excel (for ease of viewing/reporting), RAG rated and prioritised. Discussed as single agenda item at the IDG Group on 6/12/16. Council to report progress, including evidence, to ICO in May 2017.</p>	Amber	Amber



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**Audit and Risk Management Committee  
Monday, 30 January 2017**

<b>REPORT TITLE:</b>	<b>CORPORATE RISK REGISTER: UPDATE</b>
<b>REPORT OF:</b>	<b>Chief Executive</b>

## **REPORT SUMMARY**

This report confirms the outcome of the most recent quarterly review of the Corporate Risk register. Progress towards the development of risk registers for Pledge Strategies, new Delivery Units and the revised Transformation Programme are also summarised. A summary of the status of key mitigating actions for the existing Corporate Risks at the end of quarter two 2016/17 is appended to the report.

## **RECOMMENDATION/S**

1. That Members consider the report on progress in managing the corporate risks.
2. That further reports on the Corporate Risk Register be brought to future meetings of this Committee.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 Having an understanding of the Council's principal risks and their controls supports the Committee's responsibility in relation to the adequacy of the Council's risk management framework.
- 1.2 The provision of regular reports to this Committee on the Corporate Risk Register is a requirement of the Council's Corporate Risk Management Policy.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 None

### **3.0 BACKGROUND INFORMATION**

- 3.1 Following adoption of the Wirral Plan in 2015 the Strategic Leadership Team (SLT) revised the Council's Corporate Risk Register. This was reported to this Committee on 14 June 2016.
- 3.2 A review is undertaken at the end of each quarter by SLT. This addresses progress in relation to the management of the existing corporate risks as well as emerging risk areas for possible addition to the register.

#### **REVIEW QUARTER TWO 2016/17**

- 3.3 The review was undertaken on 30 November 2016. To support this exercise status updates on all key mitigating actions at the end of Quarter 2 had been obtained from officers across the Council. That information is summarised within the appendix to this report.
- 3.4 The information indicated that all mitigating actions appeared to be progressing as planned with the exception of:
  - The development of extra care housing (Risk 5: Integration of Health and Social Care)
  - The recruitment of interim and permanent resource for the new Transformation Office (Risk 2: Organisation Development and Pace of Transformational Change)

The Strategic Leadership Team took the view that the degree of progress made as at the end of Quarter 2 did not warrant changes to the scores for any of the existing corporate risks.

- 3.5 SLT also agreed amendments to the controls for the 'Safeguarding' risk which had been proposed by the Director of Children's Services in light of the

Ofsted report. Those changes had been reported to this committee at its last meeting.

3.6 SLT also considered the following risk topics relating to recent and ongoing changes both within the Council and in the wider environment:

3.6.1 Uncertainty for the Council's financial position created by the Chancellor of the Exchequer's Autumn Statement and the Local Government Finance Settlement.

3.6.2 Continuing uncertainty about the country's future relationship with the EU and the potential for this to create additional challenges for the longer term delivery of the Wirral Plan.

3.6.3 The increasing frequency of 'Cyber' attacks on information and communication systems

As regards 3.6.1 SLT agreed that the uncertainty meant that the existing corporate risk should remain high but that it did not warrant a further increase in its score.

In relation to 3.6.2 SLT took the view that a high level of uncertainty remained but that things were still too unclear to warrant the addition of this topic to the register.

As regards 3.6.3 SLT acknowledged the significant impact that a successful 'cyber' attack would have. However it was more appropriate that this risk was initially captured in an operational risk register and escalated to the Strategic Leadership Team if it could not be effectively controlled. I will ensure that this risk is captured and considered as part of the development of the risk register for the Council's Business Services function.

## **DEVELOPMENT OF OTHER RISK REGISTERS**

3.7 The Risk and Insurance Manager has facilitated a number of risk workshops for Wirral Plan Pledge Strategy Steering Groups over recent weeks. More workshops are planned for this month.

3.8 Requirements regarding the identification and recording of risks to the service plans for all 3 functions within the New Operating Model have been circulated. The Risk and Insurance Manager is visiting all management teams to offer support in meeting the requirements.

3.9 The identification of risks to projects and programmes within the revised Transformation Programme is continuing. Again the Risk and Insurance Manager is providing support by facilitating risk workshops.

## **4.0 FINANCIAL IMPLICATIONS**

4.1 There are no direct implications arising from this report.

## **5.0 LEGAL IMPLICATIONS**

5.1 There are no direct implications arising from this report

## **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

6.1 There are no direct implications arising from this report.

## **7.0 RELEVANT RISKS**

7.1 There are no risks arising directly from this report.

## **8.0 ENGAGEMENT/CONSULTATION**

8.1 Arrangements for the production of risk registers for Pledge Strategies, the Transformation Programme and business plans were developed in consultation with the Policy, Performance & Scrutiny and Change teams.

## **9.0 EQUALITY IMPLICATIONS**

9.1 There are none arising directly from this report.

**REPORT AUTHOR:** *(Mike Lane)*  
*(Manager: Risk and Insurance)*  
telephone: (0151) 666 3413  
email: [mikelane@wirral.gov.uk](mailto:mikelane@wirral.gov.uk)

## **APPENDICES**

2016/17 CRR Controls 300916

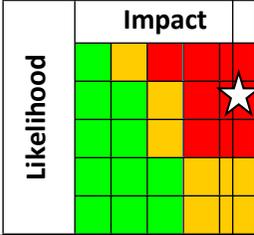
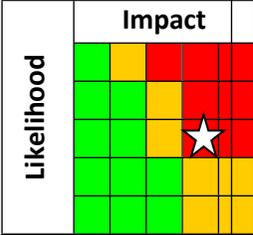
## **REFERENCE MATERIAL**

N/A

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Audit &amp; Risk Management Committee</b>	<b>22<sup>nd</sup> November 2016</b>
<b>Audit &amp; Risk Management Committee</b>	<b>26<sup>th</sup> September 2016</b>
<b>Audit &amp; Risk Management Committee</b>	<b>13<sup>th</sup> June 2016</b>
<b>Audit &amp; Risk Management Committee</b>	<b>17<sup>th</sup> February 2016</b>

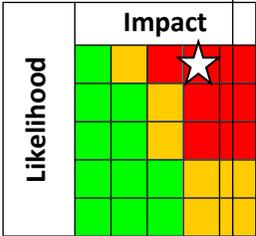
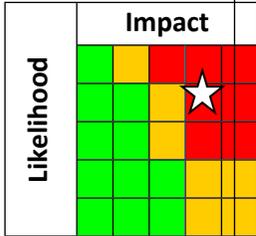
## 2016/17 Corporate Risk Register – Q2 Update Report

