



#plymaudit



Democratic Support

Plymouth City Council
Ballard House
West Hoe Road
Plymouth PL1 3BJ
Please ask for Helen Wright
T 01752 304022
E helen.wright@plymouth.gov.uk
www.plymouth.gov.uk/democracy
Published 21 June 2016

Audit Committee

Thursday 30 June 2016
2.00 pm
Council House, Plymouth

Members:

Councillor Sam Leaves, Chair.
Councillors Sam Davey, Dr Mahony, Parker Delaz-Ajete and Mrs Pengelly.

Independent Members:

Mr R Clarke
Mr I Stewart

Members are invited to attend the above meeting to consider the items of business overleaf.

For further information on attending Council meetings and how to engage in the democratic process please follow this link <http://www.plymouth.gov.uk/accesstomeetings>

Tracey Lee

Chief Executive

Audit Committee

Agenda

1. To Note the Appointment of the Chair

The Committee will be asked to note the appointment of the Chair for the municipal year 2016/2017.

2. Apologies

To receive apologies for non-attendance submitted by Committee Members.

3. Declarations of Interest

Members will be asked to make any declarations of interest in respect of items on this Agenda.

4. Minutes (Pages 1 - 8)

To confirm the minutes of the meeting held on 24 March 2016.

5. Chair's Urgent Business

To receive reports on business which, in the opinion of the Chair, should be brought forward for urgent consideration.

6. Internal Audit - Annual Audit Report 2015/16 (Pages 9 - 48)

The Committee will receive the Internal Audit - Annual Audit report 2015/16.

7. Risk and Opportunity Management - Annual Report (Pages 49 - 78)

The Committee will receive the Risk and Opportunity Management Annual report.

8. Operational Risk and Opportunity Management - Update Report (Pages 79 - 84)

The Committee will receive an update report on the Operational Risk and Opportunity Management.

9. Information Governance - Annual Report (Pages 85 - 90)

The Committee will receive the Annual Information Governance report.

10. Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA) (Pages 91 - 98)

The Committee will receive the Surveillance, Covert Activities and the Regulation of Investigatory Powers Act 2000 (RIPA) report.

11. Annual Report on Treasury Management Activities for 2015/16 (Pages 99 - 120)

The Committee will receive the Annual Report on Treasury Management Activities for 2015/16.

12. Statement of Accounts 2015/16 (Pages 121 - 144)

The Committee will receive an update on the Statement of Accounts 2015/16.

13. External Audit Progress Report (Pages 145 - 150)

The Committee will receive the External Audit Progress report .

14. External Audit Planning Letter 2016/17 (Pages 151 - 154)

The Committee will receive the External Audit Planning Letter 2016/17.

15. Review of Rolling Work Plan 2016/17 (Pages 155 - 158)

The Committee will review its Rolling Work Plan for 2016/17.

This page is intentionally left blank

Audit Committee

Thursday 24 March 2016

PRESENT:

Councillor Parker-Delaz-Ajete, in the Chair.

Councillor Mrs Pengelly, Vice Chair.

Councillors Sam Davey, Jordan (substitute for Councillor Sam Leaves) and Murphy.

Independent Members: Mr Clarke and Mr Stewart.

Apology for absence: Councillor Sam Leaves.

Also in attendance: Lesa Annear (Strategic Director for Transformation and Change), Pamela Evans (BDO), John Finch (Information Governance Manager), Chris Flower (Lead Accountant), Mike Hocking (Head of Corporate Risk and Insurance), Julie Hosking (Risk Management and Insurance Officer), Robert Hutchins (Head of Devon Audit Partnership), David Northey (Head of Corporate Strategy), Greg Rubins (BDO), Jamie Whitford-Robson (Civil Protection and Business Continuity Officer) and Helen Wright (Democratic Support Officer).

The meeting started at 2.00 pm and finished at 3.30 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

44. **Appointment of Vice Chair**

The committee agreed that Councillor Pengelly is appointed as Vice Chair for this particular meeting.

45. **Declarations of Interest**

There were no declarations of interest made by Councillors in accordance with the code of conduct.

46. **Minutes**

The committee agreed that the minutes of the meeting held on 3 December 2015 are a correct record subject to the following amendments –

- the correct spelling of Mr Clarke;
- the replacement of co-opted representatives with independent members;
- the inclusion of the Assistant Director for Strategic Co-operative Commissioning (minute 40 refers).

47. **Chair's Urgent Business**

There were no items of Chair's urgent business.

48. **Overview of Civil Protection Service**

Jamie Whitford-Robson (Civil Protection and Business Continuity Officer) provided an overview of the Civil Protection Unit which included the following main points –

- the unit -
 - ▶ undertook work under the Civil Contingencies Act, 2004, Control of Major Accident Hazards 1999 (relating to the oil storage depots at Cattedown) and Radiological Emergency Preparedness and Public Information Regulations 2001 (relating to HMNB Devonport Dockyard and nuclear submarines);
 - ▶ was leading the planning for the national Short Sermon exercise which was a three yearly test of the arrangements for a release of radiological material from a nuclear submarine at Devonport Dockyard and the arrangements for keeping the public safe;
 - ▶ provided a 24 hour on-call service for emergency response and business continuity; incidents which had been dealt with included severe weather alerts and subsequent damage, full ICT failure, WWII unexploded bomb, homemade explosive devices, a fatal fire and a gas leak at Windsor House and had assisted the police with the recent Modern Slavery incident.

The main areas of questioning from Members related to the following –

- (a) the location of Gold Control relating to the Short Sermon exercise;
- (b) the reasons relating to the ICT failure;
- (c) whether work was being undertaken on counter terrorism and radicalism.

The committee noted the report.

49. **New Devon CCG Audit Committee - 23 March 2016**

David Northey (Head of Corporate Strategy) advised that both himself and the Chair had attended the NEW Devon CCG Audit Committee meeting which had been held on 23 March 2016. The main agenda items included the benefits of the integrated health and wellbeing one system one budget and the finance report for month nine. It was considered that some of the discussions were extremely detailed particularly relating to hospital admissions.

Currently the auditing arrangements for the integrated fund were being administered by both Plymouth City Council and NEW Devon CCG (both organisations had their own external auditors). The objective for the year end 2016/17 would be to have one auditing arrangement for the fund.

The committee noted the report.

50. **Treasury Management Strategy and Annual Investment Strategy 2016/17 including Minimum Revenue Provision (MRP) Strategy 2016/17**

Chris Flower (Lead Accountant) presented the Treasury Management Strategy and Annual Investment Strategy 2016/17 including the Minimum Revenue Provision (MRP) Strategy 2016/17 which highlighted the following key points –

- under the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services there was a requirement to set a strategy statement and prudential indicators on an annual basis which also included the annual investment strategy;
- the report fulfilled the authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance;
- the authority had borrowed and invested substantial sums of money and was therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates; the successful identification, monitoring and control of risks were therefore central to the authority's treasury management strategy.

The main area of questioning from Members related to whether the incremental impact of capital investment decisions (General Fund – increase in annual band D Council Tax) was an accumulative sum.

The committee noted the Cabinet recommends to Full Council to approve the Treasury Management Strategy and Annual Investment Strategy (incorporating the authorised limits, operational boundaries and prudential indicators) and the change of policy in the calculation of the Minimum Revenue Provision using the annuity method with effect from 2015/16.

51. **Treasury Management Practices, Principles and Schedules 2016/17**

Chris Flower (Lead Accountant) presented the Treasury Management Practices, Principles and Schedules 2016/17 which under the Local Government Act 2003 required the Council to set out its Treasury Management Policy and Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy. The following key points were highlighted –

- (a) the Council's Treasury Management Strategy for 2016/17 had been approved by Council at its budget meeting on 16 February 2016;

- (b) it was a requirement of the adopted CIPFA Code of Practices on Treasury Management that practices, principles and schedules were in place to ensure the Council's policy was adhered to and that working practices and controls were in place to meet the approved strategy and to fully report activities to the Audit Committee and Council;
- (c) Treasury Management Practices included the following -
- risk management;
 - performance management;
 - decision-making and analysis ;
 - approved instruments, methods and techniques;
 - organisation, clarity and segregation of responsibilities and dealing arrangements;
 - reporting requirements and management information arrangements;
 - budgeting, account and audit arrangements;
 - cash and cash flow management;
 - money laundering;
 - training and qualifications;
 - use of external service providers;
 - corporate governance.

The main areas of questioning from Members related to the following –

- (d) whether the changes in the annual report could be highlighted rather than having the full document (although there was comfort that internal audit had set aside 10 days to review this);
- (e) the level of security relating to apprentices' accessibility to the Council's banking details.

The committee agreed to approve the Treasury Management Practices, Principles and Schedules for 2016/17.

52. **Strategic Risk and Opportunity Register Monitoring Report**

Mike Hocking (Head of Corporate Risk and Insurance) presented the strategic risk and opportunity register monitoring report for September 2015 to February 2016 which highlighted the following key areas –

- (a) a review of the strategic risk and opportunity register had been undertaken to ensure the risks contained within it were those that affected or were created by the Council's strategic objectives;
- (b) a reduction in the risks allowed senior officers to undertake a more proactive management of the key risks that may impact the Council's Corporate Plan;

- (c) as a result of the review, the total number of risks had reduced from 36 to 12.

The committee noted and endorsed the current position with regard to the strategic risk and opportunity register.

53. **Information Commissioner's Office Audit**

John Finch (Information Governance Manager) presented the Information Commissioner's Office (ICO) Audit which highlighted the following key points –

- (a) the ICO had conducted a data protection audit in 2014 which covered records management, training and awareness and subject access requests;
- (b) the findings from the audit recommended 49 actions and gave a rating of limited assurance;
- (c) 80% of the recommendations were completed with the remaining actions nearing completion;
- (d) the ICO recommended that the Council continued to work towards full implementation of their recommendations, in particular the appointment of a corporate records manager and the delivery of specialised training for specialised roles;
- (e) once the recommendations were completed the Council would be in a far stronger position than in 2014.

The main area of questioning from Members related to whether the ICO would follow up its audit to ensure that the Council had implemented all the recommendations.

The committee noted the report.

54. **Internal Audit Plan for 2016-17**

Robert Hutchins (Head of Devon Audit Partnership) presented the Internal Audit Plan 2016/17 which required local authorities to provide an internal audit service, in accordance with the Accounts and Audit Regulations and Public Sector Internal Audit Standards and to provide an annual risk-based internal audit plan together with the methodology for identifying the audit needs of the authority. The following key points were highlighted –

- (a) the report -
 - detailed the delivery of the Council's internal audit provision by Devon Audit Partnership (DAP) which was a shared service arrangement between Plymouth City, Devon County and Torbay Councils which commenced on 1 April 2009;

- outlined the internal audit resources available to undertake the 2016/17 plan and identified the work to be carried out between audit support and contribution to Transformation, value added work, core assurance, key financial systems, schools reviews, anti-fraud work, consultancy, corporate governance, grant certification and other chargeable works, together with specific audits to be undertaken.

The main area of questioning from Members related to whether knowledge was being captured from those experienced members of staff who were leaving the authority.

The committee agreed to approve the Internal Audit Plan for 2016/17.

55. **External Audit Progress Report**

Pamela Evans (BDO) presented the external audit progress report which provided an update on the audit work for 2015/16. The following key points were highlighted –

- (a) the auditor's principal objectives were to review and report on, under the relevant legislative requirements of the Code of Audit Practice for local government bodies the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources;
- (b) the requirement to certify specified grant claims and returns (as directed by Public Sector Audit Appointments Ltd);
- (c) the need to assess whether the arrangements put in place by the Council would allow the auditor to complete the work by the expected deadlines and whether there were any issues that were likely to have a significant impact on the auditor's ability to provide unmodified audit reports and opinions.

The main area of questioning from Members related to whether the external auditor (BDO) had liaised with internal audit (Devon Audit Partnership) regarding the review of the internal controls.

The committee noted the progress of the external auditor's work.

56. **Audit Plan 2015/16**

Grey Rubins (BDO) presented the audit plan 2015/16 which highlighted the following key points in the report –

- (a) the key issues which the external auditor considered to be relevant to the audit of the financial statements and the use of resources of the authority for the year end 31 March 2016;

- (b) formed a key part of the communication strategy with the Council and was designed to promote effective two-way communications throughout the audit process;
- (c) planning was an iterative process and the place would be reviewed and updated as the audit progressed.

The main areas of questioning from Members related to the following –

- (d) whether the Waste to Energy PFI should be included on the balance sheet of the Council or its partners;
- (e) the advice provided by PWC which suggested that the facility should not be included on the balance sheet.

The committee noted the report.

57. **Internal Audit Charter and Strategy 2016/17**

Robert Hutchins (Head of Devon Audit Partnership) presented the internal audit charter and strategy 2016/17 which highlighted the following key points –

- (a) one of the requirements of the Public Sector Internal Audit Standards was to formally define, in an internal audit charter and strategy (consistent with the Definition of Internal Auditing, the Code of Ethics and Standards) the purpose, authority and responsibility of the internal audit activity;
- (b) the internal audit charter and strategy needed to -
 - define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;
 - cover the arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud-related work;
 - include the arrangements for avoiding conflicts of interest if internal audit undertook non-audit activities;
- (c) the strategy was a high-level statement of how the internal audit service would be delivered and developed in accordance with the charter and how it linked to the organisation objectives and priorities;
- (d) the strategy and charter needed to comply with the mandatory requirements of the Public Sector Internal Audit Standards;
- (e) the delivery of the internal audit service would be by the Devon Audit Partnership, a shared services arrangement between Devon County, Plymouth City and Torbay Councils in accordance with the agreed internal audit plan.

The main areas of questioning from Members related to the following –

- (f) whether there were any significant changes which needed to be considered;
- (g) whether the customer satisfaction percentage needed to be higher than 90%.

The committee agreed to approve the internal audit charter and strategy for the year 2016/17.

58. **Review of Rolling Work Plan**

The committee considered and noted its rolling work programme for 2015/16.

PLYMOUTH CITY COUNCIL

Subject: Internal Audit - Annual Audit Report 2015/16
Committee: Audit Committee
Date: 30 June 2016
Cabinet Member: Councillor Darcy
CMT Member: Lesa Annear (Strategic Director for Transformation & Change)
Author: Robert Hutchins, Head of Devon Audit Partnership
Contact details robert.hutchins@devonaudit.gov.uk T: 01752 306710
Ref: AUD/RH
Key Decision: No
Part: I

Purpose of the report:

This report summarises the work undertaken by Devon Audit Partnership during 2015/16, reviews the performance and effectiveness of the Internal Audit service, and provides an audit opinion on the adequacy of internal control. Our work has provided objective and relevant assurance and contributed to the effectiveness and efficiency of the governance, risk management and internal control processes.

This year's reviews have made recommendation on and agreed management action for improvement in many areas to improve services to the people of Plymouth, key ones of which include:

- redress for overpayments to domiciliary care providers which did not reflect actual provision;
- support for the project to improve customer engagement (Firmstep Digital Platform);
- effective governance arrangements of the Integrated Health and Wellbeing Board where we highlighted the need to review existing Board structures to better achieve goals and aims;
- weaknesses in understanding the realisation of outcomes and their benefits, resource and financial management for delivery of Integrated Transport transformation
- the Retained Client function report on the need for adequate levels of resourcing when managing contracts inc Delt.
- performance information on public health screening to improve service effectiveness

Our Annual report is particularly relevant, therefore, to the preparation of the Authority's Annual Governance Statement which is required under the Accounts and Audit (England) Regulation 2015.

In review of our Annual report the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix A1) and satisfy themselves from this assurance for signing the Annual Governance Statement.

The Co-operative Council Corporate Plan 2013/14 -2016/17:

The work of the Internal Audit Service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting high standards of service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.

The delivery of the Internal Audit Plan assists all directorates in delivering outcomes from the Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
- Confident Plymouth - the Government and other agencies have confidence in the Council and partners.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land:**

None.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The work of the Internal Audit Service is an intrinsic element of the Council’s overall corporate governance, risk management and internal control framework.

Equality and Diversity:

Has an Equality Impact Assessment been undertaken? No

Recommendations and Reasons for recommended action:

It is recommended that Members consider the following when signing the Annual Governance Statement:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided.

Alternative options considered and rejected:

None, as failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations 2003, 2006, 2011 &2015.

Published work / information:

Internal Audit Annual Plan 2015/16.

Background papers:

None

Sign off:

Fin MC		Leg		Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member:													
Has the Cabinet Member(s) agreed the content of the report? Yes													

Internal Audit

Annual Audit Report 2015-16

Plymouth City Council
Audit Committee

June 2016



Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Contents

INTRODUCTION	1
ASSURANCE STATEMENT	2
BASIS FOR OPINION	3
AUDIT AUTHORITY	4
BUSINESS OBJECTIVES – AUDIT ASSURANCE OVERVIEW	5
AUDIT COVERAGE AND PERFORMANCE AGAINST PLAN	6
CUSTOMER VALUE	7
CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)	7
PERFORMANCE INDICATORS	7
CUSTOMER SERVICE EXCELLENCE	7
ADDED VALUE	7
VALUE ADDED	8
INTERNAL AUDIT COVERAGE AND RESULTS	9
FRAUD PREVENTION AND DETECTION	11
APPENDIX 1 - ANNUAL GOVERNANCE FRAMEWORK ASSURANCE	12
APPENDIX 2 - AUDIT NEEDS ASSESSMENT	13
APPENDIX 3 – PERFORMANCE INDICATORS	14
APPENDIX 4 – SUMMARY OF AUDIT REPORTS AND FINDINGS FOR 2015/16	15

Devon Audit Partnership <p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.</p>	Confidentiality and Disclosure Clause <p>This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation’s disclosure policies.</p> <p>This report is prepared for the organisation’s use. We can take no responsibility to any third party for any reliance they might place upon it..</p>
---	--

Contents

Introduction

The Audit Committee, under its Terms of Reference contained in Plymouth Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2015/16 was presented and approved by the Audit Committee in March 2015. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2015/16, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

Expectations of the Audit Committee from this annual report

Audit to Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix A1) and satisfy themselves from this assurance for signing the Annual Governance Statement.

Robert Hutchins
Head of Audit Partnership

Assurance Statement

This statement of opinion is underpinned by :

Overall, based on work performed during 2015/16 and our experience from the current year progress and previous years audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This assurance statement will support Members in their consideration for signing the Annual Governance Statement see appendix 1.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, and an opinion on the adequacy of controls is provided to management as part of the audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified.

Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of a specific follow-up process.

Directors have been provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be accompanying its published Statement of Accounts for 2015/16.

Performance against plan is generally as expected. Changes have been agreed with management, with resources targeted to support the transformation programme. Although few specific audits were undertaken with regard to ICT following the launch of Delt Shared Services Ltd or to Public Health we feel, based on previous year's work, that the framework of control remains in operation.

Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors, creditors, payroll & Main Accounting) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during the year. Where internal audit work has highlighted instances of none or part compliance, none are understood to have had a material impact on the Authority's affairs.

Risk Management

Risk management is utilised widely across the Council and monitored by officers & through to members. The Transformation Project aligns programmes to the Council's Corporate Plan in order to meet the current financial challenge. Governance for the Programme involves portfolio risk registers which is monitored by the Portfolio Office.

Governance Arrangements

Audit review of the adult social care budget with Health, focussed around the proposed governance structure, financial and risk framework & reporting arrangements. Positive action has been taken from our findings. We have considered governance in several areas inc. that of an Intelligent Client Function for commissioned services

Performance Management

The strategy is key to the successful delivery of services and is established for 'business as usual' and transformation programmes. Reporting is made regularly to management, leadership and the Council should ensure effective management. This is of particular importance as the Council commissions & contracts new services.

Page 15

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.	Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
Significant Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.	No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an assurance on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control.

This report compares the work carried out with the work that was planned through risk assessment (see appendix 2); presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

- a comparison of internal audit activity during the year with that planned, placed in the context of internal audit need;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements; and
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives.

The 2015/16 Audit Plan has been subject to some change to the support delivery of the Transformation Programme with audit resources being targeted, adding value at the time of need, in response to the far reaching changes that are being delivered. As a result, some work originally included within the audit plan was no longer relevant or has been deferred to a later date to fit with client needs and current objectives.

Minimal audit work was undertaken with regard to ICT following the launch of Delt Shared Services Ltd or to Public Health.

The overall audit assurance takes will have to be considered in light of this position of changed and reduced coverage.

In assessing the level of assurance to be given the following have been taken into account:



Audit Authority

Service Provision

The Internal Audit (IA) Service for Devon County Council is delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement between Devon County Council, Torbay Council and Plymouth City Council constituted under section 20 of the Local Government Act 2000. The Partnership undertakes an objective programme of audits to ensure that there are sound and adequate internal controls in place across the whole of the Council. It also ensures that the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.

Regulatory Role

There are two principal pieces of legislation that impact upon internal audit in local authorities:

- **Section 5 of the Accounts and Audit Regulations (England) Regulations 2015** which states that ".....a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance....."
- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs

Professional Guidelines

We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards. We have been assessed as "conforming" to these standards and have completed our annual self assessment against PSIAS requirements.

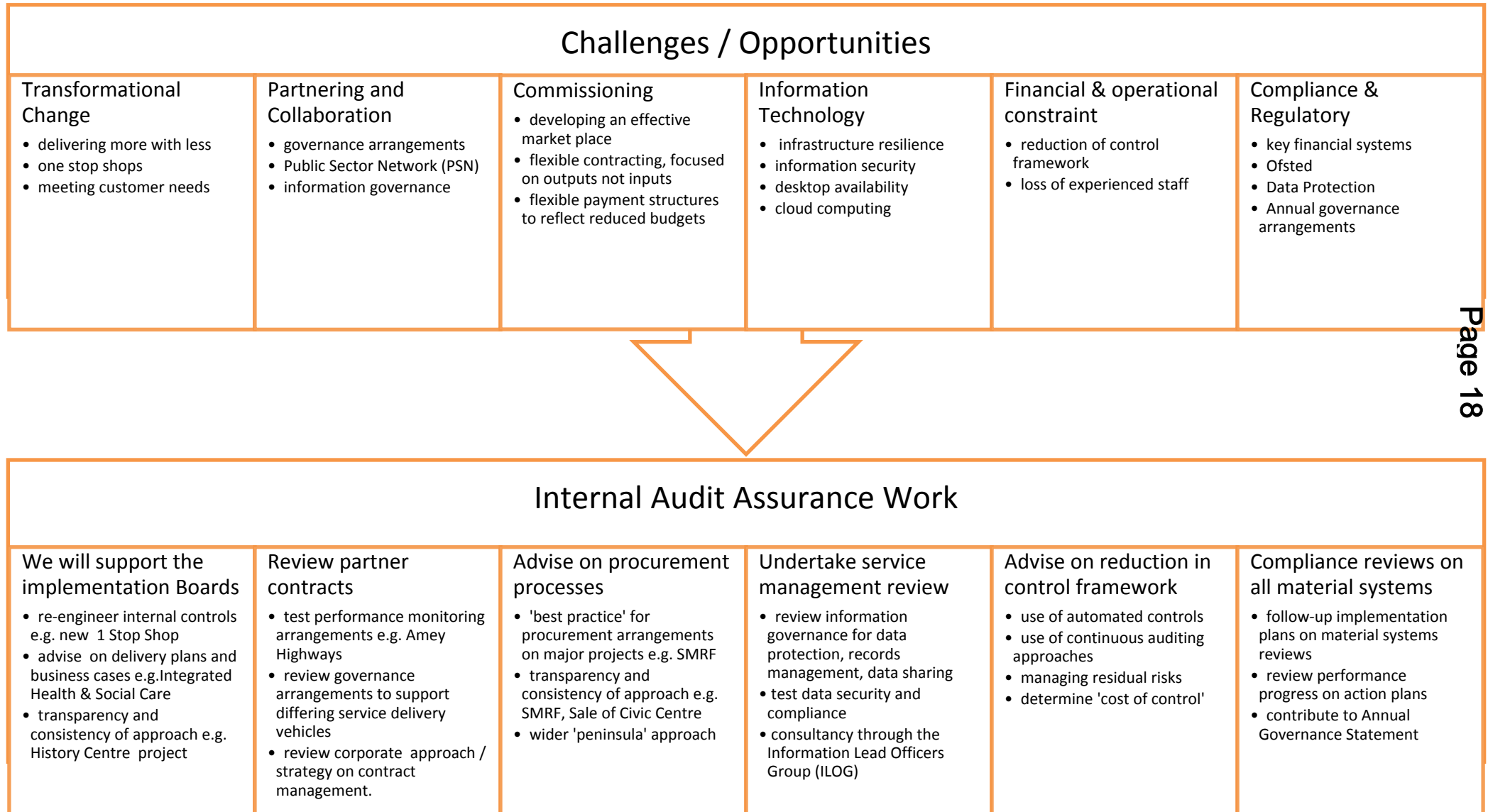
Our Internal Audit Manual provides the method of work and Internal Audit works to and with the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.



Internal Audit Strategy sets out how the service will be provided and the Internal Audit Charter describes the purpose, authority and principal responsibilities of the audit function.

Business objectives – audit assurance overview

From consideration of the Authority's key challenges and opportunities it is facing we have provided assurance in these area through our work over the year.

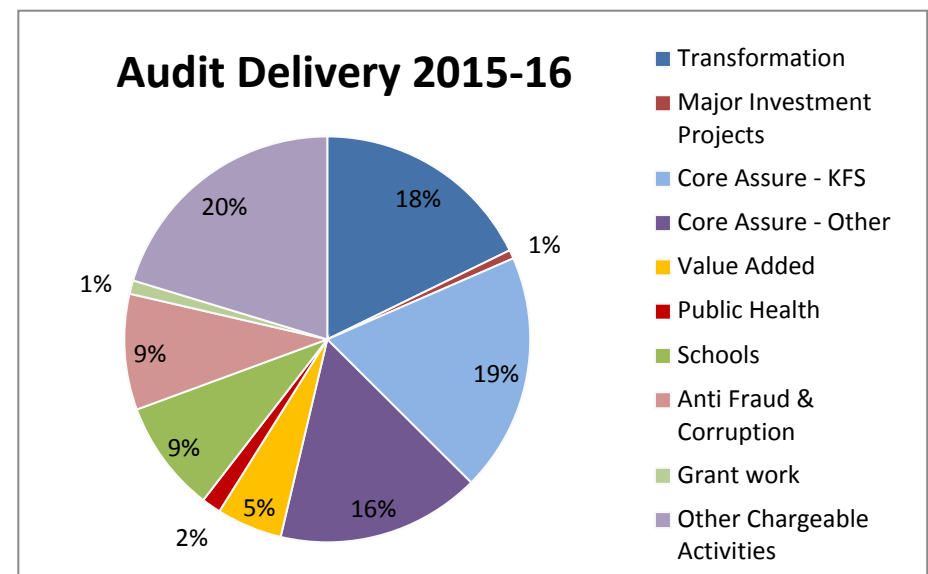
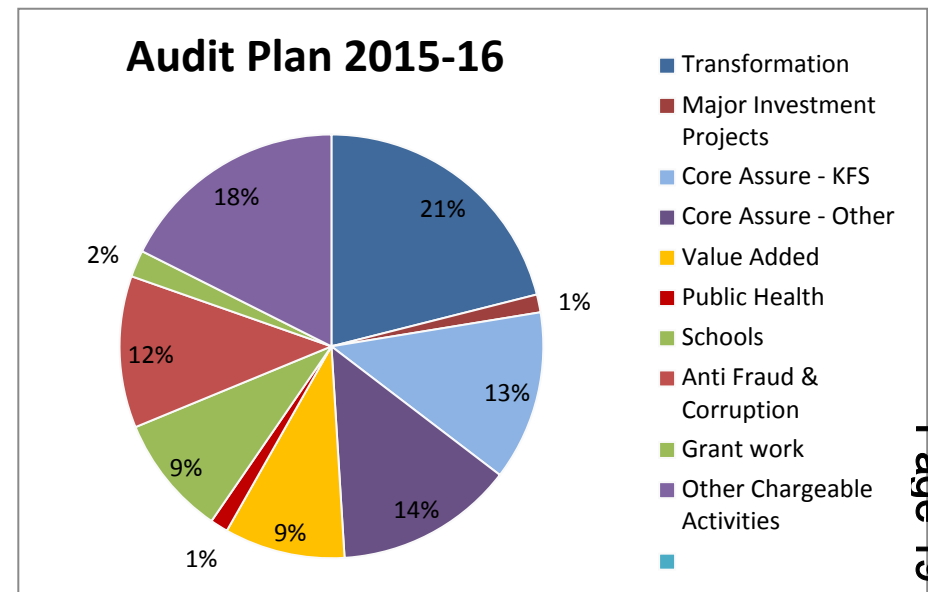


Audit Coverage and performance against plan

The pie chart right shows the breakdown of audit days delivered by service area / type of audit support provided.

Appendix 3 shows our performance of audit delivery in 2015/16 against the audit plan. It will be noticed that there are some small variances in outturn against target for audits provided during the year. When we prepare our plans we make an educated assessment of the number of days that an audit is likely to take. When the fieldwork is actually completed there is inevitably a variance from the planned days. It can be seen that we have undertaken additional work on transformation this year to fit client need. In addition we provide an allowance for work on areas such as fraud and corruption; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review. In such instances we expect that a more senior officer will be able to complete the review in less time than a junior and also the need for managerial review of working papers will be less.

Appendix 4 to this report provides a summary of the audits undertaken during 2015/16, along with our assurance opinion. Where a “high” or “good” standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “improvement required” has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.



Customer Value

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2016. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment - the Head of Devon Audit Partnership maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme. External Assessment provides assurance that against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS) "DAP is considered to be operating in conformance with the standards" as reported to the Partnership Committee in November 2014 and will be subject to peer review in November 2016.

Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was reported to the Management Board in October 2015.

Performance Indicators

Overall, performance against the indicators has been very good (see appendix 3). The targets were increased for some indicators yet we have met or exceeded most. We have lifted our draft and final reports issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified further areas where performance can be improved.

Customer Service Excellence

DAP has been successful in re-accreditation by G4S Assessment Services of the CSE standard during the year.

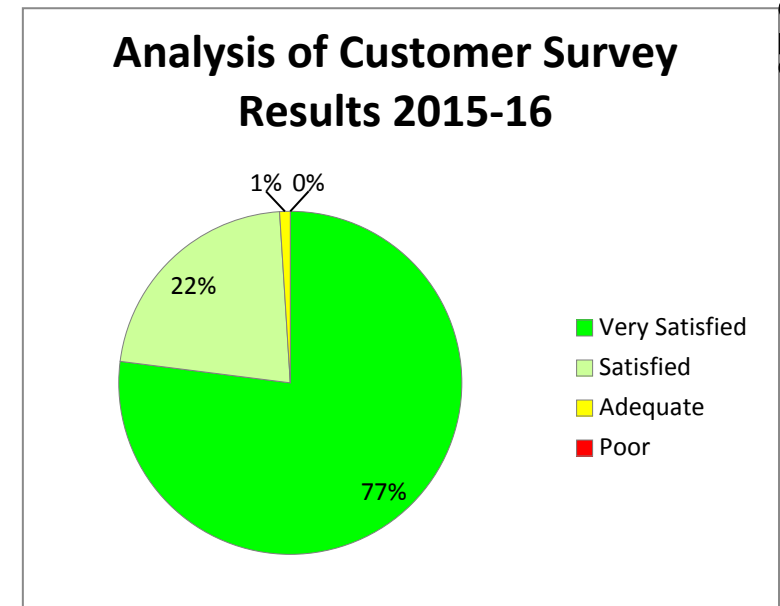
During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with 99% being "satisfied" or better across our services, see appendix 5. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Added Value

We have had some very complimentary feedback some of the specific examples of where our team have been able to add value to the Council include:-

"The Audit draws attention to Value Adding Activities beyond the aspects of the material system audit which will assist the service in making improvements".

"The whole Audit experience was thought provoking, and the depth of understanding by the Auditor of the work processes we use, and could use, was very impressive. We have already improved our use of IT to achieve efficiencies in time taken to deal with TPO applications, and are planning training sessions to assist planning officers".



Value Added

Our internal audit activity has added value to the organisation and its stakeholders by:

- providing objective and relevant assurance;
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Senior Management has found our engagement, support as a “trusted advisor” effective and constructive in these significantly changing times.