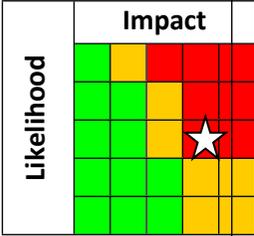
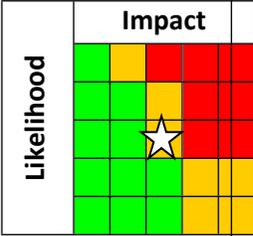
Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
1.Financial Resilience		20	<ul style="list-style-type: none"> <li>Financial planning, management and reporting</li> <li>Management of demand</li> <li>Programmes to reduce costs</li> <li>Programmes to increase revenue</li> </ul>		12
<b>Lead Responsibility</b>	Director of Finance / S151 Officer				
<b>Additional Controls – Quarter 2 update</b>	<p><b>Future budgets and funding</b> – An application was submitted to accept the Government 4 Year Settlement Funding Offer on 14 October 2016. An announcement on future funding is expected as part of Chancellor’s Autumn Statement on 23 November 2016.</p> <p><b>Reducing costs</b>  <u>Integration with Health</u> – Work has continued towards implementation of Integrated Community Hubs for Adults and Older People Services and the development of an integrated commissioning hub which will see the implementation of a single pooled budget. An Integrated Commissioning Hub workshop to be held on 10 November to determine its strategic scope and gain consensus for Wirral CCG and the Council to work together as a strategic Commissioner.  <u>Enhanced Transformation Programme</u> - Transformation Programme development has continued, with Customer Experience and Asset programme definition nearing completion. Programme Boards for Customer Experience and Asset have been agreed and inaugural meetings are to take place in October. Financial outcomes against Medium Term Financial Strategy themes for 2016/17 were reported to the Portfolio Board on 11 July. Further activity to deliver savings for 2017/18 is ongoing.  <u>Working across the Liverpool City Region (LCR)</u> - Alongside the devolution deal, LCR Chief Executives group are driving forward a number of approaches to accelerate further joint working, reduce duplication, deliver better outcomes and generate significant financial efficiencies. The development of a Programme of Public Sector Transformation Reform is currently underway with a focus on a number of ‘big ticket items’ which will enable fundamental shifts in delivery of services. A City Region Transformation group has been set up to lead the work, and they are developing a detailed Programme which will set out key actions, timescales and the focus for reform, as well as co-ordinating and producing feasibility studies and options appraisals.</p> <p><b>Increasing revenue</b>  <u>Business Rates Retention Pilot</u> - Negotiations are continuing over the detail of the pilot. The Council has made it clear to the DCLG that there must be no detriment to Wirral from its participation. The likely start date remains April 2017.</p> <p><u>Commercialisation/Income Maximisation</u> - The currently focus is on delivering £2m worth of additional surplus from our commercial approach for 2017/18. This will mostly be made up of reviewing and looking for increased return from set fees and</p>				

charges through appropriate challenge to the respective services.

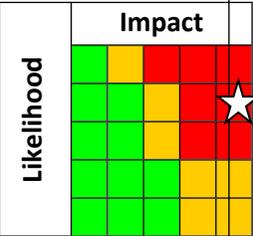
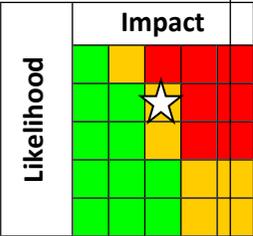
Implementation of Growth Plan

- Greater Job Opportunities – Market engagement has now taken place as a first stage for implementing the Wirral Health Related Worklessness programme. Key Wirral projects have been included in the Liverpool City Region’s Land and Property Development pipeline and work will now take place to enable funding applications and delivery to take place.
- Increase Inward Investment – The International Festival for Business took place in the Liverpool City region with over 100 delegations from 95 countries representing around 800 companies visiting the festival. Wirral’s key investment assets and businesses were showcased as part of the festival.
- Growing Competitive businesses – the current collaboration agreement with the Chamber of Commerce has been refreshed to ensure that we continue to increase the number of businesses operating within the Borough.

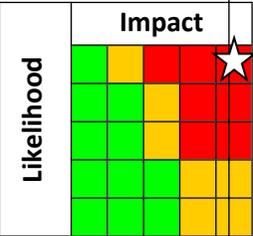
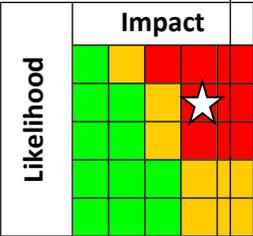
Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
2.Organisation Development and Pace of Transformational Change		20	<ul style="list-style-type: none"> <li>• Performance appraisals</li> <li>• Accountability statements</li> <li>• Ad-hoc initiatives -e.g. Children’s Social Work</li> <li>• HR involvement in development of business cases for Alternative Delivery Models</li> </ul>		16
<b>Lead Responsibility</b>	Strategic Director – Transformation & Resources				
<b>Additional Controls – Quarter 2 update</b>	<p><b>Capacity and Expertise</b> – The Head of HR/OD is leading on a piece of work to develop a culture change programme for the organisation. This is progressing and a series of culture workshops have commenced with senior managers. Establishment and initial structure for the new Transformation Office has been agreed and internal recruitment is complete. A Further recruitment exercise for interim and permanent resource commenced in quarter 1, but will conclude in quarter 3. Support from a partner to develop and resource transformational change is ongoing and will end in quarter 3.</p> <p><b>Transformation</b> –Governance arrangements developed and agreed by SLT in quarter 1 were formally agreed at the inaugural Portfolio Board meeting on 11 July. Implementation is ongoing as Programmes and Projects are initiated. Configuration of the Concerto Programme and Project Management system has been completed, and Projects uploaded onto it, pending Programme definition approval. Templates and guidance will be completed early in quarter 3. Establishment and initial structure for the new Transformation Office has been agreed and internal recruitment is complete. A Further recruitment exercise for interim and permanent resource commenced in quarter 1, but will conclude in quarter 3. Support from a partner to develop and resource transformational change is ongoing and will end in quarter 3.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
3.Partnerships		12	<ul style="list-style-type: none"> <li>The Wirral Partnership agreed a single Wirral Plan with joint priorities, and committed to a partnership approach with collective actions to deliver it</li> <li>Partners have lead responsibility for a number of the Pledges and are involved in delivery of all of them</li> <li>To ensure a single approach, the Partnership Delivery Group (PDG) meets regularly, bringing together Chief Executives of partner organisations to co-design implementation of the Plan and emerging strategies</li> </ul>		9
<b>Lead Responsibility</b>	Chief Executive				
<b>Additional Controls – Quarter 2 update</b>	<p><b>Implementation of new governance arrangements</b> - New governance and reporting processes for the Wirral Plan and strategies have previously been agreed by Cabinet, SLT and the Wirral Partnership Delivery Group (PDG), and these continue to drive the production of comprehensive progress reports. Q2 performance/implementation reports have now been produced and will be considered by Cabinet, SLT and the Wirral Partnership.</p> <p><b>Activity to strengthen links between the PDG and other groups/boards</b> - Since the Wirral Partnership was established in July 2015, partnership working has continued to deliver the Wirral Plan Pledges and Strategies to improve outcomes for residents. The PDG has now agreed the new Partnership Framework, which sets out a single consistent and coherent approach to link the Wirral Partnership and the relevant sub-partnerships/boards to deliver the Wirral Plan and 20 pledges. A key enabler for strengthening these links is the formalised learning Programme being developed through the Wirral Leadership Academy. This will bring together key partners to embed the new approach within partner organisations, identify new opportunities and address challenges and barriers to delivery.</p>				