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported in the following areas:

Transformation and Change

- operational effectiveness of the core financial systems supporting reduction on staff resources whilst maintaining the control framework;
- continued support, advice and challenge as Trusted Advisor on the contract management arrangements relating to the South West Devon Waste Partnership, to ensure that the City Council’s interests are protected;
- review and mapping of existing “Missed Bins” process, working with management and DELT to develop reports that provide better intelligence to assist in understanding the issues within this service delivery. Our work has been used as part a Street Services review, under Transformation;
- identification of weaknesses within the domiciliary care payment process with regard overpayments and lack of service package authorisation. A subsequent follow-up review has shown that steps have been taken to address the reported issues;
- drawing attention to areas where development of the iTrent HR solution could support the Payroll Service in growing the business.
- challenging and verifying the results of the P3M3 maturity self-assessment conducted by the Portfolio Office.

Place

- continued support, advice and challenge on the contract management arrangements for the South West Devon Waste Partnership, to ensure that the Council’s interests are protected;
- review and mapping of existing “Missed Bins” process, working with management and DELT to develop reports that provide better intelligence to assist in understanding issues within this service. Our work has been used as part of a Street Services review, under Transformation.
- Identification of opportunities for closer working and sharing of knowledge and information between officers with responsibility for tree management, within Street Services and Planning.
- Highlighting potential opportunities within Integrated Transport that had yet to be realised for example improved fleet information, income generating schemes and introduction of a dedicated transport unit.

People

- identification of weaknesses within the Domiciliary Care payment process with regard overpayments and lack of service package authorisation;
- benchmarking / analytical review comparing Plymouth’s fostering allowances with other relevant local authorities will be used by Fostering Services when reviewing the fostering allowance policy;
- carrying out an independent review of the evidence supporting the Council’s self-assessment of its ability to carry out the Director of Children’s Services role in accordance with Department for Education (DFE) requirements.

Schools

The Partnership has supported the School Health Check process providing the internal audit view of the financial management of individual schools based on the most recent audit visit. The provision of internal audit’s performance data provides a greater focus on schools causing concern in the wider control environment. This information has been used in assessing overall status for schools through vulnerable budget reviews, governance and school improvement. The result of our input has been: the intervention and review of schools by governor support and school improvement and follow-up audits to raise standards.

The culmination of this work has lifted the performance of these schools.

Internal audit coverage and results

Transformation and Change

Based on audits completed and on indications from previous and on-going work, we are able to report that key financial system controls are well maintained and where weaknesses have been identified, management have responded positively to our recommendations. Issues identified in our 2014/15 report on the main accounting system are found to have been addressed in our latest audit.

The continued reductions in government funding have meant that the Council has had to review the provision of services and how they are delivered. As service areas looked to review and transform, Audit provided an independent review of ways to streamline service delivery and processes. This also included the verification of the P3M3 maturity self-assessment exercise conducted by the Portfolio Office.

Several areas within the Plan support key elements within transformational change and as our work progresses, synergies may be identified with other projects. For example, our mapping of existing and future “missed bins” processes has been shared with the Customer Services Transformation programme to inform aspects of the Digital Services project in terms of intelligence gathering and sharing.

Internal Audit supported the project to improve customer engagement in respect of comments, compliments and complaints. The new scheme went live in May 2016 and utilises the new Firmstep platform. Support will continue during the implementation of Firmstep platform as it is rolled out across other service areas, providing them with opportunities to improve citizen engagement.

With the Council’s retained client function having been in place for a number of months, an independent audit review of the function was undertaken. The principles, in terms of lessons learnt around contract management, in particular with regard to the level of resourcing of a retained client function, need to be taken forward by the Council as a whole and by teams/officers responsible for managing contracts in the future.

People

With continued development of an integrated and pooled budget/funding arrangement with NEW Devon CCG, exceeding £460m, Audit worked with the CCG and their auditors to examine and comment on various aspects of the programme including the reporting of financial information and governance.

The Integrated Health and Wellbeing Programme continues to be supported through both ad hoc dialogue with programme and operational staff, along with more formal pieces of work. This, along with the work linked to the Integrated Fund, is one of the high risk areas where audit resource continues to be focused.

Changes made by Central Government to the implementation of Care Act Part 2 (deferring most aspects until 2020) have resulted in less support being required for Care Act implementation in year. However, work was undertaken to review and support the ongoing compliance with Care Act Part 1.

Audit identified key risks with payments to Domiciliary Care providers. Existing processes and contracts led to the Council overpaying some providers, payments that do not reflect actual levels of provision. In addition, we identified that some key management reports were showing incorrect information. In response to this, contracts have been amended whilst negotiations continue with one remaining provider and report parameters have been reviewed.

Work was carried out to examine the restriction of access to CareFirst records following a query regarding staff access, where they are also a client or have an interest with a client.

Public Health

Audit identified a number of risks with regard substance misuse contracts. As contracts had not been retendered for a number of years it was difficult to be assured a quality value for money service was being received. There was also a major risk of non-compliance with EU procurement rules. Whilst data feeding into the National Drug Treatment Monitoring System (NDTMS)

provides useful national benchmarking figures it does not provide commissioners with all the information required to ascertain whether a quality value for money service is being provided.

Place

Audit work undertaken on GAME Transformation has included work on waste collection, tree services and the Integrated Transport programme.

Following our review of the service responsible for Tree Preservation Orders, a similar review has been undertaken of Tree Management within Street Services. This identified opportunities for closer working between the two teams especially how to better utilise the professional knowledge of Tree Officers and with partners, and sharing tree asset information and strategy. At the request of management the two reports were consolidated into one.

Our review of Integrated Transport identified a number of areas that had been successfully implemented; for example a reduction in the size of the Council's fleet and the development of commercial opportunities. However, it also highlighted weaknesses in understanding the realisation of outcomes and their benefits, resource and financial management.

We have provided challenge, advice and best practice guidance on the evaluation model and criteria as well as general procurement and contract controls associated with the tender process for the new Highways Maintenance contract due to commence in April 2017.

The principles, in terms of lessons learnt around contract management need to be taking forward by the Council as a whole and by teams/officers responsible for managing contracts in the future. Audit has worked with the team overseeing the PFI Waste contract to ensure that robust contract monitoring and assurance plans are in place.

Overall, in addition to audits undertaken as per the plan, advice and guidance has been provided to managers and staff at all levels across all Directorates

Schools

We have made good progress in the delivery of our audit plan to schools and schools have again been very appreciative of the quality of our service. The requirements to meet the challenges through change to the SFVS are significant. We are focusing all of our effort to achieve the targets and support schools to the fullest of our ability.

Our overall opinion is one of Good Standard, with only one school receiving an audit opinion of 'Improvements Required'. In general, the systems and controls in schools mitigate the risks identified in many areas. However, there are risks exposed in key areas which reduce overall assurance.

The key matters arising from the audits are the:

- understanding of financial management by governors and skills assessment as evidenced by the requirements of the Standard
- demonstrable financing of plans for raising standards and attainment
- Business Continuity / Disaster Recovery Plan.

Recommendations have been made to reduce risks and in other areas, recommendations made serve to strengthen what are reasonably reliable procedures. Schools which had an opinion of improvements required or fundamental weaknesses identified were subject to a follow up in 2015/16 and are subject to a full audit in 2016/17.

The Schools Financial Value Standard is now an established tool for maintained schools as a self-assessment of their local financial management and schools are required to annually submit their self-assessment to their local authority by 31st March. Currently There are 63 maintained schools within Plymouth City Council but 12 schools did not formally submit the 2015/16 signed self-assessment by 31st March 2016. One of these schools which did not submit a completed self-assessment within deadline is part of a 'hard' federation and this for the purposes of SFVS is considered by the Department of Education as an exemption. Therefore 11 schools failed to comply with the DfE requirements and the Scheme for financing schools. 8 of these schools submitted their return in April which has left 3 outstanding.

Fraud Prevention and Detection

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Cabinet Office runs a national data matching exercise (The National Fraud Initiative - NFI) every two years and the Council have now concluded its review of the data matches that were received as part of the 2014/15 exercise. Work undertaken across the Council has achieved the following results;

- Ten housing benefit claims were identified where overpayments arising from fraud or error, amounting to £29,500 and these are subject to ongoing recovery. Of the six claimants considered to have fraudulently claimed, three have been prosecuted and three others formally cautioned. A review of council tax single persons discount has been undertaken and the results are currently being collated.
- Over 500 blue badges and concessionary bus passes have been cancelled where NFI records show that the Council were unaware that the holders were now deceased.

Irregularities - During 2015/16 Internal Audit carried out, or assisted in, a total of 12 irregularity investigations. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
IT Misuse	5
Employee Conduct	4

Issue	Number
Financial Irregularities	2
Conflict of Interest	1

Audit continued to investigate suspected misuse of the Council's email and internet facilities. Audit received requests from management asking for the examination of email, instant messaging and internet records and were able to provide management with reports evidencing usage and our findings which were then used in deciding whether to take further action against individuals. Of these cases, two members of staff are no longer employed by the Council.

Of the employee conduct cases, one concerned a member of staff who it is alleged inappropriately sent sensitive personal information to an email recipient who should not have had access to such data. Another case involved allegations made under the Council's whistleblowing arrangements regarding the alleged misappropriation of Council and staff property and subsequent sale via Ebay. Both members of staff involved have been dismissed following disciplinary investigations. The final case of note relates to the failure of an agency member of staff to declare a previous criminal conviction. The individual was removed from his position. A subsequent audit review of the Council's recruitment procedures concluded that, if adhered to, the procedures in operation, both internally and at the Council's contracted recruitment agency, provide appropriate mitigation against the risk of fraud.

The conflict of interest case relates to the personal circumstances of a member of staff which should have necessitated restrictions being placed upon their access to the Carefirst system. An audit review of the procedures governing Carefirst access has been undertaken and recommendations made to improve processes. DAP continue to work with administration managers within Adult Social Care and Children's Services to implement the recommendations.

The details of these irregularities have been reported to Directors. In addition to the specific investigations, DAP have also provided management with a range of advice and support on courses of action or improvements to controls.

Schools – Only one irregularity arose during 2015/16 and related to allegations raised under whistleblowing arrangements. It was alleged that a senior member of staff had explored the potential of using a flooding incident to claim on the school's insurance for items that had suffered no damage. This issue was investigated and it was concluded that there was insufficient evidence to suggest that there had been a serious intention to pursue an inappropriate claim and that the allegations were likely to have been a result of individual interpretation and recollection. Advice was provided to the school regarding the importance of ensuring that comments made by senior staff are, as far as possible, free from ambiguity.

Appendix 1 - Annual Governance Framework Assurance

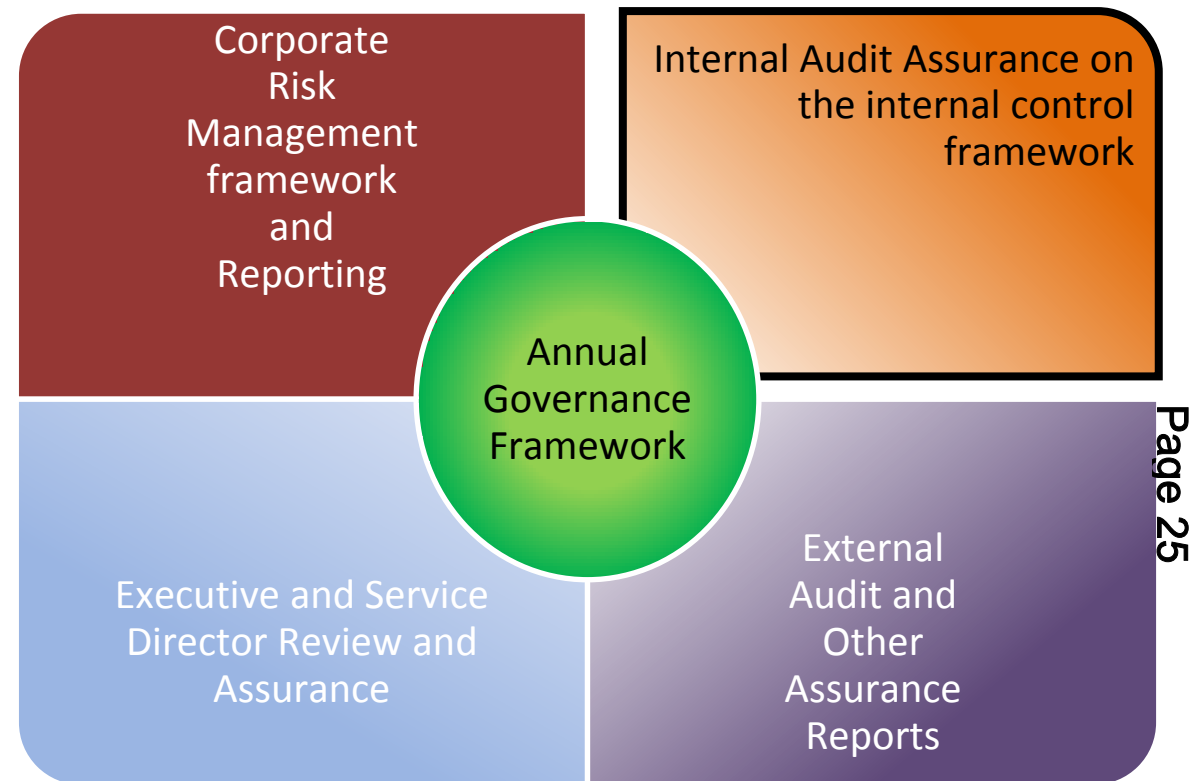
The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement provides assurance that

- the Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

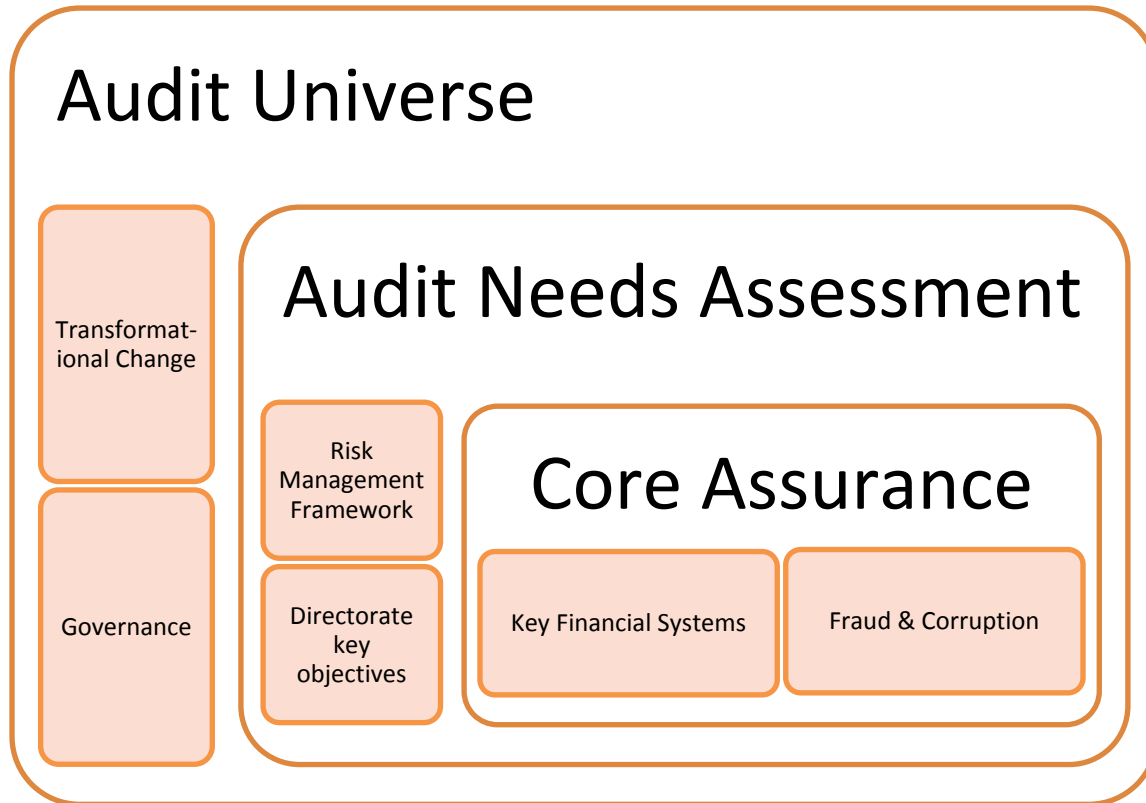
- be prepared by senior management and signed by the Chief Executive and Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance.



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance Statement Working Group, CMT and Internal Audit that the statement meets statutory requirements.

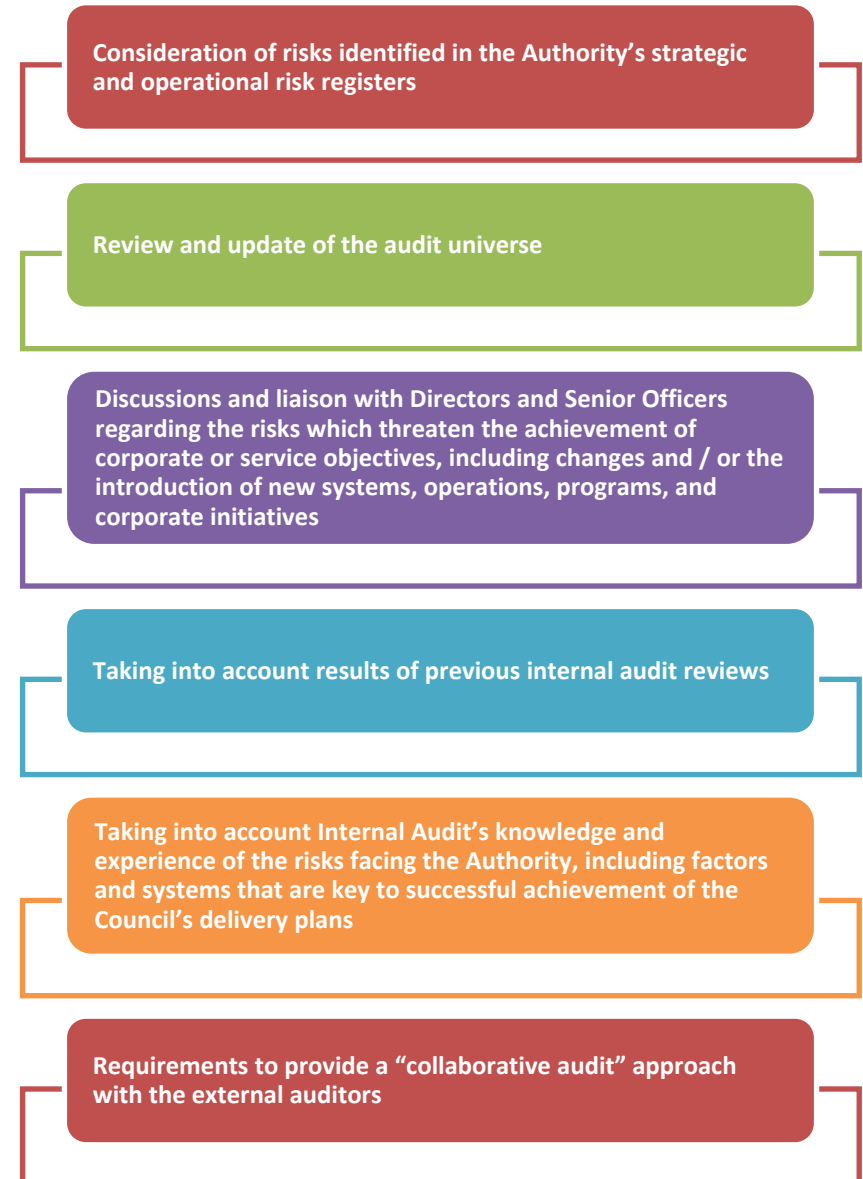
Appendix 2 - Audit Needs Assessment



We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

The resultant Internal Audit Plan for 2015/16 was built from this assessment.

The audit plan for 2015/16 plan has been created by:



Appendix 3 – Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor these Local Performance Indicators:

Local Performance Indicator (LPI)	2014/15	Plymouth 2014/15	2015/16	Plymouth 2015/16	DAP 2015/16
	Target	Actual	Target	Actual	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	98%	100%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	94%	93%	98%	94%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	96%	95%	90%	95%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%
Percentage of chargeable time	65%	69%	65%	70%	68%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	99%	90%	98%	99%
Draft Reports produced within target number of days (currently 15 days)	90%	94%	90%	98%	87%
Final reports produced within target number of days (currently 10 days)	90%	99%	90%	98%	96%
Average level of sickness absence (DAP as a whole)	2%	5.5%	2%	5.9%	5.9%
Percentage of staff turnover (DAP as a whole)	5%	16.6%	5%	4%	4%
Out-turn within budget	Yes	Yes	Yes	Yes	Yes

Overall, performance against the indicators has been very good and has maintained improvement on 2014/15 in relation to the issue of draft and final reports to the customer within the agreed timeframes.



Appendix 4 – Summary of audit reports and findings for 2015/16




Risk Assessment Key




LARR – Local Authority Risk Register score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available


Assurance Progress Key



Green – action plan agreed with client for delivery over an appropriate timescale;
 Amber – agreement of action plan delayed or we are aware progress is hindered;
 Red – action plan not agreed or we are aware progress on key risks is not being made.
 * report recently issued, assurance progress is of managers feedback at debrief meeting.
 ** for transformation & other projects, the direction of travel reflects our view of how effective the project is run.

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Transformation – Overall Programme					
P3M3 Maturity Assessment	Client Request	Complete	Value Added	In 2014, the Council commissioned its first P3M3 assessment of how “mature” its implementation of Portfolio, Programme and Project management was. In order to gauge progress in developing best practice in the running of projects and programmes, the Council’s Portfolio Office conducted a maturity self-assessment in October 2015 and asked Internal Audit and the council’s Policy, Performance and Planning Team (PPP) to challenge, verify and report on the results. These showed positive developments across many of the assessed areas at each of the three levels but also highlighted areas that required improvement.	 Page 28
Transformation - Co-operative Centre of Operations (CCO)					
Integrated Assurance (inc Assure Project)	Client Request	Complete	Value Added	<p>The strategic design for Integrated Assurance was put on hold with resources focussed on Corporate Fraud commercialisation business case. DAP fed into that process providing information and recommendations regarding:</p> <ul style="list-style-type: none"> • corporate debt recovery; • industry standards; • reporting lines. <p>Future work on Assure will be progressed under the Finance FIT Project.</p>	 **





Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				In addition, Audit have provided support and assistance in the development of an Integrated Assurance Strategy for the Portfolio Office which aims to provide visibility of all Programme and Projects with the Portfolio risks and functions and designed to support Programme and Project Managers.	
Service Integration and Management inc. Intelligent Client, Commissioning and Procurement, Category Management and Contract Management	SRR – Red ANA - High	On-going	Value Added	DAP has offered our knowledge and experience to the Commercial Services Team through support and challenge as strategies and procedures are reviewed and developed.	 **
Civica Financials Project	ANA - High	Completed	Value Added	The work to improve the Civica systems has been included within the scope of the technology workstream within the Finance FIT project. DAP input will be required during 2016/17 to support successful implementation and robust controls in place.	 **
Transformation – Customer & Service					
Customer Feedback		Completed	Value Added	<p>In liaison with the Project Manager, Internal Audit has provided support to the Customer Feedback Focus Group, part of the project to improve customer engagement in respect of comments, compliments and complaints. The new scheme, known as “Feedback - comments, compliments & complaints”, went live in May 2016 and utilises the new Firmstep platform.</p> <p>It is expected that there will be short a period of time where staff and the public get used to the new scheme and, the potential improvements it offers. An Interim Complaints Triage Officer has been established to embed the new process and accelerate in-house learning and knowledge. This position will also be responsible for dealing with instances of multiple complaints and those which do not process via automated triaging and require the provision of further support to the customer.</p>	 **


Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Transformation – Growth, Assets & Municipal Enterprise (GAME)					
Fleet Management	SRR – Red ANA – Medium Client Request	Final	Value Added	Three reports have been issued which evaluated the progress of the Integrated Transport project, highlighting the successful outcomes achieved, opportunities not yet realised and lessons to be learned e.g understanding the realisation of outcomes and their benefits, resource and financial management.	 **
Street Services Review – See Below	SRR – Red ANA - High	N/A	N/A	The allocated resource in the original audit plan was utilised on audit areas as shown below, in agreement with officers	
Street Services – Missed Bins		Completed	Value Added	<p>Following the implementation of the City’s domestic waste collection routes, the service area asked audit to review the start to finish process relating to the reporting and collection of “missed” bins. The work involved understanding the systems currently in operation, analysing the problems and making recommendation to improve the efficiency of the service.</p> <p>The report provided assurance on areas, including:</p> <ul style="list-style-type: none"> • software and technical solutions; • interaction and interface with the local community; • reporting and metrics and, included; • “As Is” and “To Be” process maps. <p>This work has been used as part of the CST led Street Services Review to which Internal Audit are continuing to provide support and advice. Work was also undertaken to assist with the improvement of key reports on the existing Dynamics CRM platform.</p>	 **
Street Services – Tree Management	Client Request	Final	Value Added	<p>The objective of this review was to ensure the best possible service provision from the Street Services Tree Team. Current working arrangements and procedures were determined and evaluated and the following areas highlighted to improve efficiency, reduce costs and release capacity to develop proactive work, adding value to the overall service:</p> <ul style="list-style-type: none"> • improve customer information available through the Council website and develop a specific clear route for reporting tree related problems; 	




Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<ul style="list-style-type: none"> implementation of a stricter risk based approach to tree inspection and maintenance; development of a single complete, accurate and up to date record of tree asset information and maintenance activity; manual, resource intensive processes and procedures; consider how to better utilise the professional knowledge of Tree Officers across the Council and with partners through shared ownership of tree asset information and strategy. <p>At the request of Management, the findings of the two audit reports were consolidated into one report identifying potential opportunities for efficiencies that included:</p> <ul style="list-style-type: none"> integrating all tree management activity into one team where their skills, knowledge and experience could be better utilised through shared ownership of the City's tree asset information, strategy, inspection and maintenance programmes. investing in a single asset information and maintenance system and mobile work technologies that will allow real-time two way flow of information between the core asset information and the workforce in the field. 	
Transformation – Integrated Approach to Health & Wellbeing					
Integrated Community Health and Social Care Service Delivery	SRR – Red ANA - High	N/A	N/A	The allocated resources in the original audit plan are being utilised on the Integrated Health and Wellbeing Board, in agreement with officers.	N/A
Integrated Commissioning	SRR – Red ANA – High	N/A	N/A	The allocated resources in the original audit plan are being utilised on the Integrated Health and Wellbeing Board, in agreement with officers.	N/A
Integrated Health & Wellbeing Board (IHWB)	SRR – Red ANA - High	Complete	Value Added Situation Report Issued	Work to support the IHWB Programme has included attendance at the IHWB Programme Board. Through this we have been able to keep informed of, challenge and support the key aspects of IHWB. An interim update report was issued which commented on a number of areas including Programme Staff,	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>Board Operation and Governance, the System Enablers Project, Integrated Fund Finance and Assurance monitoring and Knowledge Management.</p> <p>The recommendations recognised the achievements made and the need to review the existing set up and structures to ensure that the next set of aims and goals could be achieved.</p>	
IHWB Governance & Risk Management	SRR – Red ANA - High	Draft	Good Standard	<p>This review confirmed the breadth of stakeholders linked to the creation of the Integrated Fund and the resulting complexity within the governance structures. The foundations of good governance such as clear authorisations in the form of a Constitution or Terms of Reference for those entities within the Integrated Fund structure were found to be in place, providing a solid base from which to progress.</p> <p>Risk Management within the Integrated Fund is considered to be “developing” and it is clear that the right people are involved from the respective organisations. Work is progressing on the joining up of risk policy and risk registers with additional mitigation through the existing risk management processes of each organisation.</p>	 G
Implementing the Care Act	SRR – Red ANA – High	N/A	N/A	The allocated resources in the original audit plan are being utilised on Phases 1 & 2 of the Care Act implementation, as agreed with officers; see below.	N/A
Implementing the Care Act (Phase 1)	SRR – Red ANA - High	Final	Value Added Situation Report Issued	<p>Phase 1 of the Care Act was implemented on 1 April 2015. We carried out a specific review of the key aspects and resulting Council compliance and issued a situation report in July 2015. This commented on areas including Care Act Training, Client Finance Services workloads, invoicing and Safeguarding Adult Board (SAB) requirements. Areas for improvement included:</p> <ul style="list-style-type: none"> ensuring that eLearning packages are suitable and accredited; ensuring that project documentation is stored centrally and available for all related persons; the need to improve the way invoices are produced so that there is clear information on charges applied for services billed; arranging final sign off for the SAB Strategic Plan and evidencing the agreement to formally share information. 	 G**




Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Implementing the Care Act (Phase 2)	SRR – Red ANA - High	Complete	Value Added	<p>Work commenced in April 2015 on the implementation of Phase 2 of the Care Act with a deadline of April 2016. Phase 2 included:</p> <ul style="list-style-type: none"> introducing a cap on Care Costs; providing a Statement which outlines eligible costs for the cap, accrued for those not receiving their care through the Council; Care Accounts for recording costs; a system of appeals linked to the implementation of Part 1. <p>In July 2015, the Government announced the delay of Phase 2 until 2020 to allow further consideration of the impacts. In light of this, the Care Act Part 2 Project has been refined to look at implementation of the Deferred Payments module to CareFirst and actions required to ensure ongoing Part 1 compliance. Audit have provided the Project Manager with guidance on project governance.</p>	
Co-operative Children, Young People and Family Services	SRR – Red ANA - High	Complete	Value Added	<p>The Co-operative Children, Young People and Family Services (CYPF) project within the IHWB Programme contains a number of strands. Work was undertaken by the project to identify these and audit support was provided through the Project Board. Due to the completion of work streams and scheduled phased implementation of the Early Help Gateway, the project board has been reformed under the heading of Children's Improvement Board, the scope updated and the audit resource deployed into the System Enablers Project.</p>	N/A
Transformation – People & Organisation Development					
<p>DAP provided support and challenge as Trusted Advisor to the workstreams that come under the responsibility of the People and Organisation Development Transformation programme, in particular Accommodation and Infrastructure as officers worked to ensure that remaining services were decanted from the Civic Centre in line with the agreement with Urban Splash. This was achieved in October 2015.</p>					
Major Infrastructure & Investment Projects					
Highways Contract Procurement	ANA – High Client Request	On-Going	Value Added	<p>DAP has attended the Highways Project Board as Trusted Advisor, set up to oversee the re-tendering of the City's Highways maintenance contract, a joint procurement with Devon and Somerset Councils, to ensure that risks and issues are identified and mitigated. Challenge, advice and best practice guidance has been provided to officers on the evaluation model and criteria as well as general procurement and contract controls.</p>	



Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Waste PFI	SRR – Green ANA - High	On-Going	Value Added	DAP has continued its presence as Trusted Advisor on the Project Executive Board and working with the Contract Team to establish Audit and Assurance Plans.	 **
History Centre (Record Office)	ORR – Amber ANA - High	On-Going	Value Added	DAP have provided support, advice and assurance to the Project as it progresses through the design stages.	 **
Value Added					
Pension Advice	Client Request	Complete	Value Added	A briefing note was prepared outlining key points such as legal requirements, guarantees, valuations and the information needed to be included in any tender documentation, that finance officers should consider when dealing with pension arrangements associated with the introduction of new service delivery vehicles.	N/A
Management of DELT Contract	ANA – High (Client Request)	Final	Improvements Required	<p>Audit worked with Audit South West, the Internal Auditors for CCG, to provide high level assurance on the robustness of the governance and operational arrangements covering the provision of ICT services from Delt Shared Services Ltd.</p> <p>The review found some weaknesses in the design and/or operation of controls which could impair the achievement of the service’s objectives. Delt management have responded positively and an action plan has been agreed and is currently being implemented.</p>	 Page 34
Financial Regulations	ANA – Medium (Client Request)	In-progress	Value Added	The work undertaken across the Council’s key financial systems has been used to help inform an appraisal of the current version of Financial Regulations. A report is being finalised which will present a number of options that could be considered as part of the next “refresh” of Financial Regulations.	
People – Completion of Fostering Review	ANA - High Client Request	Complete	N/A	Further to a request from management, DAP has undertaken benchmarking / analytical review comparing Plymouth’s fostering allowances with those of its ‘nearest neighbours’ (as defined by Cipfa / Audit Commission), with other relevant local authorities in the South West and “South Coast” unitary authorities. The findings from this review will be used by Fostering Services in future consultation with Plymouth’s in-house foster carers when developing a revised fostering allowance policy.	






Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
The following value added review was subsequently not required by the Client. <ul style="list-style-type: none"> Capital Programme Governance - ANA - High (Client Request) 					
The following review was not undertaken in light of lack of audit resources. <ul style="list-style-type: none"> Plymouth Community Homes Contract - ANA – Medium (Client Request) 					
Core Assurance – Key Financial System					
Civica Financials – Debtors	ANA - Low	Final	High Standard	<p>The Transaction Centre continues to adapt to change whilst looking to streamline procedures to further improve efficiency. The Client Financial Services (CFS) Team are now part of the Transaction Centre and a separate Income and Recovery Team and Cash and Billing Team has been created to administer sundry debt.</p> <p>Internal controls regarding the Debtors system remain at a good standard. There has been an increase of almost 3% when comparing the collection rate at February 2016 (96.2%) to February 2015 (93.7%) and this figure is above the yearly target of 95%. Overall, sundry debt raised has increased from £79.7m (end of March 2015) to £96.1m as at the end of February 2016.</p>	 Page 35
Civica Financials – Creditors	ANA - High	Final	Good Standard	<p>Overall the controls operating within Plymouth City Council's Purchasing and Creditor systems continue to operate at a good standard. Purchasing and Creditor system controls and user profiles continue to ensure:</p> <ul style="list-style-type: none"> orders are placed with approved suppliers and best value is achieved; separation of duty between the raising and authorisation of purchase orders; separation between the input and authorisation of invoices for payment; payments are checked for accuracy, completeness and are appropriately approved in line with financial regulations. <p>The Transaction Centre continue to develop procedures, working closely with the Financial Systems Team to make better use of automated system controls and reporting tools to further improve service efficiency . However changes that have taken place over the last few years are not reflected in current Financial Regulations, supporting governance documents or procedural guidance. This is a Council wide issue and needs to be considered as part of the wider review.</p> <p>The effectiveness of purchasing and payment processes rely on service area</p>	




Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>staff complying with corporate procedure, the Transaction Centre and Financial Systems Team continue to manage this through routine monitoring and challenge.</p> <p>As at the 31st March 2016 performance targets for payment of invoices were comparable to previous years and reaching target.</p>	
Civica Financials - Main Accounting	ANA - Medium	Final	Good Standard	<p>Main accounting system processes are operating effectively within a sound overall control environment with most processes operating as expected and as required by the organisation. There are some areas where consideration and implementation of additional measures would further enhance the existing control framework, these included:</p> <ul style="list-style-type: none"> attaching supporting evidence relating to journals and virements to the system; a review of the reconciliations undertaken to determine if they are still required or if they could be replaced by automated control or consolidated. 	
Academy System Parameters	ANA - High	Final	Good Standard	<p>The relevant systems and controls in place for continued to operate to a good standard. The bills issued and benefits applied were calculated correctly. The calculations were re-performed during the audit and all were found to be accurate.</p> <p>The review did highlight that looking forward to 2016/17 and following restructures within the revenues and benefits service areas, it was not possible to identify who would be responsible for updating the NNDR and BIDS system parameter work for the next financial year. This concern was addressed by management who determined that the responsibilities will sit with the Customer Services Team.</p>	
Academy – NNDR (Business Rates)	ANA - Low	Final	Good Standard	<p>NNDR administration and collection processes within the Transaction Centre are of a good standard. System parameters and automated controls have ensured accurate billing, effective debt recovery and the integrity of financial data. Consistent application of policy, procedure and automated controls is reflected in the performance results.</p> <p>Whilst day to day NNDR administration is undertaken by the Transaction Centre, Academy system ownership and system control roles and responsibilities have</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>been unclear. Transaction Centre and Customer Service Managers have now discussed and determined roles and responsibilities for NDR Academy system administration procedures; these will sit with Customer Services who will carry out the procedures alongside those required for Housing Benefits and Council Tax. This is considered good practice as it ensures Academy system skills and expertise are utilised across all three Academy applications and separation of duties is maintained. Regular meetings will be held to ensure ongoing effective management of the system.</p>	
Academy - Council Tax	ANA - Medium	Final	Good Standard	<p>Council Tax collection rates continue to be the key performance measure, with collection rates for 2015/16 at 96.76%. Although this figure is below the target of 98.50%, it represents an improvement on the 2014/15 figures, where the outturn was 96.20%. The value of collectable debt for 2015/16 increased to £108.3m from £104.4m in 2014/15</p> <p>In response to previous audit recommendations a target of £3.0m was set for collection the collection of aged debt and this was exceeded, with collection at the end of March standing at £3.017m. Records show that this was a significant improvement on the £2.4m of aged debt collected in 2014/15.</p> <p>Historically, monitoring arrangements regarding Single Persons Discounts (SPD) have been inconsistent and on occasions absent from annual work processes. It has been advised that the department will be utilising the services of a 3rd party to run a review throughout 2016/17. Moving forward, in response to audit recommendations, a review of SPD will be undertaken on an annual basis, the scope and methodology of which will be considered prior to each review.</p>	 Page 37
Academy - Housing Benefits	ANA - High	Final	Improvements Required	<p>The department has been operating with a 30% reduction in resources and as such it has been a challenge to address performance with difficult choices having to be made regarding the prioritisation of work. At the end of February 2016, the average time to process new claims was 22.62 days and 8.49 days for changes in circumstance, against targets of 10 and 7 days respectively.</p> <p>In response the department has instigated weekly performance meetings and performance management arrangements focused on productivity and visibility of outstanding workloads.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>For 2016/17 following our recommendations the department has plans to:</p> <ul style="list-style-type: none"> • Implement a risk based verification framework for determining evidence requirements in support of claims; • Reinstate a quality assurance framework; • Identify a resource to focus on recovering overpayments. 	
iTrent - Payroll	ANA - High	Final	High Standard	<p>The review of iTrent found that the controls around the operation of the payroll system were found to be operating effectively. The ongoing consistent application of sound internal controls has ensured that employees have been paid accurately, on time and in accordance with their contract of employment.</p> <p>Reconciliations of the payroll data continued to be undertaken, ensuring the validation, accuracy and completeness of the data which feeds the main accounting system.</p> <p>System access and overall system security controls are robust and in accordance with corporate standards that in turn, mirror best practice. The provision of user access to the iTrent application is managed to ensure that staff are only provided with access to functionality that is appropriate to their role.</p>	
Fixed Asset Register	ANA - Medium	Final	Good Standard	<p>Due to the nature of the audit and the timing of the year end processes, this work relates to the system in operation during 2014/15 which found the processes and management practices in place to manage the Council's fixed assets and capital resources appropriate and effective.</p>	
Treasury Management	ANA - Low	Final	Good Standard	<p>The core processes underpinning the Treasury Management (TM) function within the Council have changed little over time as they are based on the needs of the business which revolve around checking bank account balances, managing cash flow and maximising investments within the risk appetite set each year.</p> <p>There has been a move towards a greater use of the Institutional Cash Distributors (ICD) Money Market Investment Portal, which retains the ability to deposit daily and retrieve cash when required without a formal notice period. The Council's TM advisor, Arlingclose, play an important role in shaping investment strategies as the recognised experts.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>The records held in support of loans and investments made were complete and accurate but there is opportunity to rationalise the number occasions and different places where the same transactions/information are recorded. . Monitoring and reporting of Treasury Management activity continues to be transparent. Cash flow forecasting and the management of the Council's main bank account is effective with investments maximised and overnight balances minimised.</p>	
Dom Care Follow-Up	ANA – High Client Request	Final	Good Standard	<p>Due to the original review rating being Fundamental Weaknesses (included in the half year report), an in year follow up was undertaken which focused on the “High” priority recommendations, a full and detailed follow up review is planned for 2016/17.</p> <p>The key issue of provider pre-payment had been addressed for all but one provider with payments now being made based on actual care provided. Where this return is not received in time for a payment run, payment is based on pre agreed planned care requirements. Reconciliations of 2014/15 invoices had been completed and the bespoke reports were now functioning as expected.</p>	
Core Assurance - Other					
Corp Information Management & Security <ul style="list-style-type: none"> • Business • IT Inc. PSN 	SRR - Amber ANA - High	On-Going	Value Added	<p>DAP continued to attend and support the Information Lead Officers Group (ILOG) throughout 2015/16 and has regular contact with the Council’s Corporate Governance Manager regarding matters concerning data / information management and security for example information handling within Print and Document Services (see below).</p> <p>Work has been undertaken on a follow-up of the Data Protection audits conducted in the previous two financial years. Consideration was also given to the ICO remediation plan to ensure that audit recommendations that mirrored the findings of the ICO report were not administered twice. All recommendations previously made by Internal Audit have been reviewed and either considered to be actioned, captured by the ICO remediation plan, remain outstanding or are part of ongoing ILOG activities. A formal report to consolidate all current and outstanding Information Governance issues identified during work conducted in 2015/16 has been issued. Responsibility for remedial actions has been assigned to ILOG, with individual responsibilities being designated by the Corporate Risk & Insurance Manager where necessary.</p>	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
CareFirst – Access Restrictions	Client Request	Complete	Value Added	Records are restricted on CareFirst where members of staff become service users or a service user (recorded on CareFirst) is known to a member of staff in a personal capacity. There is potential for conflicts of interest where staff know people in the care system. Management are aware of potential areas and are considering work arounds where system / network access restrictions are not available. Additionally, some records have high level of restriction that no-longer require such control which may slow work flow.	
Retained Client - Deprivation of Liberty Safeguards - (DoLS), DoLS - Internal Systems and Processes	ANA - High	Draft	High Standard	The internal processes undertaken by officers ensure that applications are processed in an efficient and consistent manner. The key recommendations made were designed to ensure that the processes are accurately documented to aid the maintenance fo a high standard moving forward.	
DoLS - Compliance with Statutory Deadlines	ANA - High	Draft	Improvements Required	As with most local authorities, due to a High Court ruling which increased the number of cases subject to DoLS, Plymouth City Council is unable to meet the current demand of applications. This risk is recognised in the Corporate Risk Register and an action plan is in place to mitigate the risks of challenge and to address the backlog of cases awaiting assessment. Performance is carefully monitored and reported to management on a monthly basis. This includes the numbers of applications received during the month and the numbers of assessments completed. The numbers of reassessments due and completed are also monitored closely.	
Client Billing (Follow Up work as part of Debtors Audit)			Value Added	When Client Financial Services (CFS) transferred to the Transaction Centre there was a backlog of financial assessments and the inconsistent use of CareFirst meant that financial assessments were not being identified or undertaken. As at October 2015 there were 279 outstanding financial assessments.	
		Issued as part of Debtors Audit	Good Standard	Work has been undertaken to resolve these inherited issues and additional resources directed to address the backlog of financial assessments. Significant action has been taken by CFS and at the end of March 2016, the number of cases awaiting financial assessment by CFS had reduced to 59, a further 114 cases were awaiting contract for services after which they would need a financial assessment undertaken.	

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Direct Payments (Follow Up)	ANA - High	Final	Improvements Required	<p>Although some progress has been made towards implementing the outstanding recommendations, actions have not been completed. As with the previous follow up findings there is still a need to update or draft policies and procedures and to ensure that staff follow them. Some of the procedures which were identified for improvement in the audit were considered by Management to fall under Livewell Southwest's responsibility following the transfer of the Adult Social Care function.</p> <p>In January 2016 the Council produced a Business Case for a project to document and review the Direct Payment process from support plan through to card closure. The project is now underway and includes a full review of procedures, guidance and roles and responsibilities. The recommendations made will be fed into the project.</p> <p>A separate extract for discussion with Livewell Southwest includes recommendations relating to procedures and guidance and these should also be included for consideration as part of the Direct Payments project.</p> <p>As there are a number of recommendations linked to policies and procedures which remain outstanding, the assurance opinion remains as Improvements Required.</p>	
Early Intervention (Families With a Future)	Statutory Client Request	Ongoing	Certified	<p>Advice and support has continued to be provided as systems have been developed to evidence and track outcomes under Phase 2 of the Families With a Future programme. The robustness of the new recording, monitoring and reporting tool developed in house has been evaluated and a total of three claims have been signed off by DAP, of which two relate to the Phase 2 extended programme.</p>	
Substance Misuse - Outcomes Measurement 2015/16	Client Request	Final	Improvements Required	<p>As the contracts have not been re-tendered for several years it is difficult for the service area to be assured that they are receiving a quality value for money service from the current providers, this may lead to compliance risks with EU procurement rules.</p> <p>Client data is input to the Halo Client Management system which, in turn, feeds into the National Drug Treatment Monitoring System (NDTMS). Whilst this</p>	

				<p>provides useful national benchmarking figures it does not give commissioners all the information they require to ascertain whether contractors are providing a quality "value for money" service where:</p> <ul style="list-style-type: none"> • contract monitoring was not always suitably completed; • performance data was not always regularly submitted to the City Council • quarterly contract monitoring meetings not always completed. <p>In preparation for the future integrated commissioning exercise a System Optimisation Group (SOG) has been running since September 2015 The Group is designed to allow the City Council to work with the current providers across the complex needs group. Information gathered can be used to help shape the procurement exercise and feed into System Design Group for the Community Based Care Commissioning Strategy and possibly the Enhanced & Specialist Care Strategy.</p>	
Print & Document Services (PADS)	ANA - High	Final	Improvements Required	<p>Procedures for the processing of print runs had recently been reviewed by the service area, with additional controls introduced to enable reconciliation of the print files to actual output but documented working practices had now been updated to accurately reflect those procedures.</p> <p>During site visits to the service area, physical security weaknesses were identified and recommendations made to address them. Management have responded very positively and remedial works have been undertaken which include:</p> <ul style="list-style-type: none"> • the construction of a stud partition with entry point; • new locks for the three entry/exit points; • changes to the procedures relating to incoming post so that NHS and PCC teams no longer need to access the service area to collect post. <p>We understand action plans have been addressed.</p>	
Business Continuity	SRR – Green ANA - Medium	On-Going	Value Added	<p>DAP continues to be a member of the Council's Business Continuity Strategy Group as Trusted Advisor. In addition, Audit give consideration to issues relating to Business Continuity plans within individual service reviews and projects that it has involvement in.</p>	

ICT - Retained Client Functions	ANA - High	On-Going	Value Added	<p>Both management and operational processes continue to develop as the business relationship between the Council and Delt Services evolves.</p> <p>A formal review of the 'retained client' function has been undertaken which assessed key retained functions and controls and the effectiveness of the Council's ability to meet transformational requirements and operate on a more commercial basis. The "early life" developmental relationship contributed to the Retained Client being used to manage operational relationships. This is common when the ICT service delivery model is changed and these activities were essential during the first year of the Delt contract. The function now needs development to enable the ability to optimise the value of the retained client through more "intelligent" and performance related activities and these are now being introduced.</p> <p>It is intended that this work will inform work to be undertaken during 2016/17, providing a framework to focus formal reviews of specific functional areas.</p>	 **
ICT <ul style="list-style-type: none"> • Service Strategy • Service Design 	ANA - High	On-Going	Value Added	<p>ICT audit resources have been input into general reviews of business systems including new business solutions, system development roadmaps and potential areas of service improvement that will deliver better value for money. Work (described elsewhere in this report) has been undertaken to support the Street Scene Review, Customer Feedback and the new FirmStep platform. Further support was provided in respect of ICT elements of the iTrent HR/ Payroll system, including support around technical issues and the developing self-service functionality.</p>	 ** Page 43
Barclays "Spend Management"	ANA – High	Final	Good Standard	<p>The design of the system contains inbuilt controls which prevent users from exceeding their monthly credit and transaction limits. Purchases can only be made against merchant codes allocated to each specific cardholder in accordance with their role and service needs.</p> <p>Areas highlighted which would further strengthen the system include:-</p> <ul style="list-style-type: none"> • documenting the roles and responsibilities which are split between the Transaction Centre and the Financial Systems Team to ensure clarity and understanding; • developing a short VAT training session to ensure cardholders/ approvers:- <ul style="list-style-type: none"> - gain a better understanding of the complexities of VAT and how it applies in their specific areas of spend; and - understand the rules around VAT recovery and how this is needed by the Authority to help minimise expenditure. 	

Recruitment and Pre Employment Checks	Client Request	Draft	Good Standard	<p>The Council has an established process governing pre-employment screening and this is supported by a recruitment policy and guidance for recruiting managers. Existing procedures cover all recruitment risk areas including the requirements relating to posts working with children, young people or vulnerable adults, in accordance with the Warner Report 'Choosing with Care'. Provided procedures are followed during the recruitment process, the Council will maintain a good level of pre-employment screening and mitigate the risk of unsuitable candidates obtaining employment within the organisation.</p> <p>Overall, the testing undertaken during this review provides assurance that the pre-employment screening undertaken complies with the requirements of the Council's policies and procedures.</p>	
Travel and Subsistence	ANA - Medium Client Request	Final	Value Added	<p>Following the roll-out of HR self-service earlier this year for mileage and expense claims, we reviewed a random sample of employees from various departments to check that all receipts are retained, as required by HM Revenues & Customs and in line with the published process. No material errors were found.</p>	
Absence Management Follow-Up	ANA - High	Final	Good Standard	<p>The follow-up has shown that the majority of recommendations have been implemented. The system will be further strengthened in the following areas:</p> <ul style="list-style-type: none"> the service has identified a need for absence management training and Audit have recommended that a programme is developed and delivered in the coming 12 months. the Managing Investigations Guide to be reviewed with consideration given to including advice on milestones within the formal investigation process a review of sickness levels over a 3 year period in order to identify trends and to spot employees who have repeated absence but who may not fall within the Top 100. 	
Corporate Landlord Follow Up	ANA - High	Final	Improvements Required	<p>Whilst the final report was issued only 3 months prior to the follow-up review, satisfactory progress had been made and assurance gained that the issues arising from the initial audit were all being actively addressed though at the time not fully implemented.</p> <p>On a strategic level the drafting of a Strategic Asset Management Framework was shaping the principles by which the Council's assets are managed and how the Corporate Landlord function interacts with the accompanying Asset Management Plans.</p> <p>The Framework's monitoring arrangements include the creation of an Asset Management Forum, the absence of which was identified as a potential weakness within the initial audit. Operationally, a revised Maintenance strategy had been drafted and work was ongoing to ensure that site monitoring visits in respect of the Person In Control (PIC) process are up to date.</p>	

				Recommendations were made regarding the system limitations which were hindering the maintenance of reliable information regarding service delivery and performance and a solution was being progressed with DELT.	
Historic Environment	ANA – Low Client Request	Final	Good Standard	<p>Overall Historic Environment management (HE) is of a good standard. The skills and expertise of Officers are known and utilised. HE Officers roles and responsibilities have diversified over recent years to include planning application casework which is recognised as good practice. However with the continuing reduction of resources and the need to target these limited resources on service priorities there is a risk that proactive Historic Environment management will reduce.</p> <p>Developing a consolidated complete and accurate Historic Environment Record that can be made available electronically via the Council’s website will not only secure the future of the City’s Historic Environment Information but will allow customers to make informed decisions, reducing the impact on Officers time and developing capacity for proactive work.</p>	
Commissioning of Events	ANA - Medium	Final	Good Standard	This review assessed procurement undertaken across three 2015/16 Council events, MTV Crashes, Bonfire Night and Lord Mayors Day. In the majority of cases the procurement tested was found to have followed standard procurement routes, including the raising of Requests For Quotations (RFQ), the use of corporate contracts and properly authorised contract exemptions. The Events Team demonstrated a sound knowledge of the Council's procurement rules and work closely with the Council's Buyers.	
EasyLet & HouseLet Follow-Up	ANA - Low	Final	Good Standard	This review found that satisfactory progress had been made in implementing previously agreed recommendations and the assurance opinion move from “improvements Required” to “Good Standard”. The actions which remained outstanding related to the HouseLet scheme which was being reviewed as part of the IHWB Transformation programme. Management provided assurance that, once the review has been completed, the recommendations will be addressed where still relevant.	
Fuel Card Follow-Up	ANA - Low	Final	Good Standard	Good progress was made by management in addressing the risks identified in the original audit with the majority of agreed actions have taken place, considerably reducing the level of risk.	

Mount Edgcumbe Joint Committee – Small Bodies Return	Statutory	Complete	High Standard	Mount Edgcumbe Joint Committee's focus for 2014/15 was to drive forward the transformational change of Mount Edgcumbe Park. Cornwall Council and Plymouth City Council made a total annual contribution of £284k for 2014/15, a reduction of £30k from 2013/14. As part of on-going business planning, budget monitoring and transformation projects, risks to objectives are considered and a formal risk register was developed and presented to the Joint Committee in July 2015.	
Schools Financial Value Standards (SFVS)	ANA - Low	Final	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2014/15 submitted to the Department for Education.	

The following audits have either been cancelled or deferred until 2016-17:-

- | | |
|--|-----------------------------|
| ➤ Capital Programme Governance | ANA – High (Client Request) |
| ➤ Planning Application Conditions Compliance | ANA – Low (Client Request) |
| ➤ Highways Act – Section 38 and Section 278 | ANA – Low (Client Request) |

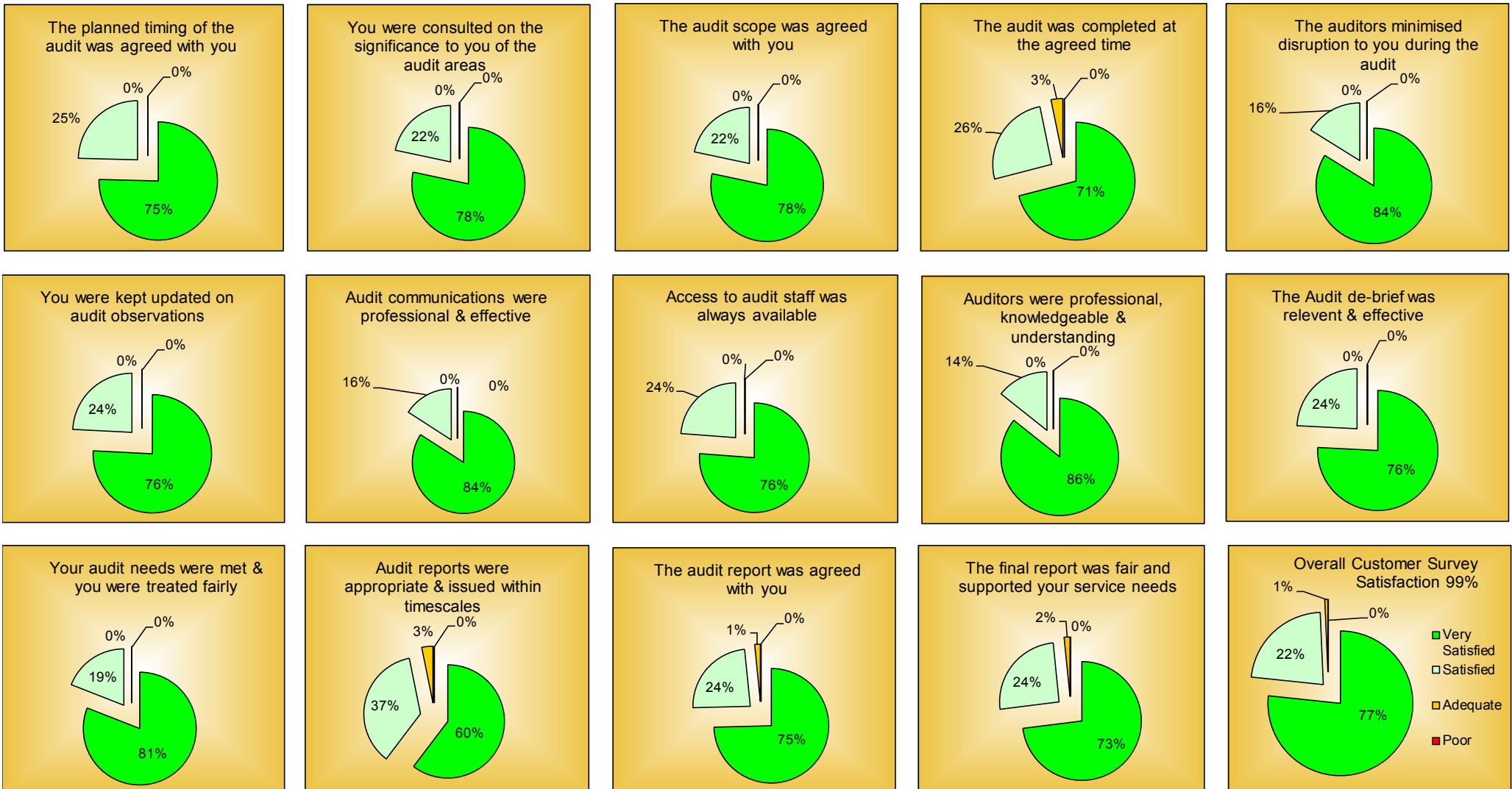
Grants

Rogue Landlord Funding	Regulatory Requirement	Complete	Certified	No issues identified	
Autism Innovation Capital Grant 31/2424	Regulatory Requirement	Complete	Certified	No issues identified	
Community Capacity Grant 31/2393	Regulatory Requirement	Complete	Certified	No issues identified	
Local Sustainable Transport Fund	Regulatory Requirement	Complete	Certified	No issues identified	
Local Transport Capital Block	Regulatory Requirement	Complete	Certified	No issues identified	
Pinch Point Funding	Regulatory Requirement	Complete	Certified	No issues identified	

Appendix 5 - Customer Service Excellence

Customer Survey Results April 2015 - Mar 2016

The charts below show a summary of 63 responses received.



This page is intentionally blank

PLYMOUTH CITY COUNCIL

Subject:	Risk and Opportunity Management – Annual Report
Committee:	Audit Committee
Date:	30 June 2016
Cabinet Member:	Councillor Darcy
CMT Member:	Lesa Annear (Strategic Director for Transformation & Change)
Author:	Mike Hocking, Head of Assurance
Contact details	Tel: 01752 304967 email: mike.hocking@plymouth.gov.uk
Ref:	CRM/MJH
Key Decision:	No
Part:	I

Purpose of the report:

This report summarises the work carried out during 2015/16 to develop the Council's approach to risk and opportunity management and covers:

- Corporate and Operational Risk Management Groups
 - Risk & Opportunity Management Strategy
 - Risk and Opportunity Registers
 - Plymouth City Council/NEW Devon CCG Joint Risk Register
 - Transformation
 - Finance Fit Project
 - Focus for 2016/2017
-

The Co-operative Council Corporate Plan 2013/14-2016/17:

Maintaining sound systems of internal control and risk management enables the council to monitor and review the key risks that may prevent it from achieving its corporate and service objectives.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

None arising specifically from this report.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

- The Risk and Opportunity Management Strategy specifically supports the council's overall governance arrangements
-

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to note the Annual Report.

Alternative options considered and rejected:

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Published work / information:

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off: Councillor Darcy

Fin	djn161 7.08	Leg	DVS2 5891	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member , Assistant Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

1.1 This report summarises the work carried out during 2015/16 to further develop the Council's approach to risk and opportunity management.

1.2 The review covers:

- Corporate and Operational Risk Management Groups
- Risk & Opportunity Management Strategy
- Risk and Opportunity Registers
- Plymouth City Council/NEW Devon CCG Joint Risk Register
- Transformation
- Finance Fit Project
- Focus for 2016/2017

2.0 Corporate and Operational Risk Management Groups

2.1 The risk and opportunity management strategy involves a two tier approach:-

2.2 The Corporate Management Team (CMT) acts as the Corporate Risk Management Group (CRMG) with responsibility for the strategic risk and opportunity register and the overall risk and opportunity management strategy.

2.3 CRMG has met four times in the past twelve months to receive and approve monitoring reports and to consider strategic risk issues prior to Cabinet Planning giving approval for reports to be presented to Audit Committee.

2.4 Directors have engaged fully in the risk management process in taking ownership of the strategic risk and opportunity register both formally at CRMG meetings and throughout the year in proposing amendments to the register in line with changing circumstances and priorities for the Council.

2.5 As a result the strategic risk and opportunity register has now been through 22 revisions since it was first drawn up eleven years ago which is good evidence of the dynamic nature of the risk management process and how it is embedded at a strategic level.

2.6 Relevant Cabinet Members have also been engaged in considering and challenging risk management monitoring reports.

2.7 Matters of day to day operational risk management are the responsibility of the Operational Risk Management Group (ORMG) which is chaired by the Head of Assurance and comprises risk champions from each directorate and/or service.

2.8 The ORMG has met every 6-8 weeks to review and monitor operational risk and opportunity risk registers to promote and develop a consistent approach to risk and opportunity management and also to consider bids from departments for financial assistance from the risk management fund towards risk reduction initiatives.

2.9 The risk management fund is used as a pump-priming fund to enable departments to implement risk reduction initiatives in areas such as physical security improvements (fire/intruder alarms, CCTV etc.) training, health and safety improvements etc.

2.10 A list of those projects supported by the fund in 2015/16 is attached for information at Appendix A.

3.0 Risk and Opportunity Management Strategy

3.1 The Risk and Opportunity Management Strategy provides a comprehensive framework and process designed to support Members and officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The strategy outlines the objectives and benefits of managing risk and exploiting opportunities, describes the responsibilities for risk management and provides an overview of the process that we will implement to manage risk successfully.

3.2 The Council records the significant risks identified as potential threats to the delivery of its objectives within risk and opportunity registers and incorporate mitigation controls within action plans.

3.3 Once risks have been identified they need to be assessed systematically and accurately. Guidance has been produced to assist officers in evaluating the level of risk and this can be found in the document library.

3.4 The strategy is reviewed annually to ensure it remains current and fit for purpose. A copy of the latest version is attached at Appendix B. The section on types of risk (para. 2) has been revised to reflect the strategic risk register revision on identifying strategic risks. The risk analysis section (para. 18) has been expanded to mirror developments within the Gate Review process for measuring the complexity of projects within Transformation.

4.0 Risk and Opportunity Registers

4.1 Both strategic and operational risk and opportunity registers are the subject of formal monitoring on a six monthly basis with the results discussed and agreed firstly at CMT and secondly at Cabinet Planning prior to a monitoring report being presented to this Committee.

4.2 Monitoring reports are now routinely considered at each meeting of this Committee with strategic and operational risk updates provided to alternate meetings. Reports outline the direction of travel for all risks identified in risk and opportunity registers and provide commentary on the effectiveness of the risk management processes in place.

4.3 A review on the format of the Strategic Risk [Register](#) was carried out in January in order to provide Directors with more detail on the action plans linked to risks and allow them to take a more pro-active role in monitoring and challenging the actions and scores.

4.4 During the review the number of risks was reduced from 36 to 12 so only those risks that affect our corporate plan and objectives were included in order to maintain focus on the critical success factors of the Council's Corporate Plan.

5.0 Plymouth City Council/NEW Devon CCG Joint Risk Register

5.1 Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) formed an integrated commissioning function on 1 April 2015, working towards a single commissioning approach, an integrated fund and risk and benefit sharing agreements.

5.2 Both Partners have embedded risk management strategies in place that support the integrated approach to managing risks to the shared fund and will ultimately include risks to the wider commissioning and operational areas.

5.3 The Head of Assurance presented an update report to the Finance and Assurance Review Group on the 23 May 2016 which endorsed the framework document which provides the foundation and a common infrastructure for delivering, maintaining and governing risk management with the integrated commissioning function.

5.4 Work continues between Plymouth City Council and NEW Devon CCG to ensure adequate processes are in place to monitor joint risks.

6.0 Transformation

6.1 The Risk & Opportunity Management Strategy continues to support the methodology being implemented in the Portfolio Office to ensure risk and opportunity management is included as part of the governance within the Project.

6.2 Project Managers from Transformation together with Corporate Risk devised a tool to help measure the benefits and level of risk a new project poses to the organisation and also ensure that the amount of documentation and control measures put in place are proportional to the scale of the idea.

6.3 This tool known as a Risk Potential Assessment (RPA) now forms part of the Gateway review process. This will ensure that we follow the P3O project maturity model of operating an effective and appropriate governance process.

6.4 An external assessment was undertaken across the Transformation portfolio, programme and projects to test our maturity and risk management came out as the top score.

7.0 Finance Fit Project

7.1 The Finance FIT project has been launched with the objective of managing delivery of a modern, fit for purpose, cost efficient, cost effective and customer focused Finance Service.