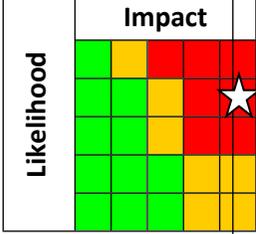
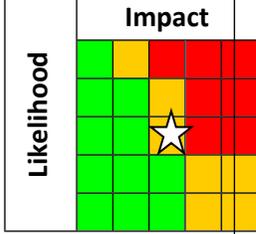
Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
4.Devolution		12	<ul style="list-style-type: none"> <li>To ensure up to date knowledge and communication of developments: Regular updates and briefings with elected members and Strategic Leadership Team (SLT) i.e. through Leader’s Portfolio reports; Policy &amp; Performance progress reports; Scrutiny Review; SLT discussions</li> <li>To optimise Wirral’s influence: Wirral’s Chief Executive and Leader part of regular LCR meetings to develop new LCR arrangements and devolution deal</li> <li>Wirral elected members appointed to LCR Scrutiny and other thematic Boards</li> <li>Wirral officers represent Wirral’s interests and priorities at relevant LCR boards and networks</li> <li>Ongoing activity to develop Wirral projects and ensure that they are represented within LCR strategic priorities</li> <li>SLT ongoing discussions to ensure a strategic and comprehensive knowledge of developments; to agree Corporate approach; and identify Wirral’s priority focus and projects for the short, medium and long term</li> </ul>		9
<b>Lead Responsibility</b>	Chief Executive				
<b>Additional Controls – Quarter 2 update</b>	<p><b>Review arrangements for City Region governance and implementation</b> - On 18 June 2016, the LCR Combined Authority agreed a draft Governance Review and Scheme with detailed proposals for future governance and delivery of LCR activity and the devolution deal. Subsequently, these proposals were formally consulted on across the City Region during the Summer.</p> <p><b>Consultation to enable Wirral and partners to play an effective role in the new arrangements</b> - To increase Wirral awareness and understanding of the new proposals, ongoing updates, briefings and discussions continue to be held including at Scrutiny Committee; Cabinet/SLT; Leadership; Wirral Partnership, as well as a dedicated Wirral workshop for elected members, which was held on 26 July. The finalised proposals will be considered by Wirral and all constituent Councils, and the Combined Authority October/November 2016</p>				

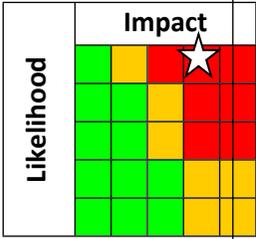
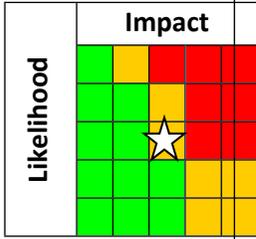
Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
5.Integration of health and social care		20	<ul style="list-style-type: none"> <li>• Integration of community and older people's services</li> <li>• Integrated commissioning hub</li> <li>• Integration project for all age mental health services</li> <li>• Integration of all age disability services</li> <li>• Initiative to reduce long term care admissions</li> <li>• Initiatives around review of activity and replacement with alternatives (e.g. assistive technology)</li> <li>• Wirral Independence Service</li> <li>• Short term crisis support, to avoid admission</li> <li>• STAR Re-ablement service</li> <li>• Integrated single gateway into services</li> <li>• Rapid Community Response Service – with Wirral Community NHS Trust</li> </ul>		12
Lead Responsibility	Director of Adult Social Services				
Additional Controls – Quarter 2 update	<p><b>Introduction of on-line self-assessment</b> - New portals linked to Liquidlogic were implemented in July 2016. Public publicity of the new portals is due to take place in October 2016, by which time new processes will be fully embedded. We are also actively working with partner agencies who are offering services to support individuals to complete self-assessments in hospital settings, for example. Mobile devices have been commissioned for partner agencies to use in order to support people to complete self-assessments whilst in hospital for example. Alongside self-assessment of care needs we have also gone live with Online Financial Assessments (OFA), which allow members of the public to complete an indicative financial assessment that can be submitted to the Council's Personal Finance Unit for processing, thereby setting out the application of a charge and the potential amount to be charged ahead of care being received.</p> <p><b>Development of extra care housing</b> - Several schemes have been approved. However recent proposed changes to housing rent levels have resulted in schemes stalling on the basis that exempt level rents will no longer be payable. Those changes include the capping of social housing rents and a required 1% reduction per year in social housing rents.</p> <p><b>Review of the supported living service model</b> – The new model is being developed on an outcomes basis. Further workshops have taken place with providers and consultation is due to commence with them in November 2016. The model is due to be finalised in December 2016, with Cabinet sign off in February 2017.</p> <p><b>Support regional work around specialist services and fees</b> - Work has continued with colleagues from the Liverpool City Region on the new models of care, linked to the NHS England Transforming Care Partnership programme. Workshops have been held with providers and consultation commenced in September. To support this work a 'Care cost calculator model' is being implemented.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
6.Effect of demographic changes on demand for services		16	<ul style="list-style-type: none"> <li>• Integrated Care programme</li> <li>• Joint Commissioning arrangements with the Clinical Commissioning Group</li> <li>• Delivery of commissioned lifestyle services - Head of Public Health</li> <li>• Vision 2018 work stream on early intervention and prevention</li> </ul>		12
<b>Lead Responsibility</b>	Strategic Director – Families & Wellbeing				
<b>Additional Controls – Quarter 2 update</b>	<p><b>Develop a more comprehensive programme of education and advice</b> – Collaboration has continued with colleagues in Public Health and the Clinical Commissioning Group on a revised advice and information offer, to include community connectors.</p> <p><b>Integration agenda (Healthy Wirral)</b> - Work streams have been pulled together, despite the non-progression of “vanguard” monies for Wirral. Work is approaching completion on the review of reablement and intermediate care provision in Wirral. This will inform the future work for impact assessment on demographic growth. Online self-assessment has been introduced as a tool for practitioners and the public to use in order to make informed decisions about future service provisions and to reduce demand on commissioned service provision. The Council’s new operating model will be effective from the 1 November 2016 and will see the formation of a Business Intelligence hub, whose role will be to support the integrated commissioning hub through the provision of customer insight information and forecast future demand to ensure appropriate services are commissioned.</p> <p><b>Programmes of early intervention and prevention</b> - A further early intervention and prevention commission will go out in November 2016, which will include a carer’s commission.</p> <p><b>Implement health and social care integration</b> - Full business cases are currently in development to scope the development of Integrated Community Hubs. CAPITA are supporting with the development of the business cases. A demand model has been developed alongside partner organisations, with information from this model being used to inform the business cases and to ensure that the services will have the necessary capacity to be able to meet future demand. A due diligence exercise has now been completed and the report has been finalised. A final proposal is to be taken to the Trust Executive Board on 7 December and to Cabinet on 8 December for ratification. The operating model and contract specification have been drafted.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
7.Safeguarding		25	<ul style="list-style-type: none"> <li>• An Improvement Board was established in September 2016 to drive the improvements needed to respond to the Ofsted recommendations; the board meets monthly to ensure the improvement plan including the safeguarding board. recommendations are gripped, and progress is monitored and challenged. The Board now includes an independent chair and an independent adviser appointed by the DFE.</li> <li>• Recruitment is underway for an experienced permanent Deputy Director for Children’s Care Services and an Independent Chair of the Wirral Safeguarding Children Board.</li> <li>• Interim strategic lead for children’s social care and experienced social work practice improvement lead appointed May 2016 and October 2016 respectively</li> <li>• Children’s early help and intervention offer strengthened through increased partnership engagement to meet children’s needs earlier and so reduce demand for children’s social care.</li> <li>• Single senior manager established to lead and oversee the MASH (Multiagency Safeguarding Hub) Performance management and reporting arrangements for managers, leaders and elected members will be overhauled to ensure these are based on accurate, reliable data that is used to effectively measure and inform service improvements.</li> <li>• An HR and OD team will be co-located in the Children and Young People’s Department enabling close working with service managers to rapidly recruit, induct, develop and retain social workers and social work managers; and support managers at all levels to develop and challenge staff to meet the higher bar set through the Wirral Social Work Practice Standards.</li> </ul>		16

<b>Lead Responsibility</b>	Strategic Director – Families & Wellbeing
<b>Additional Controls – Quarter 2 update</b>	<p><b>Implement service improvement plan resulting from the recent diagnostic and self-assessments</b> – The service plan is being progressed. A detailed and robust plan is in development to strengthen our approach towards Safeguarding, which was developed immediately prior to the Ofsted inspection in July, and informed by their emerging findings during the inspection. Further work and development on the plans will be delivered following the workshop with Ofsted on the 1<sup>st</sup> November and input from the appointed DfE advisor.</p> <p><b>Implement programme in relation to children in care and on the edge of care</b> – As above: as part of the Ofsted inspection a detailed and robust plan is in development to improve and strengthen our approach</p> <p><b>Deliver the priorities of the Local Children’s Safeguarding Board (LSCB) and the Safeguarding Adults Partnership Board (SAPB)</b> – The LSCB has developed an improvement plan following The Ofsted report. The SAPB is progressing work on the priorities, whilst also supporting the development of a Combined Authority SAPB.</p> <p><b>Implement ‘Making Safeguarding Personal’ (MSP) and evaluate its impact</b> – A task and finish group is being established to provide greater focus on this work.</p>

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
8.Governance (including information governance)		20	<ul style="list-style-type: none"> <li>• Council Constitution</li> <li>• Code of Corporate Governance</li> <li>• Member / Officer Protocol</li> <li>• Staff Policies (e.g. Dignity at Work)</li> <li>• Corporate Policies (e.g. Whistleblowing)</li> <li>• Operational policies (e.g. Information Governance, Gifts and Hospitality)</li> <li>• Ethical Framework for Members</li> <li>• Regulatory policies - Planning and Licensing</li> </ul>		9
<b>Lead Responsibility</b>	Head of Legal & Member Services / Monitoring Officer				
<b>Additional Controls – Quarter 2 update</b>	<p><b>Review the Constitution, Code of Corporate Governance and Members Code of Conduct</b> - The revision of the Constitution continues to be overseen by the Standards and Constitutional Oversight Committee. In the quarter there has further consultation over potential changes. It is still expected that the SCOC will approve proposed amendments to the document within the current municipal year. A revised Code of Corporate Governance has been considered by the Corporate Governance Group and by the Strategic Leadership Team and will be presented to Audit &amp; Risk Management committee on 22/11/2016.</p> <p><b>Introduce the webcasting of Council Committee and Cabinet meetings</b> – Soft market testing has been completed, suppliers identified and tender documentation prepared.</p> <p><b>Review and enhance information governance arrangements</b> – The ICO has undertaken a consensual best practice audit of the Council’s Governance arrangements in respect of Subject Access Requests and Records Management. The 1<sup>st</sup> draft report was received in mid-September. This has been checked it for factual accuracy and a response given to the ICO. The 2<sup>nd</sup> draft was received on 30 September along with the 1<sup>st</sup> draft of the Executive Summary. Again, both documents will be reviewed. In particular, the Council must review the recommendations and indicate, firstly, if it fully accepts, partially accepts or rejects each recommendation made and then subsequently detail what action will be taken to implement each recommendation.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
9.Economic Activity		20	<ul style="list-style-type: none"> <li>Implementation of the Growth Plan</li> </ul>		9
<b>Lead Responsibility</b>	Head of Business and Investment				
<b>Additional Controls – Quarter 2 update</b>	<p><b>Implementation of place marketing activities</b> - The development of a strong Place Marketing platform for Wirral is underway, which will support the outcome to increase inward investment. Intensive stakeholder research is complete, marketing collateral has been developed for MIPIM UK and a final report and recommendations is due in Quarter 3. The City Region ERDF bid is being considered by DCLG and draft contractual arrangements are underway. This will support the recruitment of additional capacity to progress Inward Investment activity across the city region.</p> <p><b>Delivery of programmes to drive key growth sectors, such as the Maritime Knowledge Hub</b> - An application to the Single Investment Fund is being developed which, if approved, will strengthen the skills offer of the Maritime Knowledge Hub.</p> <p><b>Implementation of the Wirral Waters Investment Fund</b> - The collaboration agreement is in the final stage of the legal process. This is supported by the phase 1 business plan pipeline for the first projects coming through the fund.</p> <p><b>Delivery of the Ways to Work programme</b> - Delivery of all services within the Wirral Ways to Work Programme commenced in July 2016. Performance to date includes 203 participants engaged on the programme by 31August 2016. All contracts are performing on target and so far the programme has achieved 4 employment outcomes ahead of schedule.</p>				

Risk Number and Description	Unmanaged Risk Rating	Original Risk Score	Key Existing Controls	Current Risk Rating	Current Risk Score
10.Resources and Infrastructure		16	<ul style="list-style-type: none"> <li>Implementation of current asset management strategy.</li> <li>Business continuity policy.</li> <li>Additional backup /security at Cheshire Lines.</li> <li>Standardised, refreshed IT hardware.</li> </ul>		9
<b>Lead Responsibility</b>	Strategic Director – Transformation & Resources				
<b>Additional Controls – Quarter 2 update</b>	<p><b>Establishment of data centres</b> – A contract has been signed a contract with Merseytravel. They have completed the capital works to prepare for the Council’s equipment. A procurement exercise is underway for a number of services which are needed within the transfer project. The second data centre will remain in the Treasury Building, which will be refurbished. The data centre will be updated and the facilities will be enhanced to improve resilience. The refurbishment of the Treasury Building will begin in October and the Digital Service is working with colleagues in Asset Management to finalise the plans and floor layouts.</p> <p><b>Implementation of new Digital Strategy (including Rationalisation and standardisation of systems and applications)</b> –The Digital Strategy was approved by Cabinet on 18 July 2016. Since then, there has been activity to develop the actions and implement the Strategy. The Strategy is a key enabler to the Wirral Plan and many of the Pledges, and has a number of cross-cutting measures and action plans, which are currently being mapped out in detail. A strategic steering group with partner and member involvement is being established to oversee governance and delivery.</p> <p>In addition, building on the Partner Workshop that was held earlier this year, a number of strategic workshops with key stakeholders are planned for Autumn 2016 to further develop the specific actions and fully maximise the creative opportunities that digital brings.</p> <p><b>Implementation of new Asset strategy</b> –The Wirral Property Board has been established and there has been increased focus on asset strategy within the wider Wirral transformation project. A One Public Estate bid has been submitted which, if successful, will provide much needed support to deliver key asset projects across the Wirral Partnership.</p> <p>The New Operating Model and the DASS/NHS Integration Project are presenting challenges for future accommodation requirements; these are being met whilst recognising the necessity to reduce operational running costs through rationalisation. Asset condition data is being gathered and the new asset management system is helping to build intelligence to be used strategically.</p> <p>Opportunities involving operational and vacated assets which support the Asset Strategy have arisen supporting the Growth Plan and the Birkenhead Regeneration vision; these are being considered and progressed. Work in Q3 will require an acceleration of key assets in delivering either savings or enabling regeneration. Budget pressures have brought focus on the sale of assets to raise Capital receipts; work in Q3 will develop the disposal process for the various sites, some of which will be complex.</p> <p><b>Roll out of testing programme for business continuity plans</b> – Five desktop exercises have taken place so far (Building Control, Environmental Health, Payroll, One Stop Shops &amp; Electoral Services) with a further four scheduled (Public Health, Legal &amp; Member Services, Strategic Housing and Transport Maintenance). A reminder email has been sent to plan owners that have yet to make arrangements for their Business Continuity plan to be tested.</p>				



**Audit and Risk Management Committee  
Monday, 30 January 2017**

<b>REPORT TITLE:</b>	<b>MANAGEMENT OF INSURANCE AND CORPORATE RISK</b>
<b>REPORT OF:</b>	<b>Assistant Director: Finance</b>

**REPORT SUMMARY**

This report sets out progress made since my previous report in November 2016 in relation to key actions planned for 2016/17.