7.2 The Assurance work stream forms part of the project with the objective of delivering the following outcomes:

- Review assure strategy and process improvement work against Finance FIT objectives and re-align as part of a fundamental review of assurance to support objectives and contribute to the service meeting financial targets.
- Improve assurance processes that meet business objectives effectively and deliver efficiency improvements.
- Review of risk approach to drive better value from risk management activities.

7.3 In order to meet the review of risk outcome above the following work packages are underway:-

- Consideration of corporate risk management software solution:
 - A software demonstration has taken place with 2 more planned before the end of the year.

- Review of risk management activities and processes in order to improve the use of risk management as a business driver:
 - Joint working with Devon Audit Partnership to develop a risk management questionnaire on processes and perceived risk culture within the organisation prior to Directors interviews.

7.4 Target dates have been set for the achievement of the above work packages and progress will be reported to this Committee throughout the year.

7.5 A Risk Management eLearning course has also been developed as part of the Finance Fit work package and this was launched on 24 May via the council's staff room [page](#). The aim of the course is to provide staff with guidance on identifying and scoring risk and is particularly aimed at managers who have responsibility for developing action plans to manage service risks, improve performance and balance risks against benefits.

8.0 Focus for 2016/17

8.1 Support the creation of a new Integrated Assurance Service which will see risk management formally aligned and working alongside other compliance functions to promote a joined-up approach to all aspects of governance.

8.2 Deliver the work packages outlined in the Finance Fit project.

8.3 Carry out CIPFA Risk Management Benchmarking exercise.

8.4 Continue to develop and promote our approach to risk management through the Risk and Opportunity Management Strategy based on the identification and exploitation of opportunities in order to promote a greater focus on outcomes/benefits.

8.5 Continue to support the Transformation Portfolio Board in monitoring the key risks to the delivery of the blueprint for the Transformation Programme.

8.6 Continue to develop risk management processes to provide assurance that risks are sufficiently managed relating to the joint risk register between Plymouth City Council and NEW Devon CCG.

9.0 Conclusion

9.1 There is good evidence of the development of a risk management culture within the Council with proactive engagement of Members, Directors and Heads of Service, and senior operational managers.

9.2 The Council has well-developed and proven risk management processes in place which have been integrated into business planning, budget, transformation and project management.

9.3 The Annual Report should therefore give Audit Committee members assurance as to the adequacy and effectiveness of the internal control arrangements and, in particular, the contribution of risk and opportunity management to the overall governance framework.

RISK MANAGEMENT BIDS APPROVED 2015/16**1. Parking, Highway and Marine Services - Purchase of car mounted gritter**

To enable officers to grit car parks using an existing vehicle.

£2,188.71

2. Legal Services - Resource to deal with backlog of Deprivation of Liberty Claims

To reduce the backlog of referrals relating to claims for breach of Human Rights by people who have been placed in restricted care arrangements before the placement has been authorised by court.

£7,500.00

3. Museum - Survey of museum collections to identify asbestos

To identify and physically label objects and update database records so that staff are aware of the presence of asbestos prior to being moved as part of the History Centre Project.

£4,000.00

4. Finance - Training workshop for risk champions

Soft skills workshop to provide risk champions with a fresh perspective on the art and science of communication.

£1,880.00

5. Libraries - Security lighting at Plymstock Library

To install an external floodlight and sensors to an isolated rear area at Plymstock Library following a risk assessment which highlighted the vulnerable nature of the area.

£602.78

6. Finance - Removal of infected trees at Cann Wood

Cost to remove trees following a plant health notice from the Forestry Commission for trees that were suspected to be infected with a pest and therefore created a danger of spreading to other trees.

£7,500.00

7. Legal Services - Recording equipment for Coroner's Office

To replace hand held digital recorders which are not fit for purpose with an appropriate recommended Audio Recorder which can be wired up to the existing Court room hearing loop.

£629.00

8. Office of the Director of Public Health - Cost of installing software for Black Carbon Aerosol monitors

To provide software for personal monitors to demonstrate when children are being exposed to traffic related pollution which will then enable us to discuss behaviour changes that could reduce their exposure.

£480.00

9. Finance - Installation of an automatic fire alarm system

Cost to install an automatic fire alarm system at the Ace Service building.

£2,950.00

10. Finance - Installation of thermostatic mixing valves at various corporate landlord sites

Installation of thermostatic mixing valves (TMV's), that pre mix hot and cold water feeds at the point of use, controlling the water temperature to prevent scalding injuries from water outlets.
£5,470.00

11. Office of the Director of Public Health - Demolition of disused WC building at Weston Mill Cemetery

Removal of a Victorian disused WC building that is in disrepair and has been condemned by building surveyors.
£4,602.00

12. Finance - Replacing fire doors to prevent unauthorised access

Replacing fire doors at Print and Document Services basement area in Windsor House to enable them to be locked and added to the main door security system for the building.
£5,877.00

13. Museum - Removal of asbestos containing materials following survey

Removal of asbestos materials identified during the museum survey described in 3 above.
£2,950.00

14. Consultancy advice for Transport Operator Licence Compliance

Cost for a consultant to provide project management and advice to help achieve compliance for the Transport Operator Licence.
£7,500.00

15. Finance - Replacement folding tables at Plymouth Guildhall

To replace heavy tables currently used for events in the Guildhall with new lightweight ones to reduce manual handling risks.
£6,741.00

16. Finance - Lighting truss system for the Event Lighting at Plymouth Guildhall

Purchase of a lighting truss system to replace existing pulley system and eliminate health and safety risks.
£7,318.00

17. Finance - Long life LED lamps for Chandelier lighting at Plymouth Guildhall

To replace existing lamps with high efficiency and long life LED lamps which are maintenance free and will also reduce energy consumption.
£2,433.00

Total £70,621.49

(Total includes amount carried over from the previous year)

RISK AND OPPORTUNITY MANAGEMENT STRATEGY 2016-2018



CONTENTS

Title	Page
Executive Summary	2
Our Corporate Plan	3
Outline of the Risk and Opportunity Management Strategy	4
Risk and Opportunity Management Policy Statement	7
Risk and Opportunity Management Framework	8
Risk description and analysis guidance	10
Roles and responsibilities	16
Management of Risk and Opportunity Management Framework diagram	19
Checklist for Risk and Opportunity identification	20

EXECUTIVE SUMMARY

We live in very challenging times, but also one that provides us with real opportunities. We are a big, complex organisation, but one that needs to be continuously looking at how it can be more efficient and customer focused. Risk and Opportunity Management is both a statutory requirement and an indispensable element of corporate governance and good management. It has never been more important to have an effective Risk and Opportunity Management Strategy in place to ensure we are able to discharge our various functions and deliver public services efficiently and cost effectively.

Risk is unavoidable. It is an important part of life that allows us all to move forward and develop. Successful risk management is about ensuring that we have the correct level of control in place to provide sufficient protection from harm, without stifling our development. The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, in which all key risks are identified in all areas of the business and are understood and proactively managed, rather than avoided. Risk and opportunity management therefore needs to be taken into the heart of the Council and our key partners. We need to have the structures and processes in place to ensure the risks and opportunities of daily Council activities are identified, assessed and addressed in a standard way. We do not shy away from risk but instead seek to proactively manage it. This will allow us not only to meet the needs of the community today, but also be prepared to meet future challenges.

The Council will record the significant risks identified as potential threats to the delivery of its objectives within Risk and Opportunity Registers and incorporate mitigation controls within action plans to include details of any opportunities that may arise from the successful management of each risk. Risks will be monitored every 6 months and findings reported via the Council's formal reporting process.

The benefits gained with a Risk and Opportunity Management Framework are improved strategic, operational and financial management, better decision making, improved compliance and, most importantly, improved customer service delivery and better outcomes for the citizens of Plymouth.

We embrace risk and opportunity management to support the delivery of our vision for the City and to enable the provision of high quality services to the citizens of Plymouth.

CLlr Ian Bowyer
Leader of the Council

Tracey Lee
Chief Executive

Lesla Annear
Strategic Director for Transformation
and Change

OUR PLAN THE BRILLIANT CO-OPERATIVE COUNCIL



CITY VISION Britain's Ocean City

One of Europe's most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone.

CO-OPERATIVE VALUES One team serving our city

<p>WE ARE DEMOCRATIC</p> <p>Plymouth is a place where people can have a say about what is important to them and where they can change what happens in their area.</p>	<p>WE ARE RESPONSIBLE</p> <p>We take responsibility for our actions, care about their impact on others and expect others will do the same.</p>	<p>WE ARE FAIR</p> <p>We will be honest and open in how we act, treat everyone with respect, champion fairness and create opportunities.</p>	<p>WE ARE PARTNERS</p> <p>We will provide strong community leadership and work together to deliver our common ambition.</p>
--	---	---	--

OUR OBJECTIVES Creating a fairer Plymouth where everyone does their bit

PIONEERING PLYMOUTH	GROWING PLYMOUTH	CARING PLYMOUTH	CONFIDENT PLYMOUTH
We will be pioneering by designing and delivering better services that are more accountable, flexible and efficient in spite of reducing resources.	We will make our city a great place to live by creating opportunities for better learning and greater investment, with more jobs and homes.	We will promote a fairer, more equal city by investing in communities, putting citizens at the heart of decision-making, promoting independence and reducing health and social inequality.	We will work towards creating a more confident city, being proud of what we can offer and growing our reputation nationally and internationally.

THE OUTCOMES What we will achieve by this plan

THE OUTCOMES	THE OUTCOMES	THE OUTCOMES	THE OUTCOMES
<ul style="list-style-type: none"> ■ The Council provides and enables brilliant services that strive to exceed customer expectations. ■ Plymouth's cultural offer provides value to the city. ■ A Council that uses resources wisely. ■ Pioneering in reducing the city's carbon footprint and leading in environmental and social responsibility. 	<ul style="list-style-type: none"> ■ More decent homes to support the population. ■ A strong economy creating a range of job opportunities. ■ A top performing education system from early years to continuous learning opportunities. ■ Plymouth is an attractive place for investment. 	<ul style="list-style-type: none"> ■ We will prioritise prevention. ■ We will help people take control of their lives and communities. ■ Children, young people and adults are safe and confident in their communities. ■ People are treated with dignity and respect. 	<ul style="list-style-type: none"> ■ Citizens enjoy living and working in Plymouth. ■ Plymouth's brand is clear, well known and understood globally. ■ Government and other agencies have confidence in the Council and partners: Plymouth's voice matters. ■ Our employees are ambassadors for the city and the Council and they are proud of the difference we make.

THE RISK AND OPPORTUNITY MANAGEMENT STRATEGY

I. DEFINITIONS

What is a Risk?

Risk is most commonly held to mean “hazard” and something to be avoided but it has another face – that of opportunity. Improving public services requires innovation – seizing new opportunities and managing the risks involved. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat of actions and events. It is the combination of likelihood and impact, including perceived importance.

What is Risk and Opportunity Management?

Risk and Opportunity Management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to an organisation achieving its objectives.

This Strategy is intended to reaffirm and improve effective Risk and Opportunity Management in Plymouth, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives.

2. TYPES OF RISK - STRATEGIC AND OPERATIONAL

Strategic risks affect or are created by our business strategy and strategic objectives. They can be defined as the uncertainties and untapped opportunities embedded in strategic intent and how well they are executed. As such, they are key matters for our Corporate Management Team and impinge on the whole organisation, rather than just an isolated department. Inclusion of a risk in the strategic risk and opportunity register indicates that it is one of a number of risks that the Council (particularly elected members and senior managers) need to be aware of and ensure appropriate management arrangements are in place to manage/mitigate them.

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems or from external events. Operational risks should link to each service area’s Business Plan. The Business Plan is a document that brings key information together in one place and demonstrates the service’s focus on council and city priorities. All major risks facing the service and to other services and partners resulting from the consequences of a service’s plans should be recorded with brief mitigation and potential outcome.

3. RISK ANALYSIS AND MONITORING ARRANGEMENTS

The Corporate Risk Management Group will monitor and manage the delivery of the Risk and Opportunity Management Strategy at a strategic level. The Group’s purpose is to effectively embed Risk and Opportunity Management within the ethos of the Council’s culture as an integral part of strategic planning, decision-making and its performance management framework. The Group will also be responsible for the development and monitoring of the Strategic Risk and Opportunity Register.

The Operational Risk Management Group, comprising departmental Risk Champions and under the direction of the Head of Assurance, will be responsible for the delivery of this strategy at an operational level and for the development and monitoring of service level Operational Risk and Opportunity Registers.

4. PERFORMANCE MANAGEMENT

Monitoring, managing and responding to risks are essential to the delivery of priorities and services. Quarterly Corporate Performance monitoring shows progress and the emerging trends of the Corporate Plan and provides a progress report of Pledges which complement the Council's risk and opportunity policy framework.

5. CORPORATE GOVERNANCE

Risk and Opportunity Management is essential to effective corporate governance and the diagram at page 19 illustrates the central role it plays in relation to other key systems and processes. Key risks are included in the Annual Governance Statement which is published alongside the Statement of Accounts.

6. BUSINESS CONTINUITY

The Council's ability to respond to major incidents, both external and internal, in terms of protecting the public and the ongoing delivery of critical services is co-ordinated by the Civil Protection Unit.

Business continuity arrangements are aligned to ISO 22301 and Business Continuity management is embedded across the authority. This includes the identification of potential risks and the impact on business processes/activities. This is performed through a program of business impact analysis and the implementation of mitigation procedures.

7. INFORMATION SECURITY

A corporate Information Lead Officer Group (ILOG) has been established to co-ordinate a more consistent approach to all areas of information management across the council.

This group is supported by the Information Governance Manager and the Operational Risk Management Group (ORMG) which assists with raising awareness within departments.

8. HEALTH & SAFETY

The Risk and Opportunity Management Strategy supports the corporate Health and Safety Policy in its commitment to the continuous improvement of health and safety performance, in particular by identifying key priorities and areas for improvement in health and safety management and risk control.

9. EMBEDDING RISK AND OPPORTUNITY MANAGEMENT

The Risk and Opportunity Management Strategy is reviewed annually to ensure it remains up to date. The Cabinet Member for Finance and the Strategic Director for Transformation and Change jointly champion the process.

Each Directorate has an officer appointed as Risk Champion who is trained to advice staff on best practice to ensure that the risk and opportunity management process is embedded in the Council's business processes, including:

- strategic and business planning

- information quality and use
- financial planning
- policy making and review
- project management

10. BENEFITS OF GOOD RISK AND OPPORTUNITY MANAGEMENT

Integration of risk and opportunity management into the culture and working practices of the Council and its delivery partnerships has numerous benefits, which include:

- Protecting and adding value to the Council and its stakeholders by supporting the achievement of the Council's vision and corporate priorities
- Improved strategic, operational and financial management
- Contributing to more efficient use/allocation of resources within the Council and its partners
- Keeping the Council within the requirements of the law
- Mitigation of key threats and taking advantage of key opportunities
- Protecting and enhancing assets and image
- Improving decision-making (making the right decisions), planning and prioritisation by comprehensive and structured understanding of activity and volatility
- Enabling future activity to take place in a consistent and controlled manner
- Promotion of innovation and change
- Improved customer service delivery
- Continuity of knowledge and information management processes
- Developing and supporting people and the Council's knowledge base
- Optimising operational efficiency and therefore delivering efficiency gains and value for money
- Better allocation of time and management effort to major issues
- Avoiding nasty surprises, shocks and crises
- Ensures our approach is aligned to 'Best Practice'
- Satisfies stakeholder/partners expectations on our internal control

11. CULTURE

The Council will be open in its approach to managing risks and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons when things go well. Discussion on risk in any context will be conducted in an open and honest manner.

12. GUIDANCE AND ASSISTANCE

The Transformation and Change Directorate, through the Head of Assurance, will promote and monitor good practice, provide guidance, support, advice and information and organise training.

There is also a Risk Management eLearning module available on the Staffroom Page of the intranet within the Learning Zone.

13. RISK AND OPPORTUNITY MANAGEMENT POLICY STATEMENT

Plymouth City Council is aware that, as a large organisation, it is exposed to a very wide range of risks and threats to the delivery of key services to the community it serves.

The Council recognises that it has a responsibility to identify, evaluate and manage risk whilst still creating a fertile climate for innovation. It therefore supports a structured approach to risk and opportunity management through its corporate Risk and Opportunity Management Strategy, the aims and objectives of which are described below:

The aims of the Risk and Opportunity Management Strategy are to:

- Integrate and raise awareness of risk and opportunity management for all those connected with the delivery of Council services
- Embed risk and opportunity management as an integral part of strategic, service, information use, financial and project planning and policy making
- Establish a standard systematic approach to risk identification, analysis, control and monitoring and reviewing
- Provide a process for identifying threats or drawbacks that also includes finding and considering opportunities
- Provide a robust and transparent framework for managing risk and supporting decision making
- Support well thought-through risk taking
- Anticipate and respond to changing external and internal environment
- Embed risk and opportunity management as an integral part of delivering and aligning successful partnerships

The objectives of the Risk and Opportunity Management Strategy are:

- To embed Risk and Opportunity Management as part of the Council's culture of governance
- To provide a robust and systematic framework for identifying, managing and responding to risk
- To provide a robust and transparent track record of managing, communicating and responding to risk
- To encourage staff to think creatively about ways to work better, simpler and more effectively

14. FRAMEWORK

The Council maintains two different types of Risk and Opportunity Register - Strategic and Operational.

The Strategic Register records risks that affect the aims and objectives of the corporate body – risks that hinder or stop successful achievement of corporate priorities and aims and are generally of a medium to long term nature and the Operational records those risks affecting the day to day departmental operations.

Both registers detail the following:-

- possible consequences of the risks identified, both negative (risks and threats) and positive (opportunities)
- potential impact and likelihood of the risk identified
- existing controls in place to mitigate the risks
- actions planned to mitigate the risks with relevant timescales and the responsible officers

The Strategic Register is owned by the Corporate Management Team in its capacity of the Corporate Risk Management Group and maintained by the Head of Assurance and Operational Registers are maintained by the relevant Department's Risk Champion.

15. RISK AND OPPORTUNITY IDENTIFICATION

Before we can identify our risks and opportunities we need to establish the context by looking at what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents such as department business plans, project plans or partnership agreements. There are a number of different types of risks that an organisation may face including financial loss, failure of service delivery, physical risks to people and damage to reputation. To act as a prompt, a Risk Identification Checklist can be found at page 20.

Opportunities can arise from areas within the organisation and externally. Internal sources of opportunity include how the authority structures itself, partnerships with other entities, operational changes and technological innovation. External sources of opportunity include changes to political, legal, social and environmental forces.

Opportunities can also be identified by giving consideration to those that have been neglected because of perceived, but unexamined risk. These include:-

Learning from the past – whilst past experience cannot necessarily be a predictor for future performance, signals that were ignored and missed opportunities can provide insight into organisational blind spots.

Customer sensitivity – trying to understand customer needs and creating systems to exploit this information can lead to great gains.

Learning from others – exploring and sharing best practice with other organisations can lead to benefits.

Scenario planning – can be a powerful tool for generating new ideas.

Once the opportunity has been identified it should be described to include the expected benefits, contributions to business objectives and stakeholders.

16. TRANSFORMATION PORTFOLIO

The Transformation Portfolio will manage risk in accordance with the Council's Risk and Opportunity Management Strategy with some additional layers at programme and project level.

Logging Process

Assessment Phase (Pre-Mandate as per the Change Pipeline Process)

The Portfolio Office, as part of its governance and assurance, will measure and review all requests for change. A Risk Potential Assessment (RPA) is used to measure the level of benefit or risk the change poses to the organisation which in turn determines the level of governance that needs to be put in place for the delivery phase. The RPA is undertaken when a request for change is

submitted and is continually reviewed throughout the lifecycle of the project as new or more detailed information could change the level of governance.

Delivery Phase – Programme and Project

Format – Risk log in TPS.

How often? As a risk is identified.

By whom? Programme and Project Managers are responsible for this task.

Other Transformation Teams

Format – Risk log in TPS.

How often? As a risk is identified.

By whom? Portfolio Office Manager, Transformation Architecture Manager, Business Analysis Manager, Senior Business Change Advisor are responsible for this task for their relevant teams.

Reporting Process

- Monthly reporting

Format – Portfolio/Programme/Project Highlight Report from TPS.

By whom? Portfolio Reporting Specialist/Programme Manager/Project Manager

- Governance and Assurance reporting

Format – As part of a Gate Review or a Health Check Meeting risk logs will be reviewed.

How often? At Gates during the Change Pipeline Process and Health Check Meetings during the project delivery phase. These dates will be stipulated in the Project Plan from its inception.

By whom? The Programme/Project Specialist leads the Gate Review and Health Check Meetings.

Monitoring Process

Format – Any Red/Red Amber Risks from risk logs will be reported on Project/Programme Highlight Report to Project/Programme Board.

Project risks will be reported to Project Board. The Project Executive is responsible for making the decision on risk mitigation. If the project cannot mitigate the risk it is escalated by the Project Executive to the Programme Board.

Programme risks will be reported to Programme Board. The SRO is responsible for making the decision on risk mitigation. If the programme cannot mitigate the risk it is escalated by the SRO to the Portfolio Office.

Portfolio risks will be reported to TPB. TPB are responsible for decision on mitigation. If Portfolio cannot mitigate the risk it is escalated by TPB to the corporate Operational or Strategic Risk Register.

The Strategic Register records risks that affect the aims and objectives of the corporate body – risks that hinder or stop successful achievement of corporate priorities and aims and are usually medium to long term high level risks and the Operational records those risks affecting the day to day departmental operations.

Please note: escalation should be the last resort and every attempt to mitigate should be made before undertaking an escalation.

In addition, on a quarterly basis, the Portfolio Office will review the Council's Operational and Strategic Risk Registers and disseminate any risks that are deemed to impact a programme /programmes within the portfolio by direct communication with the relevant Programme Manager(s). It is the Programme Managers responsibility to disseminate any risks that affect

projects within the programme and to ensure that these risks are incorporated within the project risk registers managed by Project Managers.

17. RISK DESCRIPTION

The risks and opportunities identified need to be recorded in a structured format. A description covering the Cause, Event and Effect is used to scope a risk or opportunity. Guidance on some typical phrasing or statements listed below:-

Cause	Event	Effect
Because of As a result of Due to	<an uncertain event i.e. Risk or opportunity> may occur	which would lead to <effect on objective(s)>

Event	Cause	Effect
Risk of Failure to Failure of Lack of Loss of Uncertainty of Delay in Inability to Inadequate Partnership with Development of Opportunity to due to leads to and/or result in

18. RISK ANALYSIS

Once risks have been identified they need to be assessed systematically and accurately. The process requires managers to assess the level of risk by considering:-

The probability of an event occurring – “likelihood”, and the potential outcome of the consequences should such an event occur – “impact” Managers will assess each element of the judgement and determine the score. The tables below give the scores and indicative definitions for each element of the risk ranking process:-

Score	Likelihood	Threat / Risk
5	Almost Certain (80-100%)	Is expected to occur in most circumstances Will undoubtedly happen, possibly frequently e.g. Annually or more frequently Imminent/near miss
4	Likely (50-80%)	Will probably occur in many circumstances Will probably happen, but not a persistent issue e.g. Once in 3 years Has happened in the past
3	Possible (25-50%)	Could occur in certain circumstances May happen occasionally, e.g. Once in 10 years Has happened elsewhere
2	Unlikely (10-25%)	May occur only in exceptional circumstances Not expected to happen, but is possible e.g. Once in 25 years

		Not known in this activity
I	Rare (0-10%)	Is never likely to occur Very unlikely this will ever happen e.g. Once in 100 years

Score	Impact	Threat / Risk
5	Catastrophic Risk	<p>Risks which can have a catastrophic effect on the operation of the Council or service. This may result in critical financial loss, severe service disruption or a severe impact on the public. Examples:-</p> <p>Unable to function without aid of Government or other external Agency</p> <p>Inability to fulfil obligations</p> <p>Medium – long term damage to service capability</p> <p>Severe financial loss – supplementary estimate needed which will have a catastrophic impact on the Council’s financial plan and resources are unlikely to be available</p> <p>Death</p> <p>Adverse national publicity – highly damaging, severe loss of public confidence</p> <p>Significant public interest</p> <p>Litigation certain and difficult to defend</p> <p>Breaches of law punishable by imprisonment</p> <p>Very significant exposure of public funds with funding being managed across organisations and complex reporting</p> <p>Total project budget in excess of £1,000,000</p> <p>Very complex stakeholder community with new partnerships, collaborations and suppliers / Stakeholder environment volatile or with significant external change factors</p> <p>Extensive use of leading edge, novel or innovative technology which requires specialist management and external audit</p>
4	Major Risk	<p>Risks which can have a major effect on the operation of the Council or service. This may result in major financial loss, major service disruption or a significant impact on the public. Examples:-</p> <p>Significant impact on service objectives</p> <p>Short – medium term impairment to service capability</p> <p>Major financial loss – supplementary estimate needed which will have a major impact on the Council’s financial plan</p> <p>Extensive injuries, major permanent harm, long term sick</p> <p>Major adverse local publicity, major loss of confidence</p> <p>Litigation likely and may be difficult to defend</p> <p>Breaches of law punishable by fines or possible imprisonment</p> <p>Relatively large budget £500k - £1,000,000</p>

3	Moderate Risk	<p>Risks which have a noticeable effect on the services provided. Each one will cause a degree of disruption to service provision and impinge on the budget. Examples:-</p> <p>Service objectives partially achievable</p> <p>Short term disruption to service capability</p> <p>Significant financial loss – supplementary estimate needed which will have an impact on the Council’s financial plan</p> <p>Medical treatment required, semi-permanent harm up to 1 year</p> <p>Some adverse publicity, needs careful public relations</p> <p>High potential for complaint, litigation possible</p> <p>Breaches of law punishable by fines only</p> <p>Budget of up to £500k</p>
2	Minor Risk	<p>Risks where the consequences will not be severe and any associated losses will be minor. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect.</p> <p>Examples:-</p> <p>Minor impact on service objectives</p> <p>No significant disruption to service capability</p> <p>Moderate financial loss – can be accommodated at HOS level</p> <p>First aid treatment, non-permanent harm up to 1 month</p> <p>Some public embarrassment, no damage to reputation</p> <p>May result in complaints/litigation</p> <p>Breaches of regulations/standards</p> <p>Budget within delegation</p> <p>Budget of up to £250k</p>
1	Insignificant Risk	<p>Risks where the consequences will not be severe and any associated losses will be relatively small. As individual occurrences they will have a negligible effect on service provision. However, if action is not taken, then such risks may have a more significant cumulative effect.</p> <p>Examples:-</p> <p>Minimal impact, no service disruption</p> <p>Negligible impact on service capability</p> <p>Minimal loss – can be accommodated at SAC level</p> <p>No obvious harm/injury</p> <p>Unlikely to cause any adverse publicity, internal only</p> <p>Breaches of local procedures/standards</p> <p>Budget within delegation and relatively small or within operational costs</p>

The risk ratings for each part of the assessment are then combined to give an overall ranking for each risk. The ratings can be plotted onto the risk matrix, see below, which assists in determining the risk priority and the amount of attention it deserves.

19. RISK RANKING TABLE

Likelihood / Probability	Almost Certain	5	10	15	20	25
	Likely	4	8	12	16	20
	Possible	3	6	9	12	15
	Unlikely	2	4	6	8	10
	Rare	1	2	3	4	5
		Insignificant	Minor	Moderate	Major	Catastrophic
		Negative Impact / Severity				

Risk Tolerance		
Red (High Risk)	20 - 25	Must be managed down urgently
Amber (Medium Risk)	12 - 16	Seek to influence medium term/monitor
Green (Low Risk)	6 - 10	Acceptable – continue to monitor if circumstances are subject to change, if not, remove from register
Yellow (No risk)	1 - 5	Remove from register

20. RISK APPETITE

Risk appetite is the level of risk we are prepared to tolerate or accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made. We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. Specifically, our approach is to minimise exposure to compliance and reputation risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated in the diagram and statements below:-

	Lower Risk			Higher Risk	
	1	2	3	4	5
Compliance & Regulation					
Operational/Service Delivery					
Financial					
Reputation					
Strategic Transformational Change					
Development & Regeneration					
People & Culture					

Compliance & Regulation – The Council recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

Operational/Service Delivery – The Council accepts a moderate to high level of risk arising from the nature of the Council’s business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.

Financial – The Council acknowledges the responsibility it has for administration of public funds, and wishes to emphasise to both the public and its employees the importance it places upon probity, financial control and honest administration. Financial Regulations provide the framework for managing the Council’s financial affairs and should be adhered to at all times. All schemes must be fully financed and approved by the Capital Delivery Board. Finance managers are an integral part of Department Management Teams and should be consulted when planning any new project.

Reputation – It is regarded as essential that the Council preserves a high reputation and hence it has set a low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy through any adverse publicity.

Strategic Transformational Change – The environment the Council works in is continually changing through both its internal operations and the services it provides. Change projects provide the Council with an opportunity to move forward and develop and establish benefits for the longer term. The Council recognises that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed. To help with the assessment of projects a Risk Potential Assessment (RPA) should be carried out. A RPA is designed to provide a standard set of high-level criteria for assessing the strategic risk potential of programmes and projects and should be carried out during Programme/Project initiation.

Development & Regeneration – The Council has a continuing obligation to invest in the development and regeneration of the City. To continue to be progressive and innovative in the work performed the Council is willing to accept a higher risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately mitigated before developments are authorised.

People & Culture – The Council recognises that staff are critical to achieving its objectives and therefore the support and development of staff is key to making the Council an inspiring and safe place to work. It has moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure the Council is continually improving.

21. RISK RESPONSE

There are four basic ways of treating risk, which are:-

- Treat - Ensuring effectiveness of existing controls and implementing new controls where considered necessary and cost effective.
- Transfer - Involves another party bearing or sharing the risk i.e. via insurance
- Tolerate - Where it is not possible to treat or transfer. Consideration needs to be given to how the risk and consequences of such are to be managed should they occur.
- Terminate - Deciding where possible not to continue or proceed with the activity in view of the level of risks involved.

22. OPPORTUNITY RESPONSE

There are four basic ways of treating opportunity, which are:-

- Enhance - Seek to increase the likelihood and/or the impact of the opportunity in order to maximise the benefit.
- Ignore - Minor opportunities can be ignored, by adopting a reactive approach without taking any explicit actions.
- Share - Seek a partner/stakeholder able to manage the opportunity, which can maximise the likelihood of it happening and increase the potential benefits
- Exploit - Seek to make the opportunity definitely happen. Aggressive measures to ensure the benefits from the opportunity are realised.

23. MONITORING ARRANGEMENTS FOR KEY RISKS

The reason for monitoring key risks is to create an early warning system for any movement in risk – key risks are defined as those which score 12 or above in accordance with the risk ranking table on page 13. High level red risks may be referred to the Scrutiny Board subject to Audit Committee recommendation. Risks scoring below 12 are considered to be managed effectively and therefore within the Council’s “risk tolerance”. Any risk scored below 6 can be removed from the risk register and archived.

Risk Registers are living documents and therefore must be regularly reviewed and amended. The Risk and Opportunity Management Strategy requires risks recorded on the Strategic Risk and Opportunity Register and service level Operational Risk and Opportunity Registers to be monitored every six months by departmental risk champions in consultation with senior managers and lead officers.

Monitoring reports are presented for approval to the Corporate Risk Management Group and to Cabinet Planning for Member agreement prior to final ratification by the Audit Committee. Operational red risks may be referred to the Overview and Scrutiny Management Board.

The questions asked during monitoring are:-

- Is the risk still relevant?

- Is there any movement in the risk score?
- Are the controls still in place and operating effectively?
- Has anything occurred which might change its impact and/or likelihood?
- Have potential opportunities been considered and maximised?
- Have any significant control failures or weaknesses occurred since the last monitoring exercise?
- If so, does this indicate whether the risk is increasing or decreasing?
- If the risk is increasing do I need to devise more controls or think of other ways of mitigating the risk?
- If the risk is decreasing can I relax some existing controls?
- Are controls / actions built into appropriate documented action plans?
- Are there any new or emerging risks?
- Have any of the existing risks ceased to be an issue (and can therefore be archived?)

24. ROLES AND RESPONSIBILITIES

Cabinet Members

- Approve the Council's Risk and Opportunity Management Strategy
- Receive and approve monitoring reports on the Strategic Risk and Opportunity Register and an annual Risk and Opportunity Management report

Corporate Risk Management Group/CMT

- Ensure the Council implements and manages risk effectively through the delivery of the Risk and Opportunity Management Strategy and consider risks affecting delivery of services
- Appoint a Senior Information Risk Officer (currently the Director for Transformation & Change) this role also includes being the Senior Responsible Officer for overseeing the impact on the Council from the use of covert surveillance
- Ensure risk and opportunity management is considered by Management Team Agenda on a quarterly basis
- Provide assurance to Cabinet Planning and Audit Committee regarding risk and opportunity management compliance.
- Be responsible for and monitor the Strategic Risk and Opportunity Register
- Receive and approve risk and opportunity management status reports from the Operational Risk Management Group
- Approve and monitor the progress and effectiveness of the Risk and Opportunity Management Strategy and Operational Risk Management Group
- Support the embedding of risk and opportunity management within the culture of the Council as an integral part of strategic/business planning, decision-making and performance management framework
- Approve risk and opportunity management monitoring reports to Cabinet Planning and Audit Committee

Lead Member and Officer for Risk and Opportunity Management

- The Cabinet Member for Finance and the Director for Transformation & Change will act as Member and Officer risk champions
- Ensure that the Council manages risk effectively through the development of a robust and comprehensive Risk and Opportunity Management Strategy

Head of Assurance

- Support the Council and its departments in the effective development, implementation and review of the Risk and Opportunity Management Strategy
- Share experiences across the Council and partners, promoting, facilitating and overseeing the arrangements for managing and monitoring of risk
- Provide training and guidance in Risk and Opportunity Management
- Support the Corporate Risk Management Group
- Lead and direct the work of the Operational Risk Management Group

Operational Risk Management Group (ORMG)

- Monitor, review and communicate information on operational and strategic risks within their directorate
- Ensure risk and opportunity management is embedded within departmental business plans.
- Review cross cutting operational issues
- Report to Corporate Risk Management Group every six months
- Meet six times per year
- Receive, consider and approve bids for financial assistance towards risk reduction initiatives

Audit Committee

- Provide independent assurance to the Council on the effectiveness of the Council's risk and opportunity management, internal control and overall assurance framework

Directors

- Take responsibility for the promotion of the Risk and Opportunity Management Strategy within their areas
- Ensure that operational risk and opportunity registers are managed, monitored, responded to and communicated effectively in their areas
- Ensure that risk and opportunity management is a key consideration in the delivery of the Council's priorities

Managers

- Identify, evaluate, prioritise and control risks and opportunities facing the Council in achieving its objectives
- Support, assist and inform their Directorate Risk Champion on risk issues
- Include staff without direct responsibility for owning and managing risk in risk discussions to ensure teams identify potential risks associated with service delivery

Risk Champions

- Attend Operational Risk Management Group meetings
- Co-ordinate, present and monitor bids against the Risk Management Fund
- Promote, maintain and monitor risk and opportunity registers in line with risk and opportunity management/business planning guidance

- Support and provide guidance on the risk and opportunity management process in their department
- Promote and advise on the risk and opportunity management strategy
- Integrate and raise awareness of risk and opportunity management within their Directorate

Employees

- Assess and manage risks effectively in their job and report hazards / risks to their service managers
- Undertake their job within contractual, policy and statutory guidelines
- Consult with department risk champion as necessary

Devon Audit Partnership

- Provide a risk based Audit Plan to monitor the effectiveness of Internal Controls and provide a trigger and action plan for management intervention
- Audit the Risk and Opportunity Management Strategy and processes

Insurance

- Ensure appropriate risk-financing arrangements are in place to mitigate against identified insurable risks
- Work with the Head of Assurance to identify and control insurable risks effectively and economically

Health & Safety

- Provide independent health and safety advice to the Operational Risk Management Group
- Support the Council in managing and monitoring health and safety performance

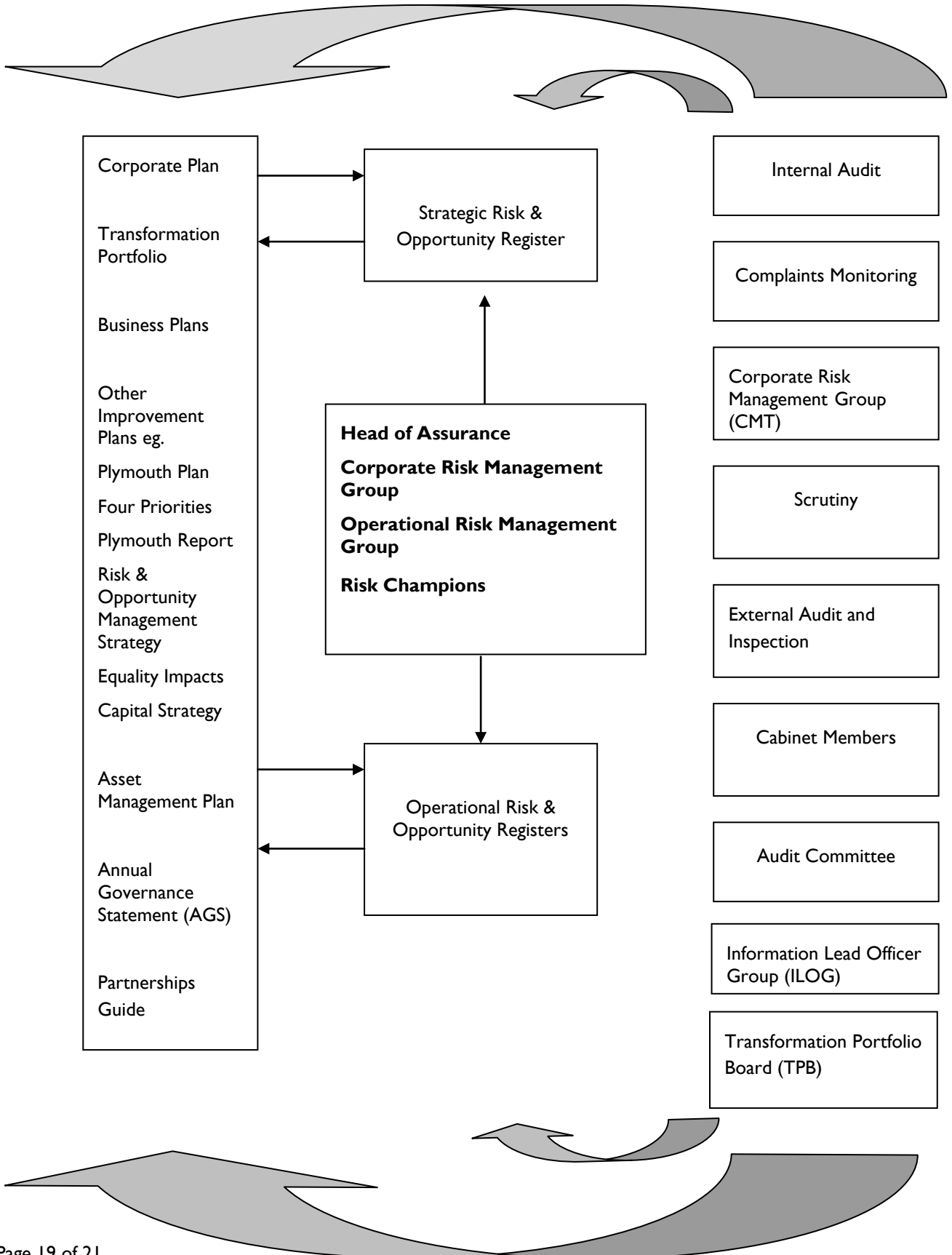
Civil Protection Team

- Assess, manage and monitor risks associated with civil emergencies.
- Co-ordinate and advise on the production, maintenance and testing of a Business Continuity Management Plan for the council.

25. THE MANAGEMENT OF RISK AND OPPORTUNITY

The overall corporate governance framework for managing risk is illustrated by the following diagram:-

Monitoring and Review process



Checklist for Risk and Opportunity Identification (Please note that this is meant as a guide and is not an exhaustive list)

Compliance & Regulation	<ul style="list-style-type: none"> • Legislation and internal policies/regulations • Grant funding conditions • Legal challenges, legal powers, judicial reviews or public interest reports • Change in government policy
Operational/Service Delivery	<ul style="list-style-type: none"> • Emergency preparedness/business continuity • Poor quality/reduced service delivery • Health & Safety • Information security, retention accuracy • ICT integrity, availability • Damage to physical assets • Changing needs and expectations of customers – poor communication/consultation
Financial	<ul style="list-style-type: none"> • Budgetary pressures • Loss of/reduction in income/funding, increase in energy costs • Cost of living, interest rates, inflation etc. • Financial management arrangements • Investment decisions, sustainable economic growth • Affordability models and financial checks • Inadequate insurance cover • System/procedure weaknesses that could lead to fraud
Reputation	<ul style="list-style-type: none"> • Negative publicity (local and national) • Image • Increase in complaints • Brand building • Fines
Strategic Transformational Change	<ul style="list-style-type: none"> • New initiatives, new ways of working, new policies and procedures • New relationships – accountability issues / unclear roles and responsibilities • Monitoring arrangements • Managing change • Add value or improve customer experience/satisfaction • Reduce waste and inefficiency

	<ul style="list-style-type: none"> • Improve staff skills/morale • Business alignment • New operating models and revenue streams • Market needs/growing competition • New technologies
<p>Development & Regeneration</p>	<ul style="list-style-type: none"> • Demographics • Economic downturn – prosperity of local businesses/local communities • Impact of planning or transportation policies • Environmental, landscape, countryside, historic environment, open space • Property, land, buildings and equipment
<p>People & Culture</p>	<ul style="list-style-type: none"> • Political personalities • Member support/approval • New political arrangements • Loss of key staff, recruitment and retention issues • Training issues • Lack of/or inadequate management support • Poor communication/consultation • Capacity issues – availability, sickness and absence etc.

This page is intentionally left blank

PLYMOUTH CITY COUNCIL

Subject:	Operational Risk and Opportunity Management Update Report
Committee:	Audit Committee
Date:	30 June 2016
Cabinet Member:	Councillor Ian Darcy
CMT Member:	Lesa Annear, Strategic Director for Transformation and Change
Author:	Mike Hocking, Head of Assurance
Contact details	Tel: 01752 304967 mike.hocking@plymouth.gov.uk
Ref:	CRM/MJH
Key Decision:	No
Part:	I

Purpose of the report:

To support the delivery of the City's vision and to enable the provision of high quality services to the citizens and communities of Plymouth it is imperative that effective risk management arrangements are in place. A fundamental element of Corporate Governance, a risk managed approach to decision making will enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

The management of risk principles and processes equally apply at operational level, supporting improved performance, integration with business planning, projects, change programmes and partnerships.

This report now outlines the continuing progress being made across Services in delivering Operational Risk and Opportunity Registers in line with the Council's shared vision and priorities.

The total number of operational risks now reported has reduced from 110 to 90, comprising of 1 high (red) risk, 53 medium (amber) risks and 36 low (green) risks.

The report also provides an update on the partnership work being undertaken between the Council and NHS Northern, Eastern and Western Devon Clinical Commissioning Group to develop an integrated risk management framework and an integrated risk register.

The Co-operative Council Corporate Plan 2013/14 – 2016/17:

Operational Risk and Opportunity Registers are aligned to business plan objectives which are in turn linked to the Corporate Plan and our four priorities. This ensures that appropriate links are identified with individual risks where control action contributes to delivery of a key corporate objective.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

None arising specifically from this report but control measures identified in risk and opportunity registers could have financial or resource implications.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

None arising specifically from this report but community safety and health and safety issues and risks are taken into account in the preparation of risk and opportunity registers.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to:

- Note and endorse the current position with regard to operational risk and opportunity management.

Alternative options considered and rejected:

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

Published work / information:

Plymouth City Council’s Risk & Opportunity Management Strategy

Background papers:

None.

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	djn1617.07	Leg	DVS25891	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Assistant Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1. Introduction

1.1 The position with regard to Operational Risk and Opportunity Risk Register monitoring was last reported to this Committee on [3 December 2015](#) and this report now provides a summary of the latest monitoring exercise covering the position as at May 2016.

2. Background

2.1 Fourteen years ago Plymouth City Council implemented its first risk management strategy. This has been continuously reviewed each year and updated to ensure it remains fit for purpose.

2.2 To comply with the Risk and Opportunity Management Strategy each Directorate must implement a robust process of managing risks to corporate, service, project and partnership objectives for which they have responsibility.

2.3 To support the promotion and co-ordination of risk management each Directorate/Service has a dedicated Risk Champion. Risk Champions represent their Directorate/Service at the Operational Risk Management Group which is chaired by the Head of Corporate Risk and Insurance.

2.4 The good progress made towards achievement of this outlined in this report should provide Members with assurance that operational risks are being identified effectively, mitigation actions put in place and Operational Risk and Opportunity Registers monitored routinely alongside the delivery of Business Plan objectives.

3. Operational Risk and Opportunity Registers and Analysis of Risks Identified

3.1 The corporate risk management process to enable service level Operational Risk and Opportunity Registers to be brought in line with business planning guidance linked to the Corporate Plan is now embedded across the Council.

3.2 In drawing up their Business Plans, Assistant Directors and Heads of Service are identifying risks that may prevent them from delivering on their key service objectives and, by monitoring these risks on a regular basis, will be tracking the effectiveness of mitigation controls.

3.3 As the risk identification process includes quantification through a probability/impact assessment, services should also be able to identify key risks and prioritise their use of scarce resources more effectively.

3.4 All Services have therefore completed Operational Risk and Opportunity Registers in line with development of their Business Plans.

4. Red Risk

4.1 No Operational “red” risks were identified in December 2015 however, one amber risk has been increased in score as indicated below:-

FORMER AMBER RISK (NOW RED)	Delivering Council services within the envelope of the resources provided in 2016/17
Comments/Mitigation: The council set its budget in February 2016. When doing so, the S151 Officer reported and assured that the budget was robust and that he was confident of the ability to	

deliver a balanced budget at year end. Nothing has changed, however, the local government financial landscape is complex and challenging. Delivery is dependent on transformation programmes achieving targets and all other savings being delivered. Therefore at this time close monitoring is required to ensure the budget is delivered.

5. Risk and Opportunity Register Information

- 5.1** Operational Risk and Opportunity Registers record mitigation actions and controls for all risks identified together with a named risk owner in each case.
- 5.2** Where appropriate, risk templates include opportunities that may be realised following successful management of risk.
- 5.3** Risks scored 5 and under are considered to be managed to an acceptable level and have been removed from registers and archived in line with the Risk and Opportunity Management Strategy.
- 5.4** More detailed information on individual Services' risk and opportunity registers can be obtained from the Head of Corporate Risk & Insurance, departmental risk champions or Heads of Service.

6. CCG/PCC Integrated Risk Register

- 6.1** Plymouth City Council and NHS Northern Eastern and Western Devon Clinical Commissioning Group (NEW Devon CCG) formed an integrated commissioning function on 1 April 2015, working towards a single commissioning approach, an integrated fund, and risk and benefit sharing agreements.
- 6.2** Both Partners have embedded risk management strategies in place that support the integrated approach to managing risks to the shared fund and will ultimately include risks to the wider commissioning and operational areas.
- 6.3** The Head of Assurance presented an update report to the Finance and Assurance Review Group on the 23 May 2016 who endorsed the framework document which provides the foundation and a common infrastructure for delivering, maintaining and governing risk management with the integrated commissioning function.
- 6.4** Work continues between Plymouth City Council and NEW Devon CCG to ensure adequate processes are in place to monitor joint risks

7. Risk Management eLearning

- 7.1** A Risk Management eLearning course has been developed as part of the Finance Fit Transformation work package.
- 7.2** The course was launched on 24 May 2016 via the council's staff room [page](#) and can be accessed via the Learning Pool.
- 7.3** The aim of the course is to provide staff with useful guidance on identifying and scoring risk and is particularly aimed at managers who have responsibility for developing action plans to manage service risks, improve performance and balance risks against benefits.

7.4 As the course is for guidance purposes it is not compulsory, however, completion rates will be monitored via the Operational Risk Management Group.

8. Conclusion

8.1 The Council's success in dealing with the risks it faces can have a major impact on the achievement of key promises and objectives and ultimately, therefore, on the level of service to the community.

8.2 The Council recognises that it is operating in a climate of unprecedented financial pressure and that it needs to substantially reduce operating costs and ensure maximum possible investment in achieving its objectives and therefore needs to be innovative, resourceful, customer focused and provide greater value for money. The achievement of delivery plan actions to deliver budget savings continues to be closely monitored by Services with regular reporting on a risk rated basis to the Corporate Management Team.

8.3 The Council's approach to operational risk and opportunity management supports the implementation of the council-wide transformation programme, based on co-operative values, and is focussed on improving the ability of Services to manage those risks that may prevent them from delivery of their Business and Delivery Plans – this in turn should in time impact positively on outcomes for service users.

8.4 One of the responsibilities of the Audit Committee is to seek and receive assurances that the Council has an effective internal control framework in place which includes arrangements for the management of risk at both strategic and operational level.

8.5 This update report confirms that operational risks are now being identified across Services with clear links to Business Plan objectives and also confirms the good progress in embedding risk and opportunity management in the Council's other core business processes.

8.6 The Risk and Opportunity Management Strategy will provide staff with a process for identifying threats or risks that includes becoming more outcome focussed to be able to manage the upside of risk.

8.7 The Operational Risk Management Group is continuing to work with departmental Risk Champions to maintain the good progress to date and to further develop consistent application of risk management considerations across all operations of the Council.

8.8 The next operational risk report will be presented to Audit Committee in December 2016.

This page is intentionally left blank

PLYMOUTH CITY COUNCIL

Subject:	Information Governance – Annual Report
Committee:	Audit Committee
Date:	30 June 2016
Cabinet Member:	Councillor Ian Darcy
CMT Member:	Lesla Annear (Director for Transformation & Change)
Author:	John Finch, Information Governance Manager
Contact details	Tel: 01752 307294 email: john.finch@plymouth.gov.uk
Ref:	N/A
Key Decision:	No
Part:	I

Purpose of the report:

This report provides a summary of the work that has been undertaken by the Information Lead Officers Group (ILOG) to improve information governance principles across all directorates in order to improve the Council's information asset. The report covers:-

- ILOG Terms of Reference
- Information Commissioners Office
- Devon Audit Partnership
- Information breach management
- Actions During 2016/17
- Future Actions

The Co-operative Council Corporate Plan 2013/14-2016/17:

Information Governance is included in risk registers that include links to the Corporate Plan objectives – monitoring of control action for risks therefore contributes to the delivery of the Council's core objectives.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

None arising specifically from this report but control measures identified in risk registers could have financial or resource implications.

**Other Implications: e.g. Child Poverty, Community Safety, Health and Safety
and Risk Management:**

Risk and Opportunity Management – Information Governance is included as a risk in all directorate risk registers.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to note and endorse the current position with regard to the action of the Information Lead Officers Group.

Alternative options considered and rejected:

Effective Information Governance processes are essential in helping to ensure compliance with legislative requirements such as the Data Protection Act and fulfilling the Council’s duty of care to its customers. For this reason alternative options are not applicable.

Published work / information:

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off: Councillor Darcy

Fin	djn16 17.10	Leg	dvs2 5893	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member , Asst Director for Finance													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

- 1.1** This report provides a summary of the work that has been undertaken by the Information Lead Officers Group (ILOG) to improve information governance principles across all directorates in order to protect the council's information asset.
- 1.2** The position with regard to the work of ILOG was last reported to this Committee on 25 June 2015 and this report now provides a summary of the progress of the group since then.

2.0 ILOG Terms of Reference

- 2.1** The ILOG comprises of Information Lead Officers (ILOs) for each directorate who provide the means for achieving a co-ordinated information governance framework that will develop improvements to service delivery.
- 2.2** The Information Lead Officers will be responsible for reporting directly to their management teams in order to secure buy-in and commitment to initiatives instigated by the ILOG.
- 2.3** Activities will be implemented through Information Asset Owners (IAOs) – those staff responsible for information holdings, or individual systems or applications within a service area and specialist working groups such as the Management of Information Security Forum, Freedom of Information Representatives and the Operational Risk Management Group.
- 2.4** The group is also supported by the Information Governance Manager, Corporate Records Manager, the Customer Relations Team and the Caldicott Guardians (the AD's for social care as the responsible managers for People's social and health data).
- 2.5.** The group meets bi-monthly.

3.0 Information Commissioners Office

- 3.1** The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 1998. Section 51(7) of the DPA contains provision giving the Information Commissioner power to assess any organisation's processing of personal data for the following of good practice, with the agreement of the data controller. This is done through a consensual audit.
- 3.2** In July 2013 the Council agreed to a consensual audit by the ICO Good Practice Department and this took place at the end of April 2014. The results of this audit were presented to this Committee on 24 March 2016.
- 3.3** 80% of the 49 recommendations have now been completed, with projects initiated within the Transformation programme which will result in 90% completion once they have been delivered.

4.0 Devon Audit Partnership

4.1 Devon Audit Partnership (DAP) also carried out an independent review of our information governance arrangements and the results of this were presented to this committee in March 2014.

4.2 It was agreed with DAP to put the action plan produced as a result of their audit on hold whilst the ICO action plan was being worked through as a priority.

4.3 Actions are now being revisited and worked through by the Information Governance Manager and ILOG.

5.0 Information breach management

5.1 One data breach was reported to the ICO. The Council managed to avoid receiving any monetary penalties for the breach as the ICO noted that the council acted promptly to try to prevent any damage being suffered and took into account the remedial measures adopted by the council.

5.2 The lessons learned from all breaches, and detailed statistical analysis continue to be shared with many teams within the Council, to reduce the recurrence of breaches and ensure that in the event of an escalation to the ICO, there will be a reduced chance of a financial penalty.

5.3 There is an increased risk of information breaches due to cyber-attacks, which have increased worldwide, causing some major data breaches. The Council is aware of this increased risk and is preparing a Cyber emergency response team to reduce this impact.

6.0 Actions during 2015/16

6.1 Actions arising out of the group during the past 12 months include:-

- Information management project initiated in Transformation
- Records manager appointed
- Document storage project started
- Information Security @ the Council training launched
- Continued Information Governance Manager attendance at DMTs/Team meetings to raise awareness of issues
- Information Governance Manager attendance at Councillor meetings to raise awareness of issues
- Improved breach management processes, with a focus on greater reporting and escalation, and guidance provided to commissioned services.

7.0 Future actions over the next 12 months

7.1 ILOG's action plan over the next 12 months include:-

- Complete remaining ICO audit actions
- Complete DAP recommendations
- Implement full Cyber emergency response team

- Develop a plan to ensure the any changes in the Data Protection Act can be absorbed with minimum impact.

7.2 The Information Management project has 3 major work streams, which include:

- Information Governance Work Stream
 - Ensure all information assets are fully managed
 - Provide a set of clear and concise Information Governance policies
 - Address quality assurance issues for end user computing solutions:
 - Provide a mechanism for publishing Freedom of Information Requests to the Public
- Information Security Compliance Work Stream
 - Define and deliver a method for ensuring that Information Security work can be quickly prioritised, scheduled and resourced by the business and our IT provider.
 - Review and implement appropriate Identity and Access Management tools and processes
- Document / Records Management Work Stream
 - Records Management Policy and Design
 - Development of information architecture
 - Electronic Document and Records Management Systems
 - Rollout the Physical Document Storage solution, processes and standards across the business

8.0 Summary and conclusion

8.1 Good information governance provides people with confidence that their personal information is being handled properly, protects the vulnerable, enables the delivery of services and ensures that transparency requirements are met.

8.2 Where information security incidents do occur, procedures have been put in place to ensure a thorough investigation takes place, and the impact is reduced for anyone affected.

8.3 The landscape of increased cyber-attacks is something that the Council is preparing for, and will have strong procedures in place with which to reduce the impact of an attack.

8.4 Over the next 12 months ILOG will continue to focus on educating members, staff and partners about the potential pitfalls and how each of us can reduce the risk of not meeting statutory requirements, against a background of re-organisation and financial constraint.

This page is intentionally left blank

PLYMOUTH CITY COUNCIL

Subject:	Surveillance, Covert Activities, and the Regulation of Investigatory Powers Act 2000 (RIPA)
Committee:	Audit Committee
Date:	30 June 2016
Cabinet Member:	Councillor Ian Darcy
CMT Member:	Lesa Annear Strategic Director for Transformation and Change
Author:	John Finch, Information Governance Manager
Contact details	Tel: 01752 307294 email: John.Finch@plymouth.gov.uk
Ref:	RIPA Annual Report 2015/16
Key Decision:	No
Part:	I

Purpose of the report:

Surveillance is a tool that may be required for the Council to fulfil its obligations to investigate crime, prevent disorder, recover debt, protect the public and establish the facts about situations for which the Council has responsibility.

Staff may consider that it is appropriate to undertake covert activities that result in the subject of enquires being unaware that their actions are being monitored, or enquires are being undertaken without their knowledge. However, covert activities compromise an individual's 'right to privacy', so the use of a covert activity must be lawful, necessary and proportionate in order to comply with the Human Rights Act. Examples of the Council's use of covert surveillance are listed in Appendix A.

This report informs Members about the steps being taken to ensure that the Council is compliant in respect of covert activities.

Audit Committee are requested to note the inspection report from 2015, and accept the subsequent actions and also accept the updated Surveillance and Covert Activities Policy.

The Co-operative Council Corporate Plan 2013/14 -2016/17:

This report is relevant to the Co-operative values of 'We are Responsible', 'We are Fair', the objective 'Caring Plymouth' and the outcome - 'People are treated with dignity and respect'

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

There are no significant implications for the medium term financial plan as the undertaking of surveillance and covert activities is a departmental casework related process. There is not a specific budget cost code and all costs are subsumed within service team budgets. Thus any equipment that is required is obtained through current budgets.

However in order to ensure compliance with the requirements of the HRA and other relevant legislation; sufficient trained managers and staff are required to be available and the resourcing of specialist staff role profiles must be incorporated into Directorate action plans.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

- Child Poverty - none.
- Community Safety - the purpose of the surveillance tool is to promote community safety, prevent crime and disorder, undertake fraud investigation and provide environmental protection.
- Health and Safety - in particular the use of CCTV can promote safety, but officers undertaking surveillance are potentially at risk.
- Risk Management - there is the possibility of loss of reputation and monetary penalties for the Council, through surveillance breaching privacy and that evidence obtained for an investigation will not be accepted. However implementing and monitoring the Surveillance Policy prevents the Council breaching its obligations under the Human Rights Act and associated legislation; as well as enabling the product of surveillance to be used in accordance with the requirements of legislation and good practice.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No, due to the low use of surveillance.

Recommendations and Reasons for recommended action:

- 1) To acknowledge that covert activities can be a necessary and proportionate response for achieving the Council's objectives through approval of the Surveillance and Covert Activities Policy; which allows covert activities to be deployed where necessary and proportionate, under the control of a good practice process based on the Regulation of Investigatory Powers Act requirements.
- 2) To note that the recent Inspection by the Office of Surveillance Commissioners concerning use of Covert Surveillance and Covert Human Intelligence Sources (CHIS) demonstrates that staff have appropriately implemented those powers available under RIPA. The 2013 report by the Office of Surveillance Commissioners demonstrated that staff had appropriately implemented those powers available under RIPA to obtain Communications Data.

The Protection of Freedoms Act 2012 created a judicial approval process for all Local Authority RIPA applications. Now, after internal authorisation the Local Authority will seek judicial approval for their RIPA authorisation. The authorisation will not come into effect unless or until it is approved by a JP.

Further changes were implemented by the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012. Local Authorities can now only authorise directed surveillance or CHIS under RIPA to prevent or detect criminal offences that are punishable, by a maximum term of at least 6 months imprisonment or are related to the underage sale of alcohol and tobacco.

The Data Retention and Investigatory Powers Act 2014 received Royal Assent on 17 July 2014. The Act ensures that critical capabilities to fight crime and protect the public are maintained and clarifies the existing law without extending current powers.

The Act introduced additional safeguards for the use of Investigatory Powers to respond to criticisms raised by the European Court of Justice. Under the new measures certain public bodies lost the right to acquire communications data under RIPA. Local authorities including Plymouth City Council have retained their powers but are required to use the National Anti-Fraud Network (NAFN) to assess communication data applications.

- 3) To ensure that the recommendations in the report are fully implemented.

Alternative options considered and rejected:

The alternative option is for Members to limit the option for Officers to use surveillance as an investigatory tool by:

- a) deciding that Officers will not undertake surveillance or covert activities on behalf of the Council, or
- b) Officers may only use covert activities when a serious crime is being investigated.

This option is rejected as the oversight Commissioners have not found Officers to be irresponsible, the Council has only initiated necessary investigations and has always been proportionate in its use of covert activities.

Thus Officers have been found to have the expertise to deploy the available powers appropriately and to now limit the use of surveillance would have a detrimental impact on Officers ability to undertake investigations in order to fulfil responsibilities of the Council.

Published work / information:

Home Office explanation to Local Authorities of the current arrangements for using directed covert surveillance to obtain evidence for an investigation of a serious crime, the underage sale of alcohol and tobacco and the acquisition of the less intrusive types of communications data: service use and subscriber information.

Statutory codes of practice which staff must implement are available on this web page

The latest Inspection report and previous reports are available on the Council's RIPA web page.

The surveillance camera code of practice sets out new guidelines for CCTV and automatic number plate recognition. In addition to the Information Commissioners Code of Practice on CCTV.

Background papers:

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	djn16 17.09	Leg	dvs. 2589 4	Mon Off		HR		Assets		IT		Strat Proc	
Originating SMT Member: Lesa Annear													
Has the Cabinet Member(s) agreed the contents of the report? No													

I Introduction

- 1.1 The last annual report was submitted and a Surveillance policy adopted at Audit Committee in June 2014.
- 1.2 This latest positive Interception of Communication Commissioner Inspection report issued in 2013 is now available to read on the Council's web site. The recent Office of Surveillance Commissioners report will be available on line soon.
- 1.3 An updated Surveillance policy is submitted for approval and the authorisations obtained since the last annual report are summarised for Members information.
- 1.4 The Office of the Surveillance Commissioner (OSC) has not notified the Council of any future inspection.

2.0 Office of the Surveillance Commissioners inspection report

- 2.1 This inspection report positively reflected the importance that that officers place on RIPA compliance and the enthusiasm with which it is being moved forward after a series of major restructures.
- 2.2 The report made 8 major recommendations, with all of the recommendations being completed.
 - 2.2.1 Re-create a central record matrix
 - This has been completed and is being managed by Legal services
 - 2.2.2 Ensure that future training addresses the weaknesses disclosed by the examination of the documents and otherwise as indicated in the report.
 - This has been completed. The main weakness were with the documents which have been addressed
 - 2.2.3 Consider the designation of an officer as RIPA Co-ordinating officer and ensure that a system is developed whereby immediate oversight may be exercised on RIPA applications, authorisations, reviews renewals and cancellations.
 - This has been completed.
 - An officer in legal services has been nominated as the Coordinating Officer for RIPA
 - 2.2.4 Raise RIPA awareness in all Council departments.
 - This has been completed.
 - Public protection have provided RIPA awareness training to most of the DMT and CMT, apart from The Director of Public Health.
 - All staff on the Authorising Manager's list attended a 1 day training course on 13 May 2015
 - 2.2.5 Ensure that the statutory and Codes and Practice requirements for the management of CHIS are satisfied and officers receive training to enable them to satisfy those provisions.
 - This has been completed.
 - All CHIS forms were amended in line with the requirements.
 - 2.2.6 Amend the CHIS forms to include page 1 of the Home office forms.

- This has been completed.

2.2.7 Amend the Surveillance and Covert Activities policy and the Directed Surveillance Working Practises for Authorising and Investigating Officers – RIPA –

- This has been completed.
- The Directed Surveillance Working Practises for Authorising and Investigating Officers has been amended.
- The Surveillance and Covert Activities policy was reviewed and did not need an update.

2.2.8 Ensure regular reports are submitted to elected members.

- This report will be provided to Audit committee on an annual basis.

3.0 Surveillance Policy

3.1 An updated Policy is submitted for approval.

3.1.1 Updated to remove the monitoring of staff, which will be put into a new policy.

3.1.2 The Senior Responsible officer is now identified as the Strategic Director For Transformation & Change

3.2 The continued adoption of this Policy will implement a consistent approach to any covert activity and require consideration of necessity and proportionality by a trained manager, before any covert activity proceeds.