**RECOMMENDATION**

That the content of this report be noted.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 Regular update reports are presented to this Committee on the work around risk management and insurance which seek to support the Risk Management framework and maintain the successful management of the insurance programme.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 Not applicable to this report.

### **3.0 BACKGROUND INFORMATION**

- 3.1 Risk and insurance management comprises two significant areas of activity:
- 3.2 In addition to day-to-day operations the insurance service is responsible for major procurement exercises and improvement activities. This report focuses on the latter. The key actions to be implemented during 2016/17 were included in the report to this Committee on 15 March 2016. Progress made since my last report in respect of those actions is summarised in the paragraphs below.

#### **3.2.1 Corporate Insurance Budget 2017/18**

Forecasts of the cost of external premiums and contributions to the Insurance Fund in the forthcoming financial year and the allocation of these sums between schools and individual Council functions have been produced. The Corporate Insurance Budget for 2017/18 is the subject of a separate agenda item for this meeting.

#### **3.2.2 Corporate Risk Management Policy**

Cabinet formally adopted the refreshed Corporate Risk Management Policy on 7 November 2016. The Risk and Insurance Manager is meeting with representatives from the each of the 3 Council functions to advise them of the requirements of the new policy. Managers will be made aware through publication of the January 2017 of the Managers Brief.

#### **3.2.3 Corporate Risk Register**

The register is the subject of a separate report to this meeting.

#### **3.2.4 Alignment of Risk Management and Performance Management**

The Risk and Insurance Manager has facilitated a number of risk workshops for Wirral Plan Pledge Strategy Steering Groups over recent weeks. Support is also being provided in relation to the development of risk registers for programmes within the revised Transformation Programme and for the business plans of each of the three functions in the New Operating Model.

### **3.2.5 Traded Service for Schools and Academies**

Risk and Insurance services remain a key element of traded services for schools and my officers participated in a launch event on 12 January for services in the 2017/18 financial year. Estimates of insurance costs for controlled schools in the coming financial year have been produced as part of the corporate insurance budget activity referred to in paragraph 3.2.1.

### **3.2.6 Policy Renewals – April 2017**

As reported to the last meeting of this committee I have exercised options within the contracts for Motor insurance and Engineering inspection and insurance to extend them for a further two years from 1 April 2017. However the contracts remain subject to an annual renewal process and information required for renewal is currently being collated.

### **3.2.7 Tender for Casualty and Computer Insurance**

Responses to the Council's Invitation to Tender (ITT) were received on 15 December 2016. I am pleased to confirm that there has been significantly more competition for the Casualty insurance risk than has been the case for many years. The evaluation of quality takes account of the breadth of the cover being offered, the quality of claims handling and innovation and added value. The evaluation process will be completed by the end of January and the final outcome will be reported to the March meeting of this committee.

### **3.2.8 Claims Handling Changes**

New Liability claims continue to be reported at a historically low level. This should have a beneficial impact on the cost of external claims handling under the new Casualty insurance contract referred to in paragraph 3.2.7. The departure of Simon Hutchinson indicated below will have a particular impact in this area of work. However the knowledge and experience of other officers and support provided by suppliers will help to limit that impact.

### **3.2.9 Staffing Changes**

Members may recall Simon Hutchinson a senior member of the Risk and Insurance team who won Professional of the Year at the 2015 ALARM Awards and who had lead responsibility for the management of Liability claims. Mr Hutchinson left the authority on 13 January. The process to recruit to his post is underway.

## **4.0 FINANCIAL IMPLICATIONS**

4.1 There are none arising directly from this report.

## **5.0 LEGAL IMPLICATIONS**

5.1 There are none arising directly from this report.

## **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

6.1 As indicated above there is currently a vacancy within the Risk and Insurance team.

## **7.0 RELEVANT RISKS**

7.1 The continuing improvement of the risk management framework and the implementation of more effective processes will help to improve the ability to handle risk across the organisation.

7.2 If a large number of schools were to convert to academies the pool of contributors to the Insurance Fund would decrease. Over time this could reduce the authority's buying power and the degree to which it could self-insure. This in turn could increase the cost of financing insurable risk. However my officers remain vigilant to potential conversions and will make changes to the authority's arrangements to ensure that potential negative impacts are gradual and limited wherever possible.

7.3 The vacant senior post within the Risk and Insurance team creates a capacity and skills gap within the service. Although suppliers have offered to provide support wherever possible this will present a risk to the delivery of corporate insurance and risk management activity until the position is filled.

7.4 If the contract for Casualty insurance is awarded to a new supplier there would be a need to create new reporting processes to establish new lines of communication and to set up a new imprest account for the payment of claims. This would place further demands on the reduced capacity of the Risk and Insurance team.

## **8.0 ENGAGEMENT/CONSULTATION**

8.1 No specific consultation has been undertaken with regard to this report.

## **9.0 EQUALITY IMPLICATIONS**

9.1 There are none arising directly from this report.

**REPORT AUTHOR:** *(Mike Lane)*  
*(Manager: Risk and Insurance)*  
telephone: (0151) 666 3413  
email: [mikelane@wirral.gov.uk](mailto:mikelane@wirral.gov.uk)

**APPENDICES**

None

**REFERENCE MATERIAL**

Correspondence with insurers, brokers and legal services providers

**SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Audit & Risk Management Committee	
Corporate Risk & Insurance Management	22 November 2016
Corporate Risk & Insurance Management	26 September 2016
Corporate Risk & Insurance Management	13 June 2016
Corporate Risk & Insurance Management	15 March 2016
Corporate Risk & Insurance Management	17 February 2016

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**Audit and Risk Management Committee  
Monday, 30 January 2017**

<b>REPORT TITLE:</b>	<b>Insurance Fund Budget 2017-18</b>
<b>REPORT OF:</b>	<b>Assistant Director: Finance</b>

**REPORT SUMMARY**

This report sets out the elements which make up the Insurance Fund, the cost of running the Risk & Insurance Section and the Budget for 2017/18.

The Budget for 2017/18 is £135,000 less than the agreed Budget for 2016/17.

The Insurance Fund Budget affects all Wards within the Borough.

**RECOMMENDATION/S**

1. That the Insurance Fund Budget 2017/18 be agreed.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 The setting of the Insurance Fund Budget is necessary to adequately fund insurable risk and ensure the equitable allocation of insurance costs.

### **2.0 OTHER OPTIONS CONSIDERED**

- 2.1 No other options were considered.