4.0 Use of Surveillance and covert activity since last report

4.1 The Policy provides for staff to undertake authorised investigations to enforce legislation. These authorised covert activities are intended to confirm or identify who has been involved in a crime, what has taken place and when events have taken place.

4.2 2014/15

4.2.1 During the year 2014/2015 there were x 2 judicial applications that were made and approved by the Court. Both of these were made by the Trading Standards team and were each in respect of a 'CHIS', a covert human intelligence source. Both were for test purchase operations in respect of legal highs.

4.2.2 There was also an application for the authorisation of the use of Directed Surveillance. This was again by the Trading Standards team and was in response to intelligence received as to the supply of counterfeit goods. As a result of the urgency required, no judicial approval was possible. The application was approved in accordance with the appropriate prescribed procedures.

4.3 2015/16

4.3.1 There was one communications Data application made during the year 2015/2016. The application was made by the Trading Standards Team who requested subscriber details for two telephone numbers and a website being used by Rogue Traders.

Appendix A: Examples of Surveillance in operation:

Members are reminded that contrary to popular statements, RIPA is not anti-terror legislation; but was enacted to provide an accredited process to follow by any crime investigating agency (including the Council) when there was likely to be an interference with a person's 'right to privacy' under Human Rights Act Article 8 (HRA).

An authorisation made in accordance with RIPA is a statutory defence against an allegation that the Council has contravened the HRA.

Fraud Investigation:

Sometimes facts about a claim for benefit payments are called into question and to assist the gathering of evidence about a person's relationships or activities, the Investigating Officer may need to covertly observe a person's contacts and work activities.

Public Protection:

Investigating whether goods or services are being obtained or sold within the relevant legislation, may involve obtaining details about traders and their activities, which they have not made public.

- The Trading Standards service is currently the only Council service team who seek authorisations under RIPA to progress criminal investigations.

Anti-Social Behaviour Unit:

In order to obtain evidence of any person engaging in activities that disrupt other individuals, when witnesses are reluctant to come forward, there may be a need to undertake covert filming of the anti-social behaviour, to provide evidence for a Court.

- However all evidence gathering is currently covert, due to cooperation from local communities and the use of BWV is verbally announced.
- Any video or CCTV held by the Council can be requested by the person who has been filmed in line with the Data Protection Act.

Cooperation with law enforcement agencies:

A law enforcement agency such as the Police may request use of Council CCTV in order to investigate or prevent crime.

- For example the City Centre CCTV cameras could be used to observe a particular individual if a properly authorised application is made to the control room manager, then covert tracking of the person may be undertaken by the camera operator. Normally a camera operator does not follow any individual without obvious justification.
- Joint operations may also be undertaken with other investigation and enforcement agencies.

Employment issues:

Managers may require evidence of staff behaviour through monitoring their whereabouts or activities. There may also be a necessity to obtain details of computer use or document access, where there is evidence of contravention of Council policy.

- Investigations into issues that may bring the Authority into disrepute are internally authorised using the RIPA process as a guide; so as to avoid any contravention of an employee's privacy rights.

This page is intentionally left blank

CITY OF PLYMOUTH

Subject:	Annual Report on Treasury Management Activities for 2015/16
Committee:	Audit Committee
Date:	30 June 2016
Cabinet Member:	Councillor Lowry
CMT Member:	Andrew Hardingham (Assistant Director for Finance)
Author:	Chris Flower Lead Accountant for Capital and Treasury Management
Contact:	Tel: 01752 304212 Email: chris.flower@plymouth.gov.uk
Ref:	Fin/CF
Key Decision	No
Part:	I

Purpose of the report:

In order to comply with the Code of Practice for Treasury Management, the Council is required to formally report on its treasury management activities for the year, providing information on the progress and outcomes against the Treasury Management Strategy. This report covers the treasury management activities for financial year 2015/16 including the final position on the statutory Prudential Indicators.

This report:

- a) is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code;
- b) confirms capital financing, borrowing, debt rescheduling and investment transactions for the year 2015/16 and confirms the borrowing limits for 2015/16 to 2017/18;
- c) provides an update on the risk inherent in the portfolio and outlines actions taken by the authority during the year to minimise risk;
- d) gives details of the outturn position on Treasury Management transactions in 2015/16;
- e) confirms compliance with treasury limits and Prudential Indicators (PIs) and the outlines the final position on the PI's for the year

In line with the recommendations in the Code of Practice, this report is submitted to Audit Committee as the committee responsible for scrutiny of the treasury management function.

In accordance with Treasury Management Practices note 6, this report is required to be submitted to Full Council.

The Co-operative Council Corporate Plan 2013/14 -2016/17:

Effective financial management is fundamental to the delivery of corporate improvement priorities. Treasury Management activity has a significant impact on the Council's activity both in revenue budget terms and capital investment and is a key factor in facilitating the delivery against a number of corporate priorities.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

Into the medium and longer term the Council is facing significant pressures due to the national economic situation, which has led to a reduction in resources for local authorities over the Government's latest spending period. Effective Treasury Management will be essential in ensuring the Council's cash flows are used to effectively support the challenges ahead.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety, Risk Management, Equality, Diversity and Community Cohesion:

There is an inherent risk to any Treasury Management activity. The Council continues to manage this risk by ensuring all investments are undertaken in accordance with the approved investment strategy, and keeping the counterparty list under constant review.

Recommendations & Reasons for recommended action:

1. Audit Committee note the Treasury Management annual report for 2015/16.
2. Cabinet recommends the Treasury Management Annual Report (incorporating the authorised limits, operational boundaries for 2015/16 to 2017/18) to the Council for approval.
3. Refer the report to Full Council to note as required by the CIPFA Treasury Management Code of Practice (TMP note 6).

Alternative options considered and reasons for recommended action:

None - it is requirement to report to Council on the treasury management activities for the year.

Background papers:

- Treasury Management Strategy report to Audit Committee 16 February 2015
- Mid-Year Review report to Audit Committee 17 December 2015

Sign off:

Fin	djn161 7.12	Leg/ Dem& Gov	It2598 6	HR	n/a	Corp Prop	n/a	IT	n/a	Strat Proc	n/a
-----	----------------	---------------------	-------------	----	-----	--------------	-----	----	-----	---------------	-----

Originating SMT Member: Andrew Hardingham, Assistant Director for Finance

Has the Cabinet Member(s) agreed the content of the report? Yes

Annual Report on Treasury Management Activities for 2015/16

Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end).

The Authority's Treasury Management Strategy for 2015/16 was approved by full Council on 16 February 2015.

The Authority has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury management activity and the associated monitoring and control of risk.

External Context

Growth, Inflation, Employment: The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy:

The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary

policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction:

From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in a significant volatility and in equities and corporate bond yields.

10-year gilt yields moved from 1.58% on 31/03/2015 to a high of 2.19% in June before falling back and ending the financial year at 1.42%. The pattern for 20-year gilts was similar, the yield rose from 2.15% in March 2015 to a high of 2.71% in June before falling back to 2.14% in March 2016. The FTSE All Share Index fell 7.3% from 3664 to 3395 and the MSCI World Index fell 5.3% from 1741 to 1648 over the 12 months to 31 March 2016.

Local Context

At 31/03/2016 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £422m, while usable reserves and working capital which are the underlying resources available for investment were £58m.

At 31/03/2016, the Authority had £240m of borrowing and £66m of investments. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance of £15m.

The Authority has an increasing CFR over the next 3 years due to the capital programme, with minimal investments and will therefore be required to borrow up to £110m over the forecast period.

Minimum Revenue Provision

Change of Minimum Revenue Provision (MRP) Policy

Under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 SI 2003/146, as amended, local authorities are required to charge to their revenue account, for each financial year, MRP to account for the cost of their unfinanced capital expenditure.

Prior to its amendment by the 2008 Regulations, regulation 28 (as amended by regulation 3 (1), and read with regulation 3(2) and (3), of the 2007 Regulations) sets out the method authorities were required to follow in calculating MRP.

There has also been a recent change of advice from CIPFA on MRP calculations and the use of the annuity method. Prior years involved detailed calculations which were very perspective but these have been replaced with a requirement that local authorities calculate an amount or MRP which they consider to be prudent.

During 2015/16 the Council has undertaken a review of its MRP calculation method and accounting assumptions. The Council's calculations were driven by a very complex methodology that needed a full overhaul. The Council therefore engaged its TM advisors, Arlingclose to review and advise practice. The main conclusions were that, due to the way we were calculating our annual MRP charge has resulted in an over-provision for many years and it also recommended a change in the calculation method.

The Council wants to match the economic benefits from its assets with the life of those assets. Therefore the Council wants to use the annuity method which not only spreads the cost of the borrowing over the life of the assets but it also takes into account the time value of money.

The Council's previous method of calculating MRP was to spread the cost of borrowing in a straight line over a maximum of 25 years. The current council tax payers would therefore pay a relative higher charge than council tax payers in the future. For example if an asset cost of £20m to build and has a life of 20 years then there would have been a £1m charged each year on the straight line basis. The annuity method takes into account the time of value because £1m today has a higher value (NPV) than £1m in 20 years' time.

The resulting change from the over provision of MRP in prior years will be to reduce the MRP charge in 2015/16 by £5.96m in each year. The change of calculation method to the annuity method will reduce the MRP charge for the following years as follows; 2016/17 £4.70m; 2017/18 £0.89m; 2018/19 £0.73m; 2019/20 £0.57m (these figures would be subject to additional MRP charges for assets added during these periods).

Borrowing Strategy

At 31/03/2016 the Authority held £240m of loans, (an increase of £24m on 31/03/2015) as part of its strategy for funding previous years' capital programmes.

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

Affordability and the "cost of carry" remained important influences on the Authority's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained and are likely to remain at least over the forthcoming two years, lower than long-term rates, the Authority determined it was more cost effective in the short-term to borrow short-term loans instead.

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this 'cost of carry' and breakeven analysis. Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, also remained affordable and attractive.

Borrowing Activity in 2015/16

	Balance on 01/04/2015 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2016 £m	Avg Rate % and Avg Life (yrs)
Capital Financing Requirement (CFR)	267.65				251.72	
Short Term Borrowing ¹	68.2	-197.5	-	225.36	96.06	0.01%
Long Term Borrowing	144.37	-	-	-	144.37	5.76%
TOTAL BORROWING	212.57	-197.5	-	225.36	240.43	3.51%
Other Long Term Liabilities	39.15	-	-	93.15	132.30	-
TOTAL EXTERNAL DEBT	251.72	-197.5	-	318.51	372.73	-
Increase/ (Decrease) in Borrowing £m					121.01	

¹ Loans with maturities less than 1 year.

LOBOs: The Authority holds £100m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £58m of these LOBOS had options during the year, none of which were exercised by the lender.

LGA Bond Agency: UK Municipal Bonds Agency (MBA) plc. was established in 2014 by the Local Government Association as an alternative to the PWLB with plans to issue bonds on the capital markets and lend the proceeds to local authorities. In early 2016 the Agency declared itself open for business, initially only to English local authorities. The Authority has analysed the potential rewards and risks of borrowing from the MBA and has approved and signed the Municipal Bond Agencies framework agreement which sets out the terms upon which local authorities will borrow, including details of the joint and several guarantee.

Debt Rescheduling:

The PWLB continued to operate a spread of approximately 1% between "premature repayment rate" and "new loan" rates so the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

Energy from Waste PFI

During the year the Council has opened a new waste plant in Plymouth. The investment of £195m (Plymouth's Share is £93m) has been funded by a private finance initiative over the life of the asset of 50 years. The PFI is reflected within "other Long Term Liabilities".

The Council has obtained professional accountancy advice to regarding the treatment of the assets. The final decision has recently been obtained and the Energy from Waste Plant will be treated as an asset in the council accounts with a corresponding liability for the PFI scheme. The Councils in the Energy from Waste Partnership (Plymouth City Council, Devon County Council and Torbay Council) will bring a proportion of the value of the plant onto their balance sheet based on the contract agreed split of waste.

The liability for the PFI scheme has increased our requirement for finance and therefore we have increased our Operational Boundary and Authorised limit as set out on page 14 of this report.

Investment Activity

The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2015/16 the Authority's investment balances have ranged between £79 and £65 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 30/03/2016 £m	Avg Rate/Yield (%)
Short term Investments (call accounts, deposits)	45.1	38.2	(56.3)	27.0	0.76%
Other Pooled Funds	23.0	431.9	(410.6)	44.3	6.8%
Bonds issued	6.0	2.0	(8.0)	0.0	0.74%
TOTAL INVESTMENTS	74.1	472.1	(474.9)	71.3	
Increase/ (Decrease) in Investments £m				(2.8)	

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Authority's minimum long-term counterparty rating is A across rating agencies Fitch, S&P and Moody's); for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

The authority will also considered the use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

Counterparty Update

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support for most financial institutions and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions saw upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS), Deutsche Bank, Bank Nederlandse Gemeeten and ING. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

At the end of July 2015, Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

The first quarter of 2016 was characterised by financial market volatility and a weakening outlook for global economic growth. In March 2016, following the publication of many banks' 2015 full-year results, Arlingclose advised the suspension of Deutsche Bank and Standard Chartered Bank from the counterparty list for unsecured investments. Both banks recorded large losses and despite improving capital adequacy this will call 2016 performance into question, especially if market volatility continues. Standard Chartered had seen various rating actions taken against it by the rating agencies and a rising CDS level throughout the year. Arlingclose will continue to monitor both banks.

The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Authority therefore increasingly favoured secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits.

The Authority has invested in shares in the Local Capital Finance Company (UK Municipal Bonds Agency Plc) which has been created to enable local authority bond issues. The UK Municipal Bonds Agency Plc helps local councils' to finance their investment in projects, including infrastructure and housing, efficiently and cost effectively.

The UK Municipal Bonds Agency Plc is a first for the sector. It issues bonds to finance local authority projects at a lower cost than the Debt Management Office. This lowers council's finance cost, which means more can be invested into local economies, infrastructure and housing projects. The UK Municipal Bonds Agency Plc helps councils borrow from one another, thereby reducing borrowing costs. It helps councils negotiate better rates from banks, pension funds and insurance companies. The agency also acts as a centre of expertise, offering tailored lending services.

Budgeted Income and Outturn

The average cash balances were £14.6m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table I in Appendix I). New deposits were made at an average rate of 0.05%. Investments in Money Market Funds generated an average rate of 0.5%.

The Authority's budgeted investment income for the year was £1.26m. The Authority's investment outturn for the year was £1.35m.

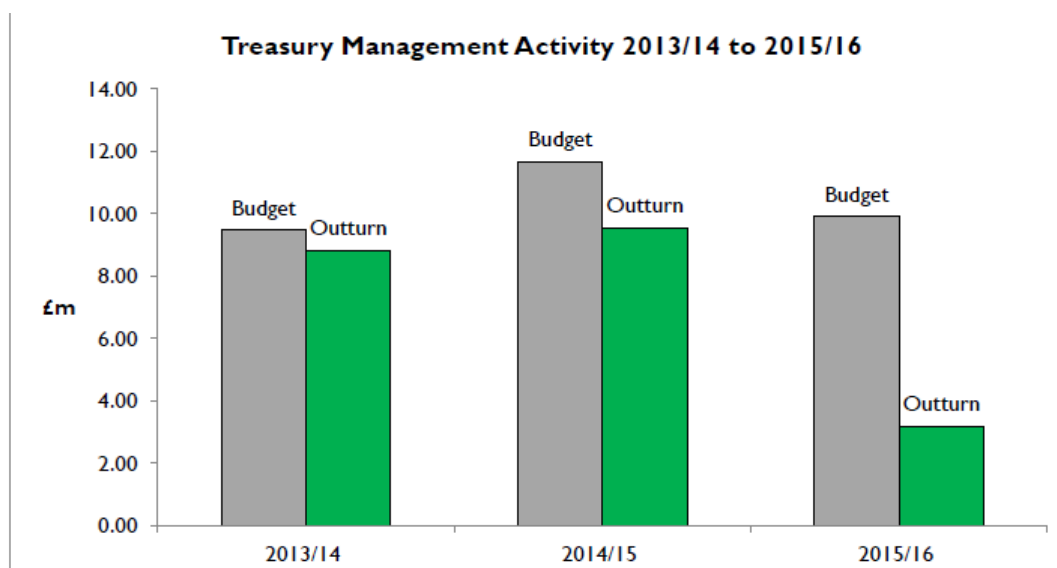
Budget Income and Expenditure

Treasury Management Outturn Position 2015/16

	2015/16 Budget	2015/16 Outturn	Year End Variance
	£m	£m	£m
Interest Payable			
LOBO (Lender Option, Borrower Option)		4.381	
PWLB (Public Works Loan Board)		2.550	
Temporary loans		0.242	
Recharge to Departments for Unsupported Borrowing		(4.436)	
Total Interest Payable	3.727	2.737	(0.990)
Interest Receivable			
CCLA Property Fund		(0.951)	
Money Market Fund		(0.084)	
Other Funds		(0.015)	
Deposits		(0.107)	
Other Accounts		(0.090)	
Other External Interest		(0.107)	
Total Interest Receivable	(1.257)	(1.354)	(0.097)
Other Charges			
Debt Management	0.126	0.250	0.124
Amortised Premiums	(0.096)	0.105	0.201
Total Other Charges	0.030	0.355	0.325
Minimum Revenue Provision	7.395	1.431	(5.964)
TOTAL	9.895	3.169	(6.726)

The table below shows the savings made over the last three years.

Treasury Management Activity 2013/14 to 2015/16



Externally Managed Funds:

The Authority also has investments in cash plus bond and property funds which allow the Authority to diversify into asset classes other than cash with the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short-term. All of the Authority's pooled fund investments are in the respective fund's distributing share class which pay out the income generated.

Although money can be redeemed from the pooled funds at short notice, the Authority's intention is to hold them for the medium-term. Their performance and suitability in meeting the Authority's investment objectives are monitored regularly and discussed with Arlingclose.

Update on Investments with Icelandic Banks

The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

Bank	Original Deposit £m	Balance March 2016 £m
Heritable Bank	3.00	0.06
Glitnir	6.00	1.40
Landsbanki	4.00	0.00
Total	13.00	1.46

Further recoveries

The Council continues to pursue recovery of the outstanding monies in partnership with the LGA.

Compliance with Prudential Indicators

The Authority confirms compliance with its Prudential Indicators for 2015/16, which were set in February 2015.

The Following indicators are set and monitored each year:

- Estimates of Capital Expenditure
- Estimates of Capital Financing Requirement
- Gross Debt and the Capital Financing Requirement
- Operation Boundary for External Debt
- Authorised Limit for External Debt
- Ratio of Financing Costs to Net Revenue Stream
- Incremental Impact of Capital Investment Decisions

Due to PFI changes effective 31 March 2016, it is necessary to increase both our Operational Boundary Authorised Borrowing limits for 2015/16 to 2017/18.

Operational Boundary for External Debt:

The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Revised Operational Boundaries

Operational Boundary	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	260.00	350.00	380.00
Other Long-Term Liabilities	140.00	140.00	140.00
Total Debt	400.00	490.00	520.00

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003.

It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Revised Authorised Limit

Authorised Limit	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	280.00	400.00	430.00
Other Long-Term Liabilities	160.00	160.00	160.00
Total Debt	440.00	560.00	590.00

Further details of the Prudential Indicators will be included in the Treasury Management Report that will go to Audit Committee on the 30 June 2016.

Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2015/16	2016/17	2017/18
Upper limit on fixed interest rate exposure	210%	210%	210%
Actual	143%		
Upper limit on variable interest rate exposure	80%	80%	80%
Actual	30%		

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower	Actual
Under 12 months	100%	0%	40.00%
12 months and within 24 months	100%	0%	0%
24 months and within 5 years	100%	0%	1.55%
5 years and within 10 years	100%	0%	0%
10 years and above	100%	0%	58.45%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2015/16	2016/17	2017/18
Limit on principal invested beyond year end	£40m	£35m	£35m
Actual	£3m		

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average [credit rating] or [credit score] of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment.

	Target	Actual
Portfolio average credit rating	A	A

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months	£15 m	£15.6m

Investment Training

Officers have undergone the following training during the year:

CIPFA - Treasury Management Accounting Special.

Arlingclose – Review of Minimum Revenue Provision.

Arlingclose – Principles of Treasury Management Workshop.

Arlingclose – Review of Borrowing and Investments.

Logotech – Treasury Management Workshop.

Arlingclose - Accounts closedown 2015/16.

Prudential Indicators 2015/16

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

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m
General Fund	62.22	108.20	49.22
Total Expenditure	62.22	108.20	49.22
Capital Receipts	10.68	0.72	-1.81
Grants	34.10	15.94	20.11
Contributions	4.47	11.51	6.38
Reserves	0.34	0	0
Revenue		0.52	0.53
Borrowing	11.28	86.04	24.02
Leasing and PFI	93.00	0	0
Total Financing	155.22	108.20	49.22

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
General Fund	155.22	108.20	49.22
Total CFR	155.22	108.2	49.22

The CFR is forecast to rise by £110.06m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.16 Actual £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Borrowing	240.00	326.04	350.07
Finance leases	1.72	1.60	1.50
PFI liabilities	131.00	131.00	131.00
Total Debt	372.72	458.64	482.57

Total debt is expected to remain below the CFR during the forecast period.

The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	260.00	350.00	380.00
Other long-term liabilities	140.00	140.00	140.00
Total Debt	400.00	490.00	520.00

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003

It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2015/16 £m	2016/17 £m	2017/18 £m
Borrowing	280.00	400.00	430.00
Other long-term liabilities	160.00	160.00	160.00
Total Debt	440.00	560.00	590.00

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2015/16 Actual %	2016/17 Estimate %	2017/18 Estimate %
General Fund	5.13%	4.95%	4.88%

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed earlier in this report.

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £	2016/17 Estimate £	2017/18 Estimate £
General Fund - increase in annual Band D Council Tax	5.8	10.2	16.4

Adoption of the CIPFA Treasury Management Code: The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition*.

Recommendations

That Cabinet:-

Note the Treasury Management Outturn Position and approve the new operational and authorised limits for 2015/16 to 2017/18.

Money Market Data and PWLB Rates

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2015	0.50	0.35	0.46	0.43	0.51	0.76	0.97	0.87	1.05	1.32
30/04/2015	0.50	0.35	0.48	0.43	0.52	0.74	0.98	1.00	1.21	1.51
31/05/2015	0.50	0.43	0.50	0.43	0.52	0.75	0.98	0.97	1.18	1.49
30/06/2015	0.50	0.35	0.45	0.43	0.52	0.79	0.99	1.09	1.35	1.68
31/07/2015	0.50	0.32	0.43	0.43	0.53	0.79	1.01	1.10	1.33	1.66
31/08/2015	0.50	0.42	0.40	0.43	0.54	0.82	1.02	1.03	1.24	1.61
30/09/2015	0.50	0.37	0.41	0.43	0.54	0.74	1.00	0.93	1.11	1.41
31/10/2015	0.50	0.36	0.41	0.43	0.54	0.77	1.00	0.97	1.16	1.49
30/11/2015	0.50	0.30	0.42	0.43	0.54	0.88	1.00	0.93	1.10	1.39
31/12/2015	0.50	0.43	0.35	0.43	0.54	0.76	1.01	1.09	1.30	1.58
31/01/2016	0.50	0.43	0.42	0.43	0.54	0.71	0.99	0.77	0.89	1.14
29/02/2016	0.50	0.25	0.43	0.43	0.54	0.73	0.99	0.71	0.74	0.85
31/03/2016	0.50	0.30	0.44	0.52	0.62	0.71	0.93	0.79	0.84	1.00
Average	0.50	0.38	0.45	0.43	0.54	0.76	0.99	0.96	1.14	1.43
Maximum	0.50	0.48	0.58	0.57	0.66	0.92	1.02	1.17	1.44	1.81
Minimum	0.50	0.17	0.35	0.43	0.51	0.55	0.84	0.68	0.73	0.85
Spread	--	0.31	0.23	0.14	0.15	0.37	0.18	0.49	0.71	0.96

Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	127/15	1.33	2.10	2.69	3.24	3.37	3.32	3.31
30/04/2015	166/15	1.41	2.27	2.90	3.44	3.55	3.50	3.48
31/05/2015	204/15	1.44	2.26	2.90	3.44	3.54	3.48	3.45
30/06/2015	248/15	1.48	2.44	3.13	3.65	3.72	3.64	3.60
31/07/2015	294/15	1.54	2.45	3.07	3.56	3.62	3.54	3.49
31/08/2015	334/15	1.47	2.30	2.92	3.47	3.54	3.44	3.40
30/09/2015	379/15	1.44	2.19	2.79	3.42	3.50	3.42	3.39
31/10/2015	423/15	1.44	2.38	2.93	3.56	3.65	3.56	3.53
30/11/2015	465/15	1.42	2.23	2.85	3.48	3.54	3.42	3.39
31/12/2015	505/15	1.41	2.38	3.01	3.61	3.68	3.56	3.53
31/01/2016	040/16	1.24	1.96	2.62	3.28	3.37	3.23	3.20
29/02/2016	082/16	1.27	1.73	2.43	3.23	3.36	3.24	3.19
31/03/2016	124/16	1.33	1.81	2.48	3.21	3.30	3.16	3.12

	Low	1.21	1.67	2.30	3.06	3.17	3.05	3.01
	Average	1.41	2.20	2.85	3.46	3.54	3.45	3.42
	High	1.55	2.55	3.26	3.79	3.87	3.80	3.78

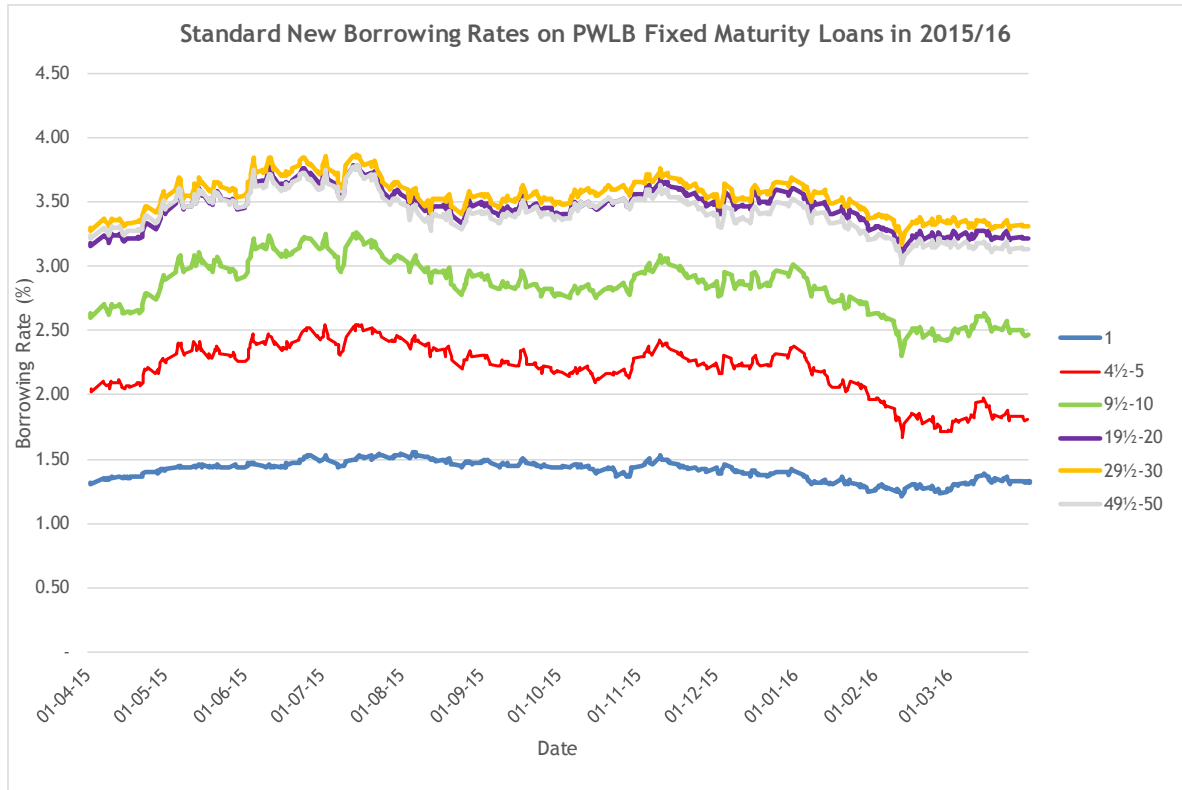


Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	127/15	1.66	2.14	2.71	3.03	3.24	3.35
30/04/2015	166/15	1.79	2.31	2.92	3.24	3.45	3.54
31/05/2015	204/15	1.78	2.30	2.93	3.26	3.45	3.53
30/06/2015	248/15	1.90	2.49	3.15	3.47	3.65	3.72
31/07/2015	294/15	1.96	2.50	3.09	3.39	3.57	3.63
31/08/2015	334/15	1.83	2.34	2.94	3.27	3.48	3.55
30/09/2015	379/15	1.76	2.23	2.82	3.19	3.43	3.51
31/10/2015	423/15	1.81	2.32	2.96	3.33	3.57	3.66
30/11/2015	465/15	1.79	2.27	2.87	3.25	3.49	3.56
31/12/2015	505/15	1.89	2.42	3.03	3.39	3.62	3.70
31/01/2016	040/15	1.54	2.00	2.65	3.04	3.29	3.38
29/02/2016	082/16	1.42	1.77	2.46	2.95	3.24	3.36
31/03/2016	124/16	1.50	1.85	2.51	2.96	3.22	3.31
	Low	1.36	1.70	2.33	2.78	3.07	3.18
	Average	1.76	2.25	2.88	3.24	3.47	3.55
	High	1.99	2.60	3.28	3.61	3.79	3.87

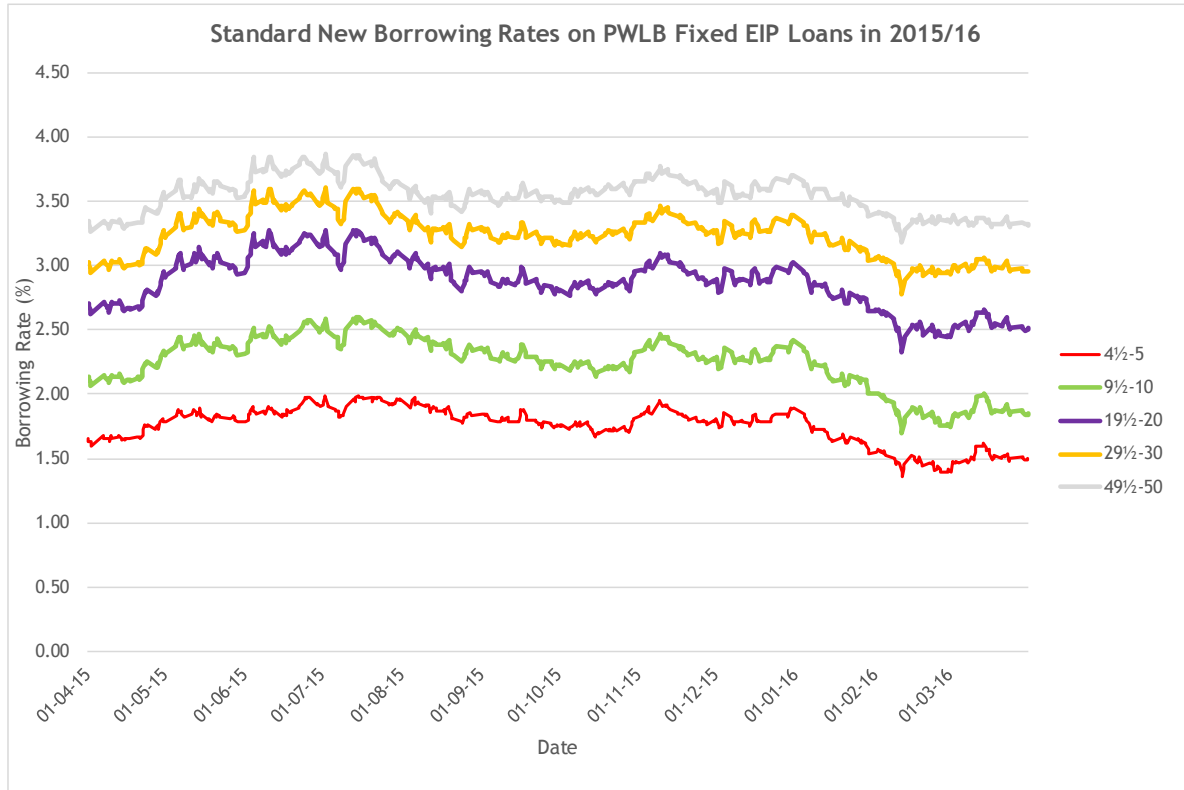


Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2015	0.62	0.63	0.66	1.52	1.53	1.56
30/04/2015	0.62	0.64	0.67	1.52	1.54	1.57
31/05/2015	0.62	0.65	0.68	1.52	1.55	1.58
30/06/2015	0.62	0.66	0.70	1.52	1.56	1.60
31/07/2015	0.62	0.66	0.72	1.52	1.56	1.62
31/08/2015	0.62	0.66	0.70	1.52	1.56	1.60
30/09/2015	0.66	0.67	0.76	1.56	1.57	1.66
31/10/2015	0.66	0.67	0.76	1.46	1.56	1.57
30/11/2015	0.64	0.67	0.72	1.54	1.57	1.62
31/12/2015	0.63	0.65	0.72	1.53	1.55	1.62
31/01/2016	0.64	0.66	0.69	1.54	1.56	1.59
29/02/2016	0.63	0.65	0.68	1.53	1.55	1.58
31/03/2016	0.61	0.65	0.67	1.51	1.55	1.57
Low	0.61	0.61	0.66	1.51	1.51	1.56
Average	0.63	0.66	0.71	1.53	1.56	1.61
High	0.67	0.69	0.78	1.57	1.59	1.68

This page is intentionally left blank

PLYMOUTH CITY COUNCIL

Subject:	Statement of Accounts 2015/16
Committee:	Audit Committee
Date:	30 June 2016
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham (Assistant Director for Finance)
Author:	Chris Flower (Lead Accountant, Capital and Treasury Management)
Contact details	Tel: 01752 304212 Email: chris.flower@plymouth.gov.uk
Ref:	FIN/CF
Key Decision:	No
Part:	I

Purpose of the report:

This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the ‘Statement of Accounts’, which the Council is required to produce for audit and publication, and reports on progress towards the requirement to prepare the pre-audited accounts by the 30 June 2016.

The Accounts and Audit Regulations require that the accounts are available for public inspection for six weeks and this year the period of inspection commences on the 30 June 2016. The external audit commenced on 15 June 2016.

The report also details progress towards completion of the action plan agreed to implement the recommendations made by the auditor following the completion of the 2013/14 audit.

The Co-corporative Council Corporate Plan 2013/14-2016/17:

The Council’s expenditure forms the basis on which the Corporate Plan can be delivered.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land**

The 2015/16 final accounts will have implications on the Medium Term Financial Plan. The level of Working Balance and reserves will affect the level of funding available in future years and variations in service expenditure will also need to be reviewed to assess the effects on future years.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

N/A

Equality and Diversity

Has an Equality Impact Assessment been undertaken? No

I) Recommendations and Reasons for recommended action:

- I. Audit Committee note the report and the 'authorised for issue' date (1 June 2016) for the draft Statement of Accounts.

Alternative options considered and rejected:

None – It is a statutory requirement to produce and approve the Statement of Accounts.

Published work / information:

None

Background papers: None

None

Sign off:

Fin	djn161 7.11	Leg	It259 86	Mon Off	DV S25 897	HR		Assets		IT		Strat Proc	
Originating SMT Member – Andrew Hardingham													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

Statement of Accounts 2014/15

1. Introduction

- 1.1 This report sets out the timetable and key issues in relation to the production of the statutory form of accounts – the ‘Statement of Accounts’, which the Council is required to produce for audit and publication.
- 1.2 The Accounts have to be produced in line with the relevant CIPFA Codes of Practice and with regard to relevant items of statute. Details of the changes in relation to the 2015/16 Codes and relevant legislation which need to be considered for the accounts are outlined in section 3.
- 1.3 The Accounts and Audit Regulations require that the draft Statement of Accounts is signed by the Council’s Section 151 Officer by 30 June each year. Progress towards the production of the pre-audit accounts is outlined in section 2 of this report. The pre-audited accounts will be published on the Council’s website by the end of June.
- 1.4 Formal audit of the accounts for 2015/16 commenced on 15 June. The 30 working days period in which the Council has to make the draft accounts available for public inspection starts on 30 June. The audited Accounts will be presented to the next committee alongside the auditor’s report. An analysis of the financial position and key messages within the accounts will be reported to committee in the accompanying report as it is not possible to do so at this stage whilst the draft accounts are still being finalised.
- 1.5 The Code requires that the Council sets and discloses an ‘authorised for issue’ date, which reflects a cut-off date in terms of the post balance sheet period within which events have to be considered in relation to their impact on the 2015/16 accounts. The relevant date for the draft Statement of Accounts has been set as 1 June 2016.
- 1.6 The report also contains the Narrative Report to the Statement of Accounts (**Appendix A**). The narrative aims to provide a comprehensive, informative, stakeholder guide to establishing the Council's financial position and its net worth. Through the report the Council is able to demonstrate it has a secure and sustainable financial standing and has fulfilled its stewardship function for all of the public money entrusted to it in a cost effective and appropriate manner.
- 1.7 Each year the Audit Committee receives the auditor’s (ISA260) report on the accounts audit, which, where appropriate, will include an action plan containing issues for the Council to address for the following year’s accounts. Progress against auditor recommendations resulting from the 2014/15 financial audit is detailed in Section 6 and **Appendix B**.
- 1.8 The Annual Governance Statement (AGS) is being presented separately to this Audit Committee for approval. The AGS no longer forms part of the published Statement of Accounts document but would stand-alone to reflect that its scope is wider than just the financial transactions of the authority. However, it will be published alongside the Statement of Accounts on the Council’s website as is required by the Code.

2. Key Dates for 2015/16 and progress to date

- 2.1 Although there has been no change to the statutory timetable relating to the production and publication of the final accounts, internal deadlines and targets have been set which reflect earlier timescales for both the reporting of departmental financial results against budgets and the production of the draft Statement of Accounts.

- 2.2 The financial challenges that the authority is facing make it imperative that both Officers and Members are provided with accurate and up-to-date financial information in a timely manner in order to facilitate informed decision-making. The timetable for monthly budget monitoring reporting has been shortened over the past year in order to allow finances to be controlled and achievement of budget delivery plans to be closely monitored.
- 2.3 There are other drivers which give rise to the decision to reduce the overall timetable for the production of the draft Statement of Accounts document. Firstly, there is a need to continuously review and improve financial management processes; a shorter timescale will both challenge current working practices and promote efficiencies. In addition, timelier completion of year-end activities will free up resources for other work at an earlier stage of the year. Other advantages which arise include cost effectiveness, staff benefits (such as improved morale via a sense of achievement and opportunities to develop the technical expertise within the service) and an enhanced profile for the Finance Service.
- 2.4 However, there is a risk that a faster timescale could compromise the quality of the draft statements. The Finance team are working to minimise the likelihood of this having a detrimental impact on the accounts by ensuring that progress is closely managed, staff involved are appropriately trained and there is close liaison with the external auditor throughout the year.
- 2.5 The year-end timetable for both internal and external reporting (via the Statement of Accounts) of the 2015/16 financial results has been set as follows:-

Milestone	Key Date
Provisional Outturn report to CMT	15 April
Draft Outturn Report to Cabinet Members	3 May
Draft Statement of Accounts prepared	15 June
Final Accounts Audit Commences	15 June
Statutory deadline for Section 151 Officer to 'sign off' of draft Statement of Accounts	30 June
Period of Public Inspection	30 June –10 August
Auditor's ISA260 report received and audited Statement of Accounts approved by Audit Committee	15 September
Statutory deadline for Section 151 Officer and Audit Committee to approve the audited Statement of Accounts	30 Sept

- 2.6 As the agenda for this committee was published, the Finance team were finalising the draft Statement of Accounts for review by Senior Management. We are on course to have the work on the accounts completed by the 15 June deadline, but Officers will provide a verbal update on progress at the meeting.
- 2.7 The achievement of this deadline has always partly been reliant on receiving finalised accounts in relation to the Tamar Bridge and Torpoint Ferry Joint Committee (TBTFJC) from Cornwall Council. Cornwall Council has also brought forward the preparation of their accounts and

has provided the Council with the (TBTFJC) accounts in time to include them in the draft accounts. This year we have also had to consider the timelines for Delt and CaterEd and the Energy from Waste Partnership.

- 2.8 The Finance team will continue to strive to further improve the above timescales, with the ultimate aim of delivering the draft Statement of Accounts by the end of May. This is reflected with a workstream within the Finance Fit programme. This will involve further work on challenging current working practices and timelines, refining quality assurance techniques and widening both project management and technical expertise throughout the service.
- 2.9 The Code requires that events occurring after the balance sheet date, i.e. 31 March 2016, are considered in terms of their relevance to the Council's financial position for 2015/16. There is an obligation to ensure that any such events are properly reflected in the Statement of Accounts up to the date that the statement is 'authorised for issue' – the authorised for issue date.. The authorised for issue date marks the point beyond which there can be no reasonable expectation that events could have been taken into consideration in the preparation of the Statement of Accounts. The Council has to disclose this date within the accounts and it has been decided that post balance sheet events up to and including the 1 June 2016 be considered for the draft accounts submitted for audit.

3. The 2015/16 Codes of Practice and relevant legislation

- 3.1 CIPFA publish the Codes of Practice on an annual basis and the main change that is relevant to the production of the Statement of Accounts is the implementation of IFRS 13 Fair Value Measurement.

IFRS 13 Code impact:

- Fair value (FV) is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- Non-financial assets measured at 'highest and best use'.
- The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring FV.
- Potentially onerous disclosures.
- Operational PPE measured at service potential (current value) –no change in measurement requirements.
- Surplus assets measured for their economic benefits at FV under IFRS 13 from 2015/16.
- Investment properties –highest and best use.
- Liabilities –best transfer price.

4. Post Balance Sheet Events (PBSE)

- 4.1 Although the Statement of Accounts shows the financial outturn position for 2015/16 and Balance Sheet position as at 31 March 2016, the Council is required to take into account items occurring after 31 March 2016 if they would have a material impact on the accounts.
- 4.2 No post balance sheet events have been identified to date or included in the draft Statement of Accounts.

As the draft accounts were still being finalised at the time of publishing this report, it may not reflect the final PBSE position when the accounts are published at the end of June.

5. Progress against the 2014/15 ISA260 Report Action Plan

- 5.1 The External Auditor's annual Governance Report (ISA260 Report), includes the findings on the annual accounts audit and an action plan to address key audit issues. **Appendix B** sets out the auditor's recommendations following the 2014/15 accounts audit and reports on the progress made to date regarding the related action plan.
- 5.2 Three issues were reported in the action plan:-
- 5.2.1 Once the draft financial statements have been prepared, no amendments should be made until the audit has been completed. This has been agreed and is in place for the 2015/16 audit.
- 5.2.2 The Council should introduce a sample-based approach to journal review and authorisation, covering all journals. This has been implemented and full details of both internal audit testing and the finance department's own controlled are detailed in **Appendix B**.
- 5.2.3 Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness.

6 Conclusions

- 6.1 Work is in-hand to produce the draft Statement of Account well in advance of the statutory deadline and this also represents a year on year reduction in timescales taken to undertake this year-end work. The Finance team has committed to making further improvements going forward by including a project to review working practices and expertise in this area within the 2015/16 Finance Fit programme.
- 6.2 The annual external audit is being carried out by our new auditors BDO and it commenced 15 June 2016; the period of public inspection of the accounts commences on 30 June 2016. The audited Statement of Accounts will be submitted to Audit Committee for approval at the 15 September meeting.
- 6.3 Officers are working to ensure that the auditor's action plan resulting from the 2014/15 final accounts audit is addressed where applicable.

APPENDIX A

Narrative Statement for the Statement of Accounts 2015/16

Introduction and Background

Plymouth City Council is a unitary local authority responsible for all local services including transport, social care and education. Plymouth is the largest port city on the South coast with a resident population of 261,000 plus 100,000 transient workforce in the travel to work area. It is home to the largest naval base in Western Europe, HMNB Devonport and has the highest concentration of manufacturing and engineering employment in the whole of the South of England. 20% of the UK's blue - tech/marine companies are based here. The Council's vision for Plymouth is to become one of Europe's most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone.



The Council plans to increase its resident population to 300,000 by 2018. This will put additional pressure on refuse collection, street cleaning, schooling and social care, both children's and adults'. Plymouth's growth is core to the corporate agenda. Council-owned land has been released for building new homes together with associated additional shopping and outdoor recreational facilities. The Council is committed to improved schooling and also in the longer term to improve Plymouth's road, rail and air transport links whilst reducing carbon emissions by 50%. The first phase of the Council's regeneration programme of the city centre, the waterfront, and the Northern and Eastern Corridor is well under way.

In very difficult financial circumstances we continue to retain and improve our core services. For example during 2015/16 we:

- Collected glass for recycling from homes across Plymouth every fortnight
- Maintained our roads; 23,342 potholes and 220,962 sq m of road were repaired last year
- Attracted 740,000 people to our Libraries
- Served up 2.5m nutritious school meals through our co-operative trading company
- Prevented more than 1,242 families from becoming homeless
- Worked with more than 5,500 children in need



The scale of the reduction in government funding over the years and the magnitude of the financial challenges facing the Council has meant that we have had to radically rethink the way we work and deliver services. We believe that we can do this by:

- taking a more commercial approach to the way we commission and run services
- making the best use of council assets
- investing in and accelerating Plymouth's economic growth,

we will also reduce cost and generate additional income from business rates with the net benefit of £23m to be realised in 2016/17.

Financial Performance

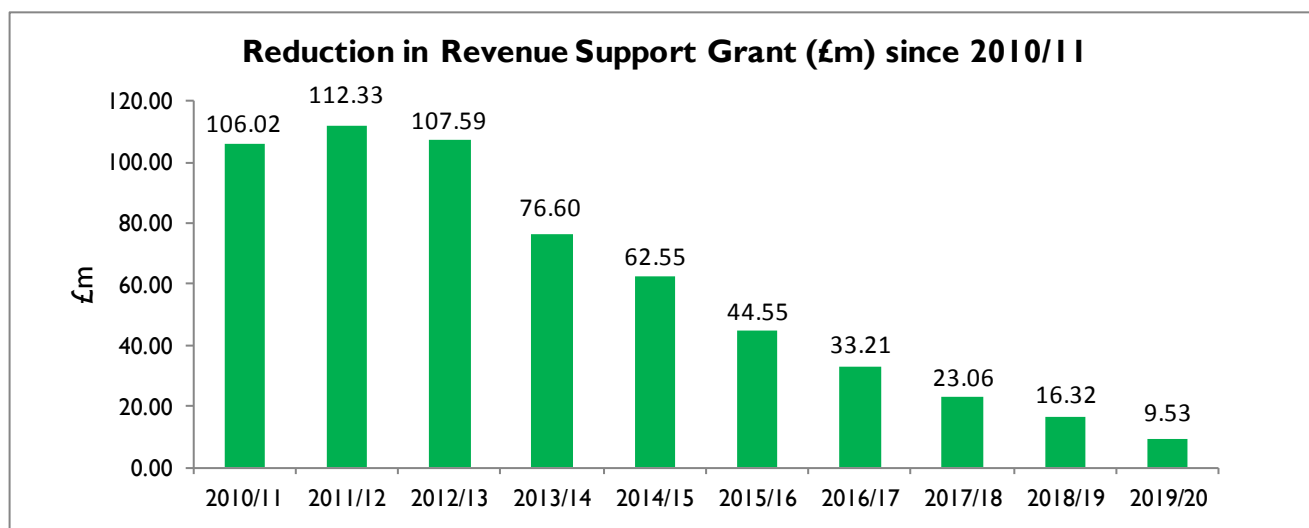
I welcome this opportunity to report the Council's financial performance for 2015/16. My narrative report is not formally part of the annual Statement of



Accounts. It is not covered by the audit opinion or my official certification but does supplement the Statement of Accounts by offering interested parties an easily understandable guide to the most significant matters reported in the accounts. The production of this report marks my first year at Plymouth City Council, having started at the end of May 2015. This narrative brings together information from various key documents which have been published throughout the year. The Statement of Accounts, taken as a whole, provides a comprehensive and informative stakeholder guide to establishing the Council's financial position and its net worth. In this document the Council demonstrates that it has a secure and sustainable financial standing. It has fulfilled its stewardship function for all of the public money entrusted to it in a cost effective and appropriate manner.

Since 2010, revenue funding for local government has been continually reducing and will continue to reduce for the foreseeable future, changing the make-up of the core funding as we go forward. Funding will change with government

- placing greater emphasis on councils generating additional revenue locally by attracting more businesses to the city and building more homes
- moving to 100% rates retention by 2019/20
- Introducing the Adult Social Care 2% council tax precept.



There was a drop of £18m in central government funding in 2015/16. The Council remains committed to protecting and investing in essential front line services aimed at early intervention, tackling the city's health inequalities and integrating social care with health. We are working with our partners to take a joined up preventative approach to improving the health of our residents and hence reduce demand for high cost services. Plymouth's approach to integrated health and social care service, with a clear focus on preventative and enabling services, wrapped around the combined needs of the client, is believed to be the first of its kind in the country.

The overall outturn position is a saving of £0.032m against our gross budget of £534.639m. This is testament to the strong financial management and discipline across all areas of the Council. This puts the Council in a very strong position going into the even more financially challenging 2016/17.

Given the size of the financial challenge faced for 2015/16, with a total savings target of £21.5m, balancing the budget is a major achievement for the Council. Balancing the budget without the need for a major drawdown against our financial reserves provides us with a strong foundation to address the challenges ahead.

OUTTURN POSITION 2015/16– A SUMMARY

1. The Council's budget outturn position and [Annual Report 2015/16](#) can be accessed by clicking the web links. These reports explain how the Council's priorities have been delivered over 2015/16 and also its plans for 2016/17.

2. The Council operated in 2015/16 with a net budget requirement of £193.009m.

The table below summarises by Directorate the budget outturn position as compared against the net budget requirement:

Directorate	Note Ref. No.	Budget 2015/16	Budget Outturn	Year End Overspend / (underspend)
		£m	£m	£m
People	1	123.233	123.482	0.249
Place	2	23.923	24.260	0.337
Office of Director of Public Health	3	1.007	0.689	(0.318)
Transformation & Change	4	33.074	35.496	2.422
Chief Executive's Office	5	3.899	3.953	.054
Corporate Items	6	7.873	5.097	(2.776)
Total		193.009	192.977	(0.032)
Funded by:				
Council Tax		90.410		
Business Rates Retained		58.049		
Central Government Grant Settlement		44.550		
Total		193.009		

In 2015/16 we have been able to use one-off savings from our revised Minimum Revenue Provision (MRP) policy, and this is the first year of our pioneering Section 75 Agreement with the NHS Northern, Eastern, Western Clinical Commissioning Group (N.E.W. CCG). Working with our health partners and our revised budget setting process which reflects both cost and volume pressures for our social care budgets, 2015/16 is the first year we have recorded an underspend for our Adult Social Care provision in the past six years. With increasing client numbers linked to people living longer, there is even more need to join in partnership with colleagues from health to place our combined limited funding into preventative work, supporting people to live healthy lifestyles within the community.

Within the strained financial climate, the Council has set out its future direction in its [Corporate Plan](#) which clearly lays out the objectives, outcomes and values that the Council is committed to whilst driving down spend and maximising income in order to balance the books. The plan contains ambitious objectives around the themes of Pioneering, Growing, Caring and Confident Plymouth.

There are risks with any budget, particularly given the scale of the funding reductions. However, as a Council, we have every confidence that we will succeed in delivering these savings, and emerge in a strong position to take on the next set of financial challenges.

Budget Outturn Variance Analysis

You can see from the table above (reference no. 7.) that overall there was a slight net underspend of £0.032m. Directorate variances are explained in notes 1.to 6.) as follows:

i) **The People Directorate** net overspend of £0.160m was as a result of:

- a) £0.652m additional costs related to placement pressures on the Children, Young People and Families' budget. There are have been a number of factors that have contributed to this position including
- i. a lack of availability of the right in-house foster care placements creating overuse of IFA's;
 - ii. high number of placements in Welfare Secure, with 5 placements in year;
 - iii. unexpected court ordered spends on Parent and Child Assessment placements;
 - iv. a small number of individual packages of care at considerably higher cost due to the needs of the young person;
 - v. there are currently 105 Independent Foster Care (IFA's) placements with budget for only 68.

This is offset by:

- b) £0.470m net favourable variance in Strategic Co-operative Commissioning. This is the first favourable outturn for six years and management actions to contain spend included measures around sign off of spend by Senior Management before approving care packages, reviewing contracts and a further review of high cost packages. Given the closedown timetable, both PCC and N.E.W. CCG agreed to formalise the financial position for the Plymouth Integrated Fund as at February 2016. We have therefore closed the books with the risk share for 2015/16 being a transfer to PCC of £0.089m. With the month 12 figures now available the final position is a risk share of £0.039m with the movement to be reflected in next year's accounts.
- ii) **The Place Directorate** net overspend of £0.337m was as a result of
- a) £1.0m in year under achievement of various GAME income targets including £0.300m commercialisation projects and £0.420m passenger transport.
 - b) £0.174m net savings in Street services resulting from highways maintenance linked to mild winter and savings in waste disposal costs offset by increased costs created by the re-procurement of the highways maintenance contract.
 - c) Throughout the year Strategic Planning and Infrastructure (SPI) has taken a proactive approach to budget management. Of the overall saving of £0.476m, £0.325m relates to concessionary fares, which are affected by a variety of issues beyond direct control with the overall position only becoming clearer near year end.
- iii) **The Office of Director of Public Health** ended the year with an overall underspend of £0.318m. Although Public Health came in as a balanced budget within the ring fenced grant, the directorate also covers the Public Protection Service which underspent by £0.297m due to a mixture of additional income and deferred spending on IT and other equipment, and the Civil Protection Unit had an underspend of £0.021m
- iv) **The Transformation and Change Directorate** has a range of service areas reporting an underspend mainly as a result of an Enhanced Voluntary Release Scheme being offered and completing service reviews across the Directorate. Despite this the overall position is showing an overspend of £2.423m; this is predominately due to:
- a) the review of the Delt contract that took place in November 2015 which resulted in additional funds of £1.400m being allocated to ensure that the Council's IT requirements are resourced at the appropriate level going forward.
 - b) Legacy delays in Cooperative Centre of Operations (CCO) projects, now merged with People and Organisational Development (POD), have had an impact on benefits achievable in year.

- c) Additional Delt income from new customers has been shown to be unrealistic in terms of timescale and quantity. However, in many areas we have been able to offset the savings shortfalls with one off in-year savings such as vacancy savings and additional income.
- d) The Customer Services Transformation (CST) programme achieved in full its benefits target of £1.356m.
- e) The Transformation Programme contributed a saving of £0.577m. During the year we were able to reduce our requirement for external consultants due to increased internal knowledge; this together with other staff savings, such as unfilled vacancies, contributed to this overall saving.
- v) **The Executive Office** overspend of £0.053m relates to underachievement of Democracy and Governance support efficiency stretch targets of £0.225m which were offset by certain management action to reduce the shortfall.
- vi) **The Corporate Items** line reports £2.688m under its net budget requirement. This variance related to the potential for the Council to:
 - a) Drawdown £1.0m from its insurance reserve and
 - b) Allocate £1.0m from its general contingency budget to offset its adverse variance of £0.285m underachievement of the council wide cross cutting savings target and £0.270m linked to a strategic asset review.
 - c) A review of the Minimum Revenue Provision Policy resulted in £5.964m savings through recouping prior year overly prudent provision and changing to the annuity method of calculation. In addition to this, there were other savings within Treasury Management of £0.762m due to a reduction in interest costs through improved cash management resulting in reduced borrowing, and further investment in the CCLA Property Fund.
 - d) Redundancies and Enhanced Voluntary Release Scheme costs in 2015/16 were met by £0.700m from the Redundancies Reserve; but a further £0.764m remained unfunded.
 - e) £0.500m was released from Pensions Reserve to meet the year-end pensions shortfall, but we have been able to replace £0.400m of this as part of the transfers to reserves detailed below.
 - f) Other adverse movements on the Corporate Items budget included £0.472m relating to changes in structure and staffing levels and the subsequent reduction in internal recharges, £0.470m impact of reduced trading activity on recharges, £0.100m shortfall on the forecast income from the Devon Business Rates Pool and £0.294m shortfall on corporate efficiency savings.
 - g) In addition to the above, the transfers to and from reserves and provisions to be approved in the outturn report reduce the Corporate Items outturn by £2.880m.

As in 2014/15, where we recorded a small overspend of £0.119m, we again came very close to balancing the books in 2015/16 with an underspend of £0.032m.

OUTTURN POSITION 2015/16

There are a few particular areas to note within the overall outturn position 2015/16.

This is the first year of our pioneering Section 75 Agreement with the NHS Northern, Eastern, Western Devon Clinical Commissioning Group (N.E.W. Devon CCG). Working with our health partners and our revised budget setting process which reflects both cost and volume pressures for our social care budgets, 2015/16 is the first year we have recorded an underspend for our Adult Social Care provision in the past six years. Although our Children's Social Care came in £0.652m over budget, this represents a small variance of 2% against the allocated £34.686m.

Whilst our public health department is 100% grant funded, the Office of the Director of Public Health in Plymouth is also responsible for Public Protection Services and Civil Protection Unit. Both of these departments recorded savings against budget, totalling £0.318m.

For 2015/16 we have been able to use substantial savings from our revised Treasury Management Strategy, in particular our Minimum Revenue Provision (MRP).

There has been a recent change of advice from CIPFA on MRP calculations and the use of the annuity method. Prior years involved detailed calculations which were very prescriptive but these have been replaced with a requirement that local authorities calculate an amount of MRP which they consider to be prudent. During 2015/16 the Council has undertaken a review of its MRP calculation method and accounting assumptions which used a very complex methodology. The Council therefore engaged its TM advisors, Arlingclose, to review and advise best practice. The main conclusions were that, the way we were calculating our annual MRP charge has resulted in an over-provision for many years and it also recommended a change in the calculation method.

The previous method of calculating MRP was to spread the cost of borrowing in a straight line over a maximum of 25 years. The Council wants to match the economic benefits from its assets with the life of those assets and will now use the annuity method which not only spreads the cost of the borrowing over the life of the assets but it also takes into account the time value of money. The resulting change from the over provision of MRP in prior years led to a reduction of the MRP charge in 2015/16 by £5.96m. The change of calculation method to the annuity method will also reduce the MRP charge for 2016/17 by a further £4.70m.

	31 March 2015	Outturn	31 March 2016
	£m	£m	£m
Working Balance	10.620	0.032	10.652

The £0.032m underspend has been transferred to the General Fund Working Balance. The balance at the start of the year was £10.620m; after taking into account the final surplus for the year of £0.032m the working balance to carry forward as of 31 March 2016 stands at £10.652m.

Other Financial Performance

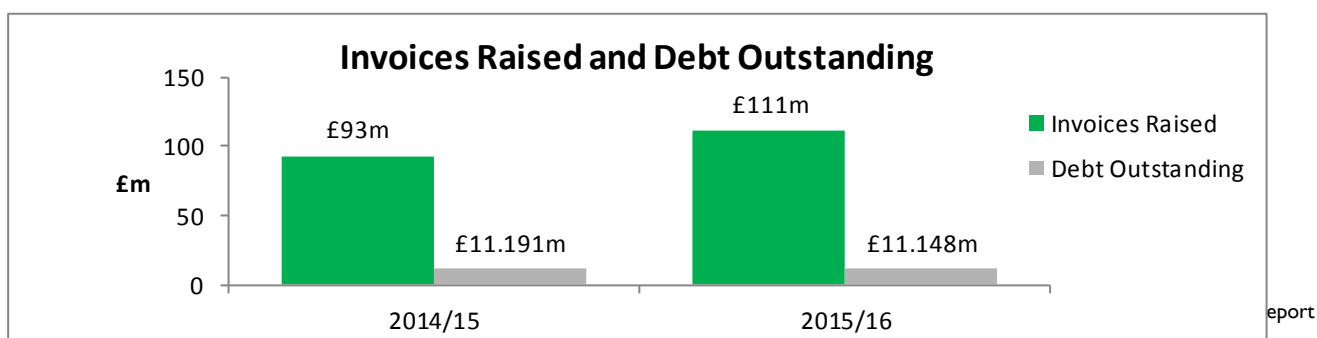
In addition to the minimal variance against the revenue budget there were a range of other significant financial achievements. In-year collection targets are set for our Council Tax, Business Rates, Commercial Rent, and Sundry Debt Income including our Trade Waste Income. The 2015/16 revenue budget was based on the achievement of the required targets.

We continue to increase our collection rates in core income streams and explore alternative ways of making further improvements. For example, in-year Council Tax collection rate has increased steadily from 92.5% in 2009/10 to our actual 96.8% in-year 2015/16.

Some Key Indicators are:

- The Miscellaneous Debt Management Team raised invoices to the total value of £111m in 2015/16 compared with £93m in 2014/15.

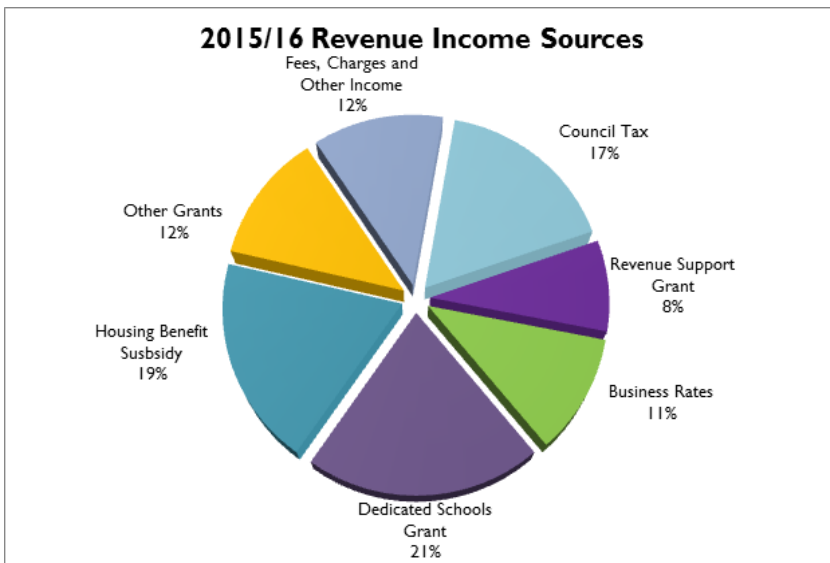
At the end of 2015/16 the debt outstanding was £11.148m compared to the debt outstanding of £11.191m in the previous year. £20m more was billed and collected, with arrears reduced by 15%.



- the value of invoices over 30 days old has reduced from £4.1m in 2014/15 to £3.5m in 2015/16
- 96.4% of our general debt was collected in year against a target of 95%. The UK average for 14/15 was 88% collected in 90 days. Plymouth collected 96.4% in 30 days.
- 97.1% of all invoices were paid within 30 days against a target of 95%
- 98.6% of NNDR collected against a target of 95.0%
- VAT partial exemption at 3.95% (14/15 = 4.37%)
- 53% of spend with PL post codes, against a target of 52% (14/15 = 48%)

GENERAL FUND REVENUE ACCOUNT

MONEY IN... INCOME SOURCES



Our Revenue Budget is financed from Council Tax, fees and charges, Government grants (which include the Revenue Support Grant (RSG) plus our allocation of Business Rates), external contributions and other income. The diagram is helpful in understanding how the 2015/16 revenue budget was financed:-

The Council set a band D Council Tax for the year of £1,320.58 for the Authority’s element of Council Tax, at its meeting of 23 February 2015.

MONEY OUT... WE SPENT OUR MONEY ON

We monitor the expenditure of the Council across three Directorates, being People, Place and Transformation & Change (incorporating Finance, HR, Legal services etc) with a small Chief Executive’s Office and council-wide areas covered within our Corporate Items plus the Office of the Director of Public Health.