### **3.0 BACKGROUND INFORMATION**

#### **Introduction**

- 3.1. Under the provisions of the Local Government and Housing Act 1989 Local Authorities are allowed to set aside financial provisions to cover self-insured losses.
- 3.2 By self-insuring an Authority avoids paying insurers' administration profit margins and Insurance Premium Tax on predictable levels of claims. Furthermore only rarely do external insurers return any proportion of premium irrespective of the profits generated by a policy.
- 3.3. Wirral Borough Council has operated an Insurance Fund since its formation and was one of the first local authorities to adopt a high degree of self-insurance when large excesses on liability and material damage insurance were negotiated in the 1980s.
- 3.4. Self-funding is a fundamental element of the Council's approach to managing risk. It provides a greater incentive to deal with risk more effectively as the Council benefits directly from any reduction in claims.

#### **Risk Management**

- 3.5 To achieve overall best value in funding insurable losses a carefully considered mixture of external and self-insurance is needed.
- 3.6 The Authority wholly self-insures those risks that have the capacity to generate relatively low value losses. In respect of risks that have the potential to produce catastrophic losses, the Council undertakes to meet the cost of all claims in any given year up to an agreed figure. Insurers meet all costs above this sum subject to contract terms and insurer solvency.
- 3.7 External insurance premiums are met by the Insurance Fund and are recharged to Schools and General Fund services together with self-insurance premiums according to formulae which take into account their relative risk exposure and their share of the claims experience.

## Self-Funded Risks

- 3.8 Detailed below are the principal risks which the Council currently self-insures together with the probable maximum sum (subject to contractual indemnity) the Council might have to pay for losses in any given financial year. The sum relating to Casualty (Liability) will change in 2017/18. This contract is currently the subject of a tender exercise which will determine both the premium and the aggregate deductible.

Type of Insurance	Aggregate Deductible 2016/17	Aggregate Deductible 2017/18
Casualty	£3,598,000	To be confirmed
Material Damage & Business Interruption (Fire)	£ 500,000	£ 500,000
Material Damage & Business Interruption (Storm/Flood/Burst Pipes)	£1,000,000	£1,000,000
Comprehensive Motor	£ 200,000	£ 200,000
Crime	£ 25,000	£ 25,000
Loss/Damage to Equipment	Unlimited	Unlimited
Glazing (Schools)	Unlimited	Unlimited

## Insurance Contracts

- 3.9. The premiums charged in recent years in respect of the three principal risks covered by the Insurance Fund are detailed below. Premiums for all external insurance contracts are being impacted by the rises in Insurance Premium Tax (IPT). An increase from 9.5% to 10% which came into effect on 1 October 2016 will be followed by a further increase to 12% in June this year. The overall impact of these increases has been mitigated by the extent of the self-insurance programme and the decision to underwrite further classes of risk entirely in house.

### a. CASUALTY (LIABILITY)

As indicated above this policy is the subject of an ongoing tender exercise. However the tender has generated significant competition for the contract and I am confident that the actual cost of premiums and claims handling charges will be within the assumptions on which the estimates have been based.

I am also confident that the Council's maximum liability for claims generated in 2017/18 (the annual aggregate deductible) will be no greater than the current figure. This and the continued low volume and cost of claims being received enables me to reduce the Insurance Fund contribution to £1,400,000.

Whilst claims handling costs will also be determined by the outcome of the Casualty tender I expect that they too will be within the figure I assumed for the purpose of the budget. The introduction of self-handling of claims for low value property damage has reduced the number of

claims which insurers would be required to manage. This will be reflected in their quotations for claims handling for 2017/18 and beyond.

The table below shows how costs have changed in recent years.

Year	Premium	
	External Insurance*	Insurance Fund
	£000	£000
2012/13	155	<b>1,550</b>
2013/14	175	<b>1,550</b>
2014/15	204	<b>1,615</b>
2015/16	229	<b>1,575</b>
2016/17	247	<b>1,475</b>
2017/18	217	<b>1,400</b>

\* Exclusive of claims handling charges.

#### b. MATERIAL DAMAGE AND BUSINESS INTERRUPTION

The Material Damage policy was tendered in 2013/14 at which point cover was removed for damage arising from storm flood and burst pipes for all properties other than schools and leased premises. It was also agreed to change the cover for damage from terrorism risks to a 'first loss' basis. These reductions in cover explain the fall in External Insurance premiums from 2014/15 onwards shown in the table below.

The Long Term Agreement means that the lower premium rates will continue into 2017/18. A forecast rise in rebuilding costs and the increase in IPT is expected to place some upward pressure on external premiums. This will be broadly offset by property disposals and the conversion of some schools to Academies. There are no claims handling charges for these classes of insurance as they are managed within existing team resources. Overall material damage costs for 2017/18 are expected to be around £3,000 greater than those for 2016/17.

Year	Premium	
	External Insurance	Insurance Fund
	£000	£000
2012/13	312	<b>300</b>
2013/14	311	<b>300</b>
2014/15	259	<b>300</b>
2015/16	271	<b>300</b>
2016/17	266	<b>250</b>
2017/18	269	<b>250</b>

### c. **COMPREHENSIVE MOTOR**

I have exercised an option to extend this contract for a further two years with effect from 1 April 2017. This was following insurers' confirmation that there would be no change in premium per vehicle in 2017/18. However the change in Insurance Premium Tax will lead to an increase in the external insurance premium. No change to the level of the Insurance Fund contribution is forecast.

Year	Premium	
	External Insurance**	Insurance Fund
	£000	£000
2012/13	33	70
2013/14	30	70
2014/15	35	70
2015/16	35	80
2016/17	40	80
2017/18	41	80

\*\* Exclusive of claims handling charges.

#### **Other Risks**

- 3.10 In addition to the three main classes of insurance the Authority also procures external insurance for a number of smaller risks. There are now fewer externally insured risks following a decision in 2016 to introduce wider self-insurance. Although the basic premiums received by the Insurance Fund for underwriting these risks is broadly similar to those which were formerly paid to external insurers the Council does not pay Insurance Premium Tax on contributions to its Fund. This means that the overall cost is less.
- 3.11 A range of other risks including loss of equipment and damage to glazing are already fully self-insured. These generate modest losses and as a result the associated internal premium is also relatively small.

#### **Administration**

- 3.12 In addition to promoting the effective management of risk within the Authority the Risk and Insurance Section places and administers all external insurance policies manages the Insurance Fund provides an internal and external consultancy service and oversees the handling of all claims. The balance of work has altered with greater emphasis now being placed on risk management activity and increased support for schools. The management of individual liability insurance claims remains a significant element.
- 3.13 The costs of the Risk & Insurance Section are charged to the Insurance Fund and recharged in the form of a percentage overhead on insurance premiums.
- 3.14 Below is a breakdown of the estimated administration expenditure and income:-

	<b>Budget 2016/17</b>	<b>Budget 2017/18</b>
	<b>£</b>	<b>£</b>
<u>Spend</u>		
Staffing & overhead recharges	248,000	233,000
Insurance Brokers	10,000	6,000
Other professional fees	11,000	11,000
Figtree claims database	10,000	10,000
<b>Total</b>	<b>279,000</b>	<b>260,000</b>
<u>Income</u>		
Consultancy – schools	108,000	99,000
Consultancy - Academy schools	17,000	34,000
General Fund	154,000	127,000
<b>Total</b>	<b>279,000</b>	<b>260,000</b>

### **Insurance Fund Budget 2017/18**

- 3.15 The Insurance Fund Budget is shown in the Appendix. The table below compares the Budget for 2017/18 with the Budget for 2016/17.

	<b>Budget 2016/17</b>	<b>Budget 2017/18</b>
	<b>£</b>	<b>£</b>
Schools	970,000	893,000
General Fund	1,998,000	1923,000
Academies	17,000	34,000
<b>Total</b>	<b>2,985,000</b>	<b>2,850,000</b>

- 3.16 The 2017/18 Budget of £2,850,000 represents a reduction of £135,000 (4.5%) compared with the Budget for 2016/17. The forecast of greater income from Academies reflects the fact that more Academies have chosen to retain the services of the Risk and Insurance team than had been anticipated when the 2016/17 budget was prepared.

## **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The 2017/18 Insurance Fund Budget of £2,850,000 is a reduction of £135,000 (4.5%) on the Budget for 2016/17.

## **5.0 LEGAL IMPLICATIONS**

- 5.1 There are no direct implications arising from this report.

## **6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS**

- 6.1 Whilst there are no direct staffing implications the work for Academy Schools and ongoing improvements to the Council's risk management framework and

processes continue to place pressure on the capacity of the Risk & Insurance Section.

## **7.0 RELEVANT RISKS**

- 7.1 The Long Term Agreements (LTAs) which apply to all of the Council's major insurance contracts act to reduce the likelihood of any significant changes to the extent of cover or to external premiums. However the tender for Casualty insurance which is currently taking place does create a degree of uncertainty around the actual costs will be incurred for 2017/18.
- 7.2 Insurance Fund contributions form the largest element of the total. As these are directly related to claims costs they could rise in the event of a series of major losses. The impact of that risk is mitigated by maintaining a prudent level of reserves. Even if there were a series of losses greater than the reserves the cost would be incurred over several financial years. This would give the Council time to rebuild reserves.
- 7.3 If further schools decided to convert to Academy status this could create a shortfall in income for the Insurance Fund. By way of mitigation the Risk & Insurance section takes steps to gain early notice of any potential conversions.
- 7.4 The reserve held for property risks means that the Fund could currently withstand two consecutive years containing individual large losses. However, given the scale of self-insurance in respect of this risk, it would be necessary to increase the Insurance Fund contribution for this exposure in this scenario.
- 7.5 The civil justice system remains unstable. Behavioural and claims volume changes which followed the Jackson process reforms indicated in previous reports continue. The government has recently announced further changes. Whilst these are generally expected to have a positive impact on claims funding requirements, unanticipated developments may still occur that could result in increased funding pressures. Claimant solicitors continue to move focus away from public liability claims and into more profitable areas such as employers liability disease work. Further similar developments could negatively impact on future budgets.

## **8.0 ENGAGEMENT/CONSULTATION**

- 8.1 No specific consultation has been undertaken in relation to the Insurance Budget.

## **9.0 EQUALITY IMPLICATIONS**

- 9.1 There are no equality implications arising directly from this report.

**REPORT AUTHOR:** *(Mike Lane)*  
*(Manager: Risk and Insurance)*  
telephone: (0151) 666 3413  
email: [mikelane@wirral.gov.uk](mailto:mikelane@wirral.gov.uk)

## **APPENDICES**

Comparison of Insurance Budgets for 2016/17 and 2017/18

## **REFERENCE MATERIAL**

Risk & Insurance Section Database

Zurich Municipal and Teceris Claims Management claims records.

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Insurance Fund Budget 2013/14	29 November 2012
Audit & Risk Management – Insurance Fund Budget 2014/15	28 January 2014
Audit & Risk Management – Insurance Fund Budget 2015/16	27 January 2015
Audit & Risk Management – Insurance Fund Budget 2016/17	17 February 2016

**WIRRAL COUNCIL**

**INSURANCE FUND BUDGET**

**Budget 2016/17**

**Budget 2017/18**

**Expenditure**

<b>Class of Insurance</b>	<b>External Premiums</b>	<b>Insurance Fund Contributions</b>	<b>Total</b>	<b>External Premiums</b>	<b>Insurance Fund Contributions</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Liabilities	348,000	1,475,000	1,823,000	297,000	1,400,000	1,697,000
Fire	265,000	250,000	515,000	265,000	250,000	515,000
Motor	43,000	80,000	123,000	45,000	80,000	125,000
Other	186,000	59,000	245,000	196,000	57,000	253,000
Management Account			279,000			260,000
<b>Total Expenditure</b>			<b><u>2,985,000</u></b>			<b><u>2,850,000</u></b>

**Income**

Academies – Consultancy	( 17,000)	( 34,000)
Schools - Consultancy	( 108,000)	( 99,000)
Schools - Premiums	( 862,000)	( 794,000)
General Fund – Premiums and Administration	(1,998,000)	(1,923,000)
<b>Total Income</b>	<b><u>(2,985,000)</u></b>	<b><u>(2,850,000)</u></b>

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# Wirral Council - Audit and Risk Management Committee Progress Report and Update

*Year ended 31 March 2017*

January 2017

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**Robin Baker**  
Engagement Lead  
T 0161 214 6399  
E [robin.j.baker@uk.gt.com](mailto:robin.j.baker@uk.gt.com)

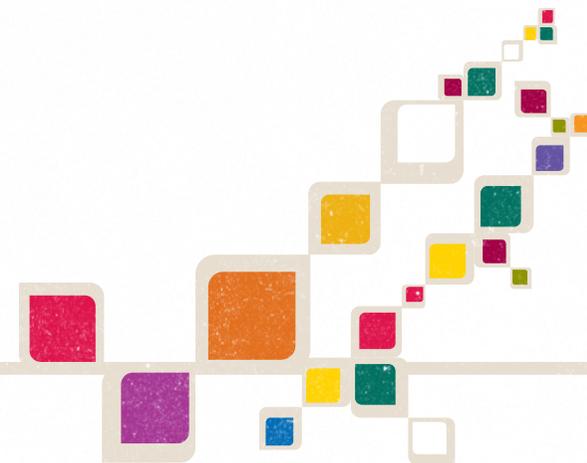
**Chris Whittingham**  
Senior Manager  
T 0161 214 6362  
E [c.whittingham@uk.gt.com](mailto:c.whittingham@uk.gt.com)

**Bev Waugh**  
Executive  
T 0161 224 0870  
E [bev.a.waugh@uk.gt.com](mailto:bev.a.waugh@uk.gt.com)



Agenda Item 9

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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Sector issues	7
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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Page 70 You can find further useful material on our website [www.grantthornton.co.uk](http://www.grantthornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Your Generation: Making decentralised energy happen  
<http://www.grantthornton.co.uk/en/insights/making-decentralised-energy-happen/>
- Culture of Place: A copy of the report and a collection of short videos can be found on our website at: <http://www.grantthornton.co.uk/en/insights/culture-of-place/>

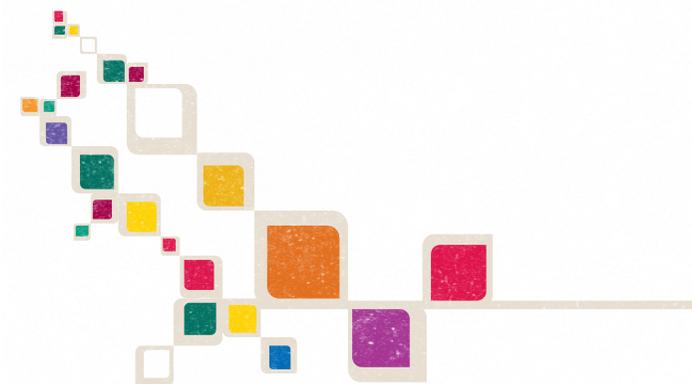
## Members and officers may also be interested in our recent webinars:

**Alternative delivery models:** Interview with Helen Randall of Trowers and Hamlins, discussing LATCs and JVs in local government.

<http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

**Cyber security in the public sector:** Our short video outlines questions for public sector organisations to ask in defending against cyber crime

<http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>



# Progress at January 2017



## Progress against plan

On track



## Opinion and VfM conclusion

On-going



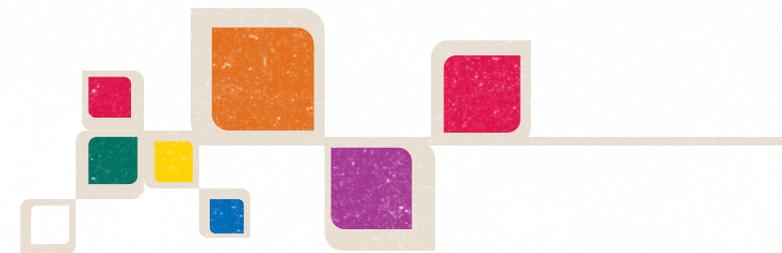
## Outputs delivered

Fee letter, Audit Committee progress reports delivered to plan

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2016/17 work	Expected Date of Completion	Comments
<p><b>Fee Letter</b> We issued the 'Planned' fee letter for 2016/17 in April 2016.</p>	April 2016	We have issued the fee letter for 2016/17.
<p><b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016/17 financial statements.  We also inform you of any subsequent changes to our audit approach.</p>	April 2017	Our Audit Plan for 2016/17 will be presented to the Audit and Risk Management Committee meeting in March 2017
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• Updating our review of the Council's control environment</li> <li>• Updating our understanding of financial systems</li> <li>• Review of Internal Audit reports on core financial systems</li> <li>• Early work on emerging accounting issues</li> <li>• Early substantive testing</li> </ul>	January - March 2017	Our interim audit started in January 2017 and we expect to complete this part of our work programme by March 2017. Any findings from our work will be reported in the Audit Plan.

# Progress at January 2017



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2016/17 work	Expected Date of Completion	Comments
<p><b>Final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• Audit of the 2016/17 financial statements</li> <li>• Proposed opinion on the Council's accounts</li> </ul>	<p>Fieldwork to be completed by August 2017</p>	<p>We anticipate scheduling our work on the Council's statement of accounts for July and August 2017.</p> <p>We have held discussions with officers to discuss the key issues and challenges for the preparation of the 2016/17 financial statements. We remain keen to work with the Council to make 2016/17 a 'dry run' for the both your finance team and our audit team in advance of the significant change in the timing of the audit from 2017/18 onward when completion of the audit is required by 31 July 2018.</p>
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p>Feb - August 2017</p>	<p>We will undertake our risk assessment alongside our interim work and will report any areas of significant risk to you in the Audit Plan.</p> <p>We will then complete any further work required from the risk assessment and report the final outcome of our work in our Audit Findings Report.</p>

# Grant Thornton Sector Issues

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# Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

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Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

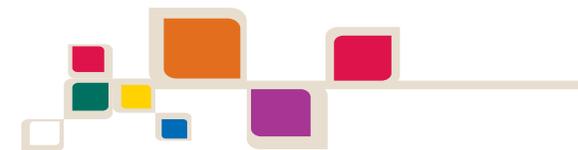
The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

# Grant Thornton Technical update

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## Accounting and audit issues

### Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2016/17. The main changes to the Code include:

- the requirement for local authorities to report in the Comprehensive Income and Expenditure Statement on the same basis as they are organised and report in the year (i.e. no longer following SERCOP). This is accompanied by the introduction of a new Expenditure and Funding Analysis which provides a reconciliation between the way local authorities budget and report during the year and the Comprehensive Income and Expenditure Statement.

### Flexible use of capital receipts

DCLG has issued a [Direction and Statutory Guidance](#) on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

Authorities must have regard to the Statutory Guidance when applying the Direction.

# Grant Thornton Publications and events

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# Website Relaunch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below – <http://www.grantthornton.co.uk/industries/public-sector/>



# Culture of Place

## Our towns, counties and cities have distinct and varied cultures

Our towns, counties and cities have their own compelling and richly varied cultures. There are shared and sometimes contested values, local traditions, behaviours and drivers for change. Culture evokes memory and identity. It affects how we feel about where we live and work and what's possible. It can be a set of stories describing how we do things around here, bringing out the best in us – like our history and heritage – but also preventing us from moving forward.

With local authorities increasingly adopting a place-shaping role we're exploring how culture impacts on the sector's ability to facilitate and support a vibrant economy.

We have hosted two round tables with local authority CEOs, leaders and others, to consider how local authority leadership needs to change if it is to take local culture into account.

From conversations with local authority CEOs, leaders and others, we have collated a selection of stories that invite us all to think about how the sector can disrupt fixed thinking, open up cultures and energise our places. They go beyond what's immediately obvious, voice what is sometimes unsaid and work with the strengths of their place.

Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

- The place leader is the story teller – leaders need to be more deliberate in their storytelling, helping communities make sense of a complex world, the past, present and possible futures
- Being clear about what they want to see – there is a strong need to create an environment that gives people permission to care, to be innovative, to take action themselves, to adapt and experiment
- Socio-economic situations often drive the culture – the uniqueness of socio-economic factors leads to a recognition that one place will never be like another – and, in fact, should not aspire to be so - instead tailoring their approach to the areas specific strengths.
- It's all about context – areas within Britain can be local, national and international all at the same time, learning to live with, and get the best advantage from, what's on our doorstep is key.

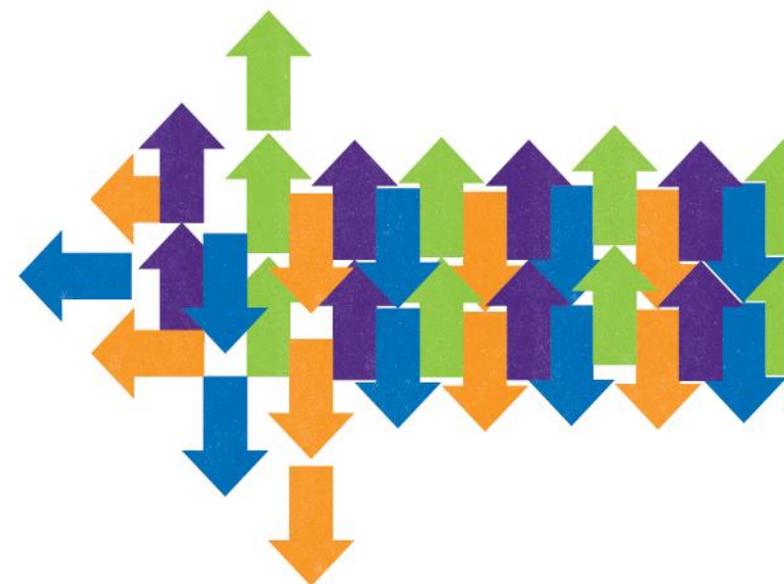
A copy of the report and a collection of short videos can be found on our website at:

<http://www.grantthornton.co.uk/en/insights/culture-of-place/>

Grant Thornton reports

**Challenge question:**

Is the Council familiar with this publication?



# Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.

While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated close down of their accounts, which our report explores in further detail, including:

- enabling sustainable change requires committed leadership underpinned by a culture for success
- efficient and effective systems and processes are essential
- auditors and other external parties need to be on board and kept informed throughout

Grant Thornton reports



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>



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