The total spend of £192.977m is shown by department within each directorate in the following table:

People Directorate	£m	Place Directorate	£m
Children's Social Care	35.338	Economic Development	0.491
Co-operative Commissioning & Adult Social Care	70.265	Strategic Planning & Infrastructure	9.405
Education, Learning & Family Support	15.309	Street Services	17.653
Homes & Communities	2.275	Management & Support	(3.289)
Management & Support	0.206		
Total	123.393	Total	24.260
Transformation & Change Directorate	£m	Corporate Items	£m
Finance	16.334	Capital Financing	3.170
Human Resources & Occupational Development	2.391	Other Corporate Items	2.016
Legal	2.944	Total	5.186
Customer Services	2.879	Chief Executive's Office	£m
Management & Support	0.162	Total	3.953
Transformation Programme	4.528	Office of Director of Public Health	£m
ICT	6.258	Total	0.689
Total	35.496	Total Council	192.977

CAPITAL OUTTURN 2015/16

Capital expenditure generally relates to the creation of fixed assets and other items with a useful life or benefit of greater than one year. In many instances capital expenditure on a scheme will extend beyond one year and it is therefore normal for there to be variations in the programme during the year.

Directorate	Forecast October 2015	Outturn	Year End Overspend / (underspend)
	£m	£m	£m
Transformation and Change	12.180	7.814	(4.366)
People	19.507	17.930	(1.577)
Place	45.293	36.480	(8.813)
Total	76.980	62.224	(14.756)

The Council has an ambitious capital investment plan, designed to improve the City's infrastructure, economy and housing. For 2015/16 capital expenditure totalled £62.224m, representing 81% of the latest approved budget of £76.980m.

The 2015/16 £62.224m programme outturn has enabled investment in some notable schemes, including:

Capital Scheme	£m	Capital Scheme	£m
Basic Need improvements to local schools	9.6	Upgrade of the Material Recycling Facility	1.8
Carriageway resurfacing	7.8	New Central Library	1.5

Towards the cost of acquisition and redevelopment of the former Quality Hotel site	4.3	Progress on development of a new Coach Station at Mayflower West, to enable the redevelopment of a leisure complex at the existing Bretonside Bus Station site	1.4
Accommodation transformation, including the separation of the Council House and Guildhall	4.0	Green Deal grant awards to Plymouth private households for solid wall insulation	1.3
To commence major infrastructure projects to support growth along the Northern Corridor	3.7	Complete the construction of the Langage employment units	1.3
Knowle Primary school rebuild	3.3	On-going replacement of street lighting to provide energy and carbon savings	2.1
To enable the redevelopment of South Yard as a Marine Industries Production Campus	3.0	Dilapidated fleet replacements ensuring reliability and effectiveness for service delivery	2.2

The year-end position includes £15m of re-profiling of schemes into 2016/17. This is spend which was scheduled to be delivered in 2015/16, but is now forecast to be delivered during 2016/17. The most significant projects being re-profiled are:

- The delivery of the Mayflower Coach Station project was delayed in 2015/16 due to contract negotiations, changes in design (value engineering process) and a Member request to keep the temporary Mayflower West Car Park open over Christmas. £1.427m of un-ring-fenced funded spend was incurred in 2015/16 compared to the £2.503m as cash-flowed for 2015/16 delivery in October 2015. This project will complete in summer 2016/17, at a total scheme cost of **£4.856m. (£1.1m)**
- At the time of the approval of the acquisition of the Quality Hotel site in January 2016, it was expected that demolition would be undertaken upon completion of the purchase in early 2016. Demolition works were, however, delayed into 2016/17 when asbestos was discovered. These borrowing funded costs are now being incurred on-site, with an estimated completion date of September 2016. **(£1.1m)**
- £4.715m of the total £7.990m Street Lighting LED replacement programme had already been delivered pre 2015/16. A further £3.125m of spend was scheduled to be delivered in 2015/16, as at October 2015. However, following a supplier issue, which has now been resolved, a reduced value of £2.065m was delivered in 2015/16. The programme is due to finish as scheduled in 2017, fully funded from service area funded borrowing. **(£1.1m)**
- As at October 2015, £2.601m of vehicles were expected to be ordered to meet 2015/16 PCC service client requirements. The actual value of vehicles delivered was £1.865m for 12 refuse trucks and a camera car. The ordering of £0.900m of planned vehicles including tippers, vans and loaders has been delayed into 2016/17 to enable a review that will ensure that vehicles ordered continue to meet the requirements of the end users. This project is fully funded from service area borrowing. **(£0.9m)**
- PCC have agreed to provide £2.903m of HCA ring-fenced dowry and S106 to support the £4m redevelopment by R.I.O (Real Ideas Organisation) of Devonport Market as a High Tech 'Play Market'. As at October 2015, it was anticipated that R.I.O would reach milestones that would result in the payment of £0.836m in 2015/16. However, as the planning application stage was not reached in 2015/16 as expected, only £0.144m was paid. The main reason for this is that the legal negotiations over the funding agreement and the lease took longer to conclude than anticipated. **(£0.7m)**
- On site works began in February 2016 to deliver the £2.24m Derriford Hospital Interchange transport project. As at October 2015, it was reported that £1.499m would be incurred in 2015/16. However, additional time was involved than first envisaged in procuring a contractor for the construction of the scheme; financial negotiations caused further project delay and

there was a need to secure agreement for the final tree clearance details which restricted the progression of the start of the main works. This resulted in £0.830m of works actually being delivered. Grant funders have confirmed that 2015/16 funding will be rolled over to support 2016/17 spend. Works are currently scheduled to complete in October 2016. **(£0.7m)**

- As at October 2015, the programme 2015 - 19 contained £20.500m to support the redevelopment of South Yard into a Marine Industries Production Campus. This was initially programmed to meet £15m of remediation/separation works and £5.500m for direct development of Area East. £1.600m of un-ring-fenced funded remediation works were planned for delivery in 2015/16. However, consideration and approval in April 2016 of a revised overall delivery strategy for the South Yard site concluded that £2.100m of resources should be vired for prioritised use on the Area East Development phase. This resulted in a delay in 2015/16 of the remediation works of £0.700m. Further demolition and site services works will now most likely commence from October 2016. **(£0.7m)**
- Design and advanced works commenced in 2015/16 for Outland Road Phase I of the £3.392m Northern Corridor Junction Improvements, which are planned for 2015-20. At the time of approval (December 2015) it was anticipated that 2015/16 spend would be £0.7m. However, a change in the scope of the scheme has resulted in additional time being required for design and costing, resulting in slippage of £0.6m into 2016/17. Authority has been secured to roll the Growth Deal grant of £700k into 2016/17. Main works for phase I are currently scheduled for delivery in July – December 2016. **(£0.6m)**
- £0.071m of the total £0.862m of S106 funded highways for the Millbay School of Creative Arts had already been delivered pre 2015/16. A further £0.791m of spend was scheduled to be delivered in 2015/16, as at October 2015. However, these planned works were later slipped into 2016/17 due to Phase 3-5 delivery being delayed at Councillors request. Works incomplete relate to street lighting, 20mph zone and traffic management works. **(£0.6m)**
- £0.940m of un-ring-fenced resources were expected to be required to meet 2015/16 costs for the delivery of the Whitleigh HQ for the Four Greens Community Trust. Due to project delays arising from later than anticipated tenders resulted in the re-profiling of £0.5m into 2016/17. The total scheme cost of £1.275m is due to be financially complete in 2016/17. **(£0.5m)**

The main sources of capital grant funding are: Lottery Grant, Department for Education and Skills, Department for Transport Section 56, Department for Communities and Local Government (DCLG) (including Disabled Facilities grant) and Section 106 developer's contributions. The 2015/16 programme was fully funded:

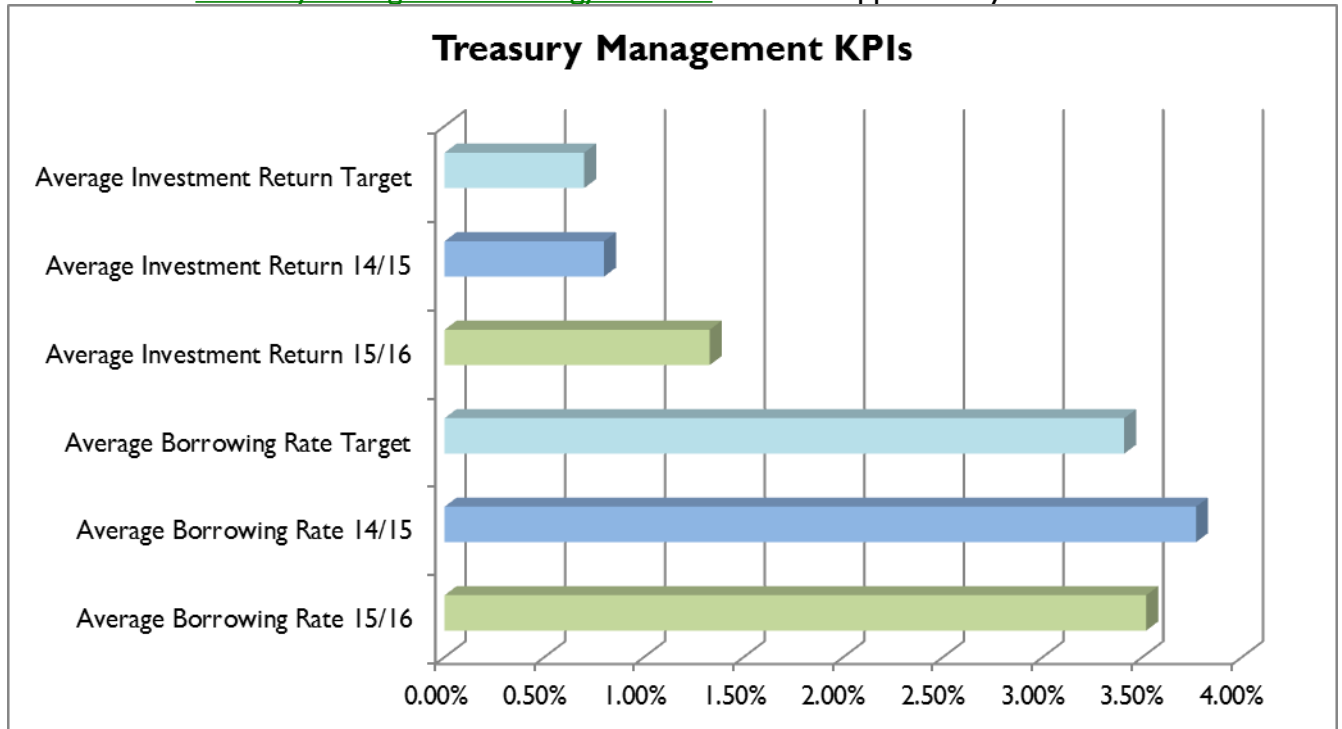
Method of Financing	Un-ring Fenced	Ring Fenced	Total
	£m	£m	£m
Capital Receipts	10.533	0.149	10.682
Grants (e.g. gov't, HLF, LEP, Environment Agency)	15.135	18.973	34.108
Internal PCC Balance Sheet Funds	0.275	0.070	0.345
Contributions, S106 & CIL (neighbourhood element)	1.205	3.264	4.469
Direct Revenue Funding from service areas	0.000	1.343	1.343
Borrowing	11.277	0.000	11.277
Total	38.425	23.799	62.224

TREASURY MANAGEMENT

The Council's Treasury Management Strategy is approved by Full Council each year. As an overriding principle, the strategy proposed that the Council would continue to minimise risk contained within its current debt and investment portfolios by establishing an integrated debt management and

investment policy which balanced certainty and security, with liquidity and yield. The Council would continue to make use of short-term variable rate borrowing, whilst at the same time seeking to balance its investments across a range of investment instruments.

The Council's [Treasury Management Strategy 2016/17](#) has been approved by Full Council.



External borrowing

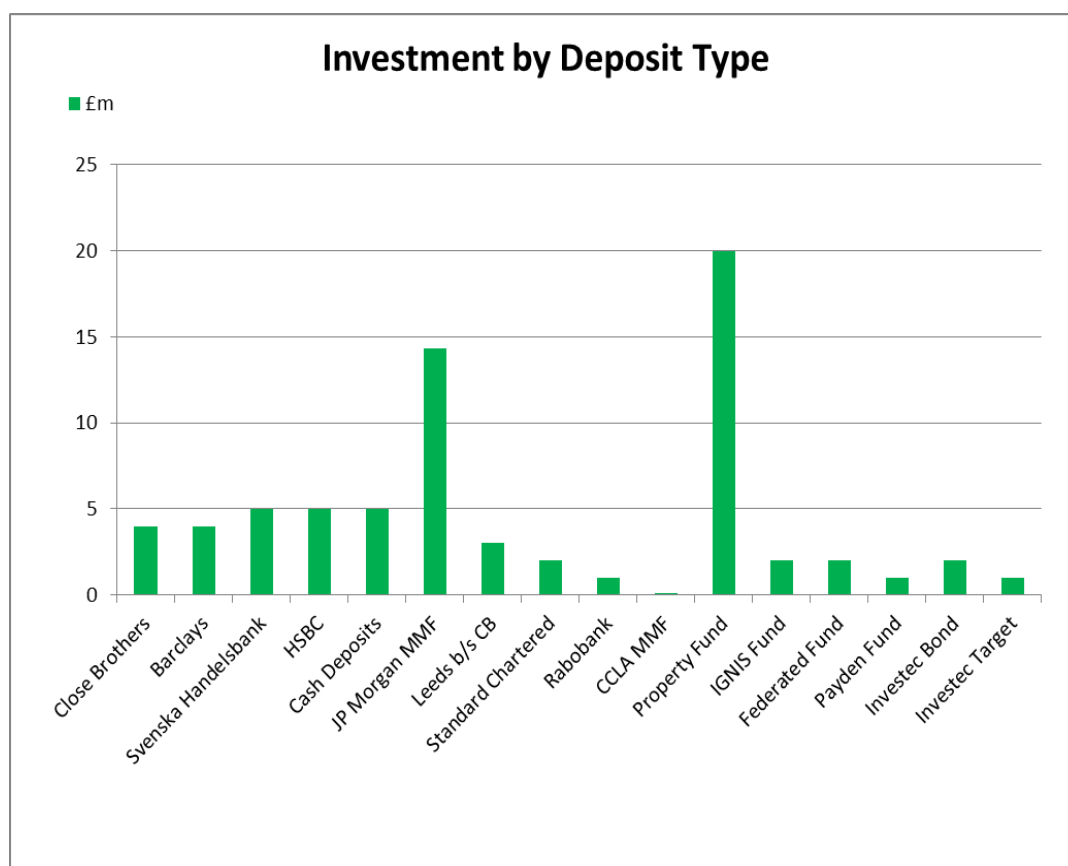
At the year-end, borrowing from external lenders totalled £240.43m, as shown in the table below. This should be viewed in relation to the value of the Council's operational land and buildings, plant and equipment and investment properties, which have a net book value of £533.256m at the 31 March 2016. The table below shows the absolute cash value of the debt which differs from the Balance Sheet value due to accounting treatment requirements.

External Borrowing	Balance 1 April 2015	Maturing Debt	New Borrowing	Balance 31 March 2016	Average Rate
	£m	£m	£m	£m	%
Short Term Borrowing	68.200	(197.500)	225.360	96.060	0.01
Long Term Borrowing	144.370	0.000	0.000	144.370	5.76
Total Borrowing	212.570	(197.500)	225.360	240.430	3.51

Investments

At the year-end, our investments were as follows:

Investments by bank/group at 31 March 2016



Bank / Group	£m
Close Brothers	4.000
Barclays	4.000
Svenska Handelsbank	5.000
HSBC	5.000
Cash Deposits	5.000
JP Morgan MMF	14.320
Leeds b/s CB	3.000
Standard Chartered	2.000
Rabobank	1.000
CCLA MMF	0.025
Property Fund	20.000
IGNIS Fund	2.000
Federated Fund	2.000
Payden Fund	1.000
Investec Bond	2.000
Investec Target	1.000
Total	71.345

Update on Investments with Icelandic Banks

The latest position on the recoveries of monies invested in the Icelandic banks is shown below. The Council continues to pursue recovery of the outstanding monies in partnership with the LGA and continues to earn interest on these investments.

Bank	Original Deposit	Balance 31 March 2016
	£m	£m
Heritable Bank	3.000	0.060
Glitnir	6.000	1.400
Landsbanki	4.000	0.000
Total	13.000	1.460

OVERVIEW OF THE ACCOUNTING STATEMENTS

Statutory duty and compliance with regulations

The Accounts and Audit (England) Regulations 2015 require the Council's Section 151 Officer, the Assistant Director for Finance, to certify that the accounts present a 'true and fair' view of the financial position of the Council as at the 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

We are required to prepare the Statements in accordance with the Code of Practice on Local Authority Accounting, based on International Financial Reporting Standards (IFRS). The two key documents:

Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and Update (The Code)

Service Reporting Code of Practice for Local Authorities 2015/16 and Update (SeRCOP)

These codes are updated annually by the Chartered Institute of Public Finance and Accountancy (CIPFA). There were no major changes for 2015/16.

The Annual Governance Statement

The Code also sets out the statutory requirement, under the Accounts and Audit (England) Regulations 2015, for every local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and to include a statement reporting on the review with the Statement of Accounts. This review takes the form of the Annual Governance Statement (AGS).

The AGS was reported to and approved by the Audit Committee in June 2016.

Contents

The Statement of Accounts comprises:

A Narrative Report

Statement of Responsibilities for Statement of Accounts

The Main Accounting Statements and related Notes to the Accounts

Supplementary Statements in relation to the Collection Fund

The Accounting Statements comprises four Core Financial Statements as follows:

The Movement in Reserves Statement

The Comprehensive Income and Expenditure Statement

The Balance Sheet

The Cash Flow Statement

These main statements are then supplemented by:

The Notes to the Core Financial Statements

The Collection Fund Account

[A Glossary of technical terms](#)

Key areas covered in the Statement of Accounts include:-

Balance sheet

The balance sheet again has a negative balance, all be it a reduced negative balance from that reported March 2015. This has again been caused mainly by movements in the unusable Reserves. The Council holds a number of reserve accounts in the Balance Sheet and these are shown in note [17.1](#).

There has been one large movement in the unusable reserves during the year. The pension reserve has decreased by a net figure of £51m.

Pension liabilities

Plymouth City Council employees are eligible to join the Local Government Pension Scheme (LGPS) which is managed by Devon County Council on behalf of the Devon Authorities. The accounting requirements of International Accounting Standard (IAS) 19 have resulted in a pension liability of £455.597m being reflected in the Council's Balance Sheet. This represents Plymouth City Council's liability to the LGPS. In addition, the Council discloses a long-term creditor of £15.065m on the Balance Sheet. This represents its share of Devon County Council's on-going liability to pay enhanced pension costs that existed at the time of Local Government Reorganisation in 1998.

These amounts are matched by a pensions reserve and therefore have no impact on the Council's revenue balances. The pension liability as at 31 March 2016 has increased following the actuaries review of the position.

The resultant negative balance on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The level of contributions required to be made by the Council into the fund are set by independent actuaries. The contribution levels are reviewed every three years following a triennial review of the fund by the actuaries. The current contribution rate is based on 20.1 per cent of pensionable salary costs for those employees in the Devon pension scheme and this will remain until 2017 when the next full actuarial review is undertaken.

Material events after the balance sheet date

The Council is required to take into account items occurring after 31 March 2016 if they would have a material effect on the financial information presented and must publish the date up to which such events have been considered. The final Statement of Accounts will be published in September and will therefore include all post Balance Sheet events up to and including September 2016.

Events taking place after that date will not be reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

There are no relevant material non-adjusting events pertinent to the understanding of the Authority's financial position to report at this stage, but this might change for the publication of the final audited accounts.

Financial position of the Council

Going into 2016/17

At 31 March 2016 the Council's Working Balance stood at £10.652m which equates to approximately 5.7% of the net revenue budget for 2016/17 of £186.702m. Our approved Medium Term Financial Strategy (MTFS) requires us to maintain a Working Balance of at least 5%. This position has been reviewed and has been adjusted as part of the budget setting process for 2016/17.

In addition to the Working Balance, the Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans. Assuming the Corporate Adjustments outlined above are approved, the Council's earmarked reserves will stand at £30.587m at 31 March 2016 (up from £28.482m at 31 March 2015). This includes schools balances and reserves of £7.301m (down from £8.856m).

The Council also has a number of budget provisions set up to meet known liabilities. The main provisions include the Insurance Fund, and back dated equal pay claims. Provisions held at 31 March 2016 totalled £22.428m. Further details of provisions are in note [16](#). Regular reviews of the Council's financial health, in particular a review of reserves and provisions are undertaken during the year.

Looking forward to the medium term

We have had our settlement confirmed for 2016/17 and it is in line with our projections, with a further reduction in core grant funding from £44.4m to £33.21m; this is a reduction of over £11m, or just under 25%. Alongside this reduction we will continue to see a number of significant financial pressures in the medium term. On top of the already increasing demand for areas such as social care, due to demographic changes and price inflation, we also have additional costs as a direct result of Government policy changes. The Government has announced changes to the rate of national insurance on both employees and their employers for those eligible or entitled to a defined benefit pension. Plymouth City Council runs such a scheme and will therefore incur this additional cost burden. In the 2015 Budget, it was announced that the new compulsory National Living Wage of £7.20 per hour will be introduced in April 2016, again impacting on our costs. We are also preparing for the planned review of Non Domestic Rates (NDR), more commonly referred to as Business rates, with new valuations in place from April 2017 and the proposed move to 100% rates retention in 2019/20. We will build on our successes with our Section 75 agreement to pool funding covering all aspects of children's and adult's social care plus intervention services with our CCG partner.

We have set ourselves stretching targets for increasing our council tax income, through new housing build programmes, as well as growing our business rates base by encouraging new business opportunities. We will also build on our success with the Devon-wide Business Rates Pool to generate further additional rates income.

We will continue to refine the financial and non-financial benefits achievable through our transformation programme in order to address the funding challenges ahead.

We have extended the capital programme to provide a council investment of £282m over the next five years and continue to seek opportunities to lever in significant external investment in the city. Successful bids such as City Deal and the History Centre, alongside maximising contributions from developers, will leave a lasting positive legacy for the city.

Concluding Remarks

The financial statements show that as a result of careful management of the Council's available resources we have achieved a financial outturn for 2015/16 of very close to budget, with a small underspend of £0.032m; maintained an adequate level of reserves and set aside provisions to meet our known future liabilities.

All of these actions leave the Council in a reasonable financial position to cope with the challenges of the future.

The formal audit of the Draft Statement of Accounts commenced on 15 June 2016, and in line with our statutory duty we made our accounts available for scrutiny by interested members of the public from 30th June to 10th August 2016.

Following any adjustments, as a result of the audit and/or post balance sheet events, we will present the final Statement of Accounts to the Audit Committee scheduled for September, and following formal sign off, we will publish them on our web pages no later than 30 September 2016.

Under the sections 15 and 16 of the Audit Commission Act 1998 and Regulations 9, 10 and 21 of the Accounts and Audit (England) Regulations 2011:

- a) Any person interested may inspect and make copies of the accounts to be audited.
- b) A local government elector for the area may question the auditor about the accounts and object to any items of unlawful expenditure, loss due to willful default, failure to bring a sum of income into account, or any other matter of public interest. Persons wishing to question the auditor should do so by prior arrangements by contacting 0117 305 7600.
- c) If any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The Council's Assistant Director for Finance (Section 151 Officer) is required to sign the final accounts by a statutory deadline of 30 September 2016.

Further information is available:

On the Council's website: plymouth.gov.uk/accounts or

From Chris Flower, Lead Accountant, Ballard House West Hoe Road, Plymouth PL1 3BJ, telephone 01752 304212, email corporateaccountancy@plymouth.gov.uk.

The Council's statutory responsibilities regarding these Accounts are laid out in the section entitled 'Statement of Responsibilities for the Statement of Accounts' page 20.

A Hardingham
Assistant Director for Finance & Section 151 Officer
Ballard House, Plymouth PL1 3BJ

Dated: 10 June 2016

Progress against the 2014/15 ISA260 Auditor's Report Action Plan

APPENDIX B

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1.	Once the draft financial statements have been prepared, no amendments should be made until the audit has been completed.	Deficiency	Agreed	April 2015 Lead Accountant – Technical Finance
2.	The Council should introduce a sample-based approach to journal review and authorisation, covering all journals.	Deficiency	Internal Audit carry out an annual testing of a sample of journals as part of their internal audit. Finance will introduce its own random sample of journals to test accuracy, plus any individual journal entry >£500k will be authorised by Head of Corporate Strategy or Head of Finance Operations The Council are upgrading Civa Financials programme which should incorporate an alert system that automatically identifies unusual journals that fall outside prescribed parameters. These alerts will then be reviewed by finance management.	Agreed April 2015 Head of Corporate Strategy / Lead Accountant – Technical Finance
3.	Information Security Policies should be reviewed at planned intervals or when significant changes occur to ensure their continued suitability, adequacy and effectiveness.	Deficiency	The new IT support team are undertaking a review as part of their new remit of all systems. There is planned to be an annual review of these policies.	January 2015 Head of Corporate Strategy / ICT System Support Team Manager

This page is intentionally left blank



PLYMOUTH CITY COUNCIL

External Audit Progress Report

June 2016



INTRODUCTION

This report is intended to provide the Audit Committee with an update of our audit work for 2015/16.




Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code of Audit Practice for Local Government, the audited body's:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to certify specified grant claims and returns as directed by Public Sector Audit Appointments Ltd.

We will assess whether the arrangements put in place by the Council will allow us to complete our work by the expected deadlines and whether there are any issues that are likely to have a significant impact on our ability to provide unmodified audit reports and opinions.





This will be included as a "RAG" assessment in the report. We have yet to perform any substantive work at the Council and therefore the green rating against each area is an initial assumption that will need to be confirmed as part of our interim work.

ASSESSMENT		EXPLANATION
RED		Unlikely to be able to meet reporting deadlines, significant concerns over governance or finance, or expected modification of audit report or opinion.
AMBER		Some concerns around meeting reporting deadlines, some concerns over governance or finance, or potential risk of modification of audit report or opinion.
GREEN		On target to meet deadlines and no current concerns over governance or finance.




Additional work agreed with the Council

We have agreed to review the accounting treatment of the Energy to Waste PFI. A letter setting out our preliminary conclusion that we did not disagree with the Council's view that the asset should go onto the Council's balance sheet was sent to the Council in May. We have agreed a fee for the work of £10,000. This will also include audit of the relevant entries in the Council's financial statements.

AUDIT PROGRESS

AUDIT AREA	SCOPE	PROGRESS	OUTPUTS / DATE	RAG
PLANNING				
Audit plan	We are required to report to you the results of our audit planning, our risk assessment and the proposed audit response to significant audit risks ahead of commencement of the audit work.	We have had meetings with the Director of Finance and the Finance Team. We have discussed audit deliverables and timetables. We have undertaken detailed planning work in December and have prepared an audit plan issued to the Audit committee in March 2016.	<p>Planning Letter 2015/16</p> <p>Issued April 2015 and reported to the Audit Committee on 25 June 2015. This set out our audit fees for the year</p> <p>Audit Plan 2015/16</p> <p>Issued to the Audit Committee on 24 March 2016.</p>	
ACCOUNTS				
Review of internal controls	Audit of the significant financial systems that support the financial statements to be completed before draft accounts are prepared.	This was covered as part of our planning and interim work in December/January. Testing was carried out on the controls to confirm they are operating in line with expectations. There were no issues arising from the review of financial systems, which has been fed back to the Finance Team.	<p>The results of this work have been taken into account in directing our audit strategy for the audit of the financial statements.</p> <p>No recommendations have arisen based on the work undertaken at the planning stage of the audit..</p>	
Financial statements audit	<p>Audit of the draft financial statements to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year.</p> <p>Deadline for issue of audit opinion and publication of the statement of accounts is 30 September 2016, although we are working towards a deadline of 31 August 2016.</p>	The scope of the audit and risk assessment will be revisited following our review of the effectiveness of internal controls and review of the draft financial statements. The final audit work commenced on 13 June 2016. We are currently progressing as expected, with no significant issues arising to date.	<p>Audit findings and conclusions being reported in the Final Report to the Audit Committee on 17 September.</p> <p>Target issue date August 2016.</p> <p>Opinion on the financial statements</p> <p>Target issue date August 2016.</p>	
Whole of government accounts audit	<p>Audit of the consolidation pack for consistency with the audited statement of accounts.</p> <p>Consolidation pack opinion - deadline 2 October 2016.</p>	To be completed in August 2016.	<p>Opinion on the WGA Consolidation Pack</p> <p>Target date 2 October 2016.</p>	

AUDIT PROGRESS

AUDIT AREA	SCOPE	PROGRESS	OUTPUTS / DATE	RAG
USE OF RESOURCES				
Review of arrangements to secure economy, efficiency and effectiveness	<p>Review of use of resources based on:</p> <ul style="list-style-type: none"> proper arrangements in place for securing financial resilience proper arrangements for challenging how the Council secures economy, efficiency and effectiveness. <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2016 (target end August 2016)</p>	<p>Throughout the year we will have regular liaison meetings with management to discuss any significant concerns in relation to the use of resources. We will also review and take in to consideration results of inspections and reviews carried out by other regulators. Detailed work commenced in June 2016.</p>	<p>Audit findings and conclusions will be reported in the Final Report to the Audit Committee on 17 September.</p> <p>Target issue date August 2016.</p> <p>VFM conclusion</p> <p>Target issue date August 2016.</p>	
REPORTING				
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. To be finalised by 31 October 2016.	This will follow completion of the Audit.	<p>Annual Audit Letter</p> <p>Target issue date October 2016.</p>	
GRANTS CERTIFICATION				
Grants and returns	To audit and submit grant claims and returns by the relevant deadlines.	Work in progress.	All grants claims and returns to be audited in line with the agreed timetable and deadlines.	
Grants Report	Summary of our certification work completed on 31 March 2016 claims, to be issued by December 2016	To be drafted after certification work concluded.	Grants Report to those charged with governance to be issued by December 2016.	

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO LLP is separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

Copyright ©2013 BDO LLP. All rights reserved.

www.bdo.co.uk



This page is intentionally left blank



PLYMOUTH CITY COUNCIL

Planning Letter 2016/17

20 April 2016



PROPOSED FEES

Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2016/17 financial year.

Code audit fee

The Code audit fee is based on the work required under the Code of Audit Practice issued by the National Audit Office and covers the audit of the financial statements and value for money conclusion.

Public Sector Audit Appointments Limited (PSAA) is responsible for setting the scale fees for local authorities and consulted on the proposed work programme and scale of fees in October 2015. There are no planned changes to the overall work programme for 2016/17 and the scale audit fees have been set at the same level as 2015/16, although it acknowledges that for some authorities a change in accounting requirements relating to highways infrastructure assets will require additional audit work. We have provisionally increased the proposed fee by £10,000 for this (subject to approval from PSAA). PSAA has the power to determine the fee above or below the scale fee where there has been a change that requires substantially more or less work than envisaged by the scale fee.

Certification of housing benefits subsidy claim

PSAA makes arrangements for certification of housing benefit subsidy claims. An indicative fee is set based on the latest actual certification fees available but this is reset annually.

Audit related services

Audit related services are those non-audit services that are largely carried out by members of the engagement team where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. In recent years, a number of grants and returns were included in the certification scale fee that are no longer mandated for review by PSAA, but still require certification by the auditor.

Other non-audit services

Other non-audit services are those services not closely related to the work performed in the audit that could be provided by a number of firms. Auditors are prevented from undertaking such work if it would present a threat to independence for which no adequate safeguards are available. Independence concerns may arise due to the nature of the work or from the value of fees derived.

Fees

AUDIT AREA	PROPOSED FEE 2016/17 (£)	SCALE FEE 2016/17 (£)	PROPOSED FEE 2015/16 (£)
Code audit fee	136,874	136,874	136,874
Highways audit (subject to PSAA approval)	10,000		0
Certification fee	13,290	13,290	17,477
Audit related services			
- PFI Energy for Waste	n/a	n/a	10,000
Non audit services			
- None	0	n/a	0
Total fees	160,164		164,351

Amendments to the proposed fees

If we need to propose any further amendments to the fees during the course of the audit or where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Assistant Director of Finance (s151 officer). Where this requires a variation to the scale fee we will seek approval from the PSAA.

If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

At this stage, nothing has come to our attention that would require us to seek approval to further amend the scale fee.

Arrangements from 2017/18

CLG has confirmed that the current contracts negotiated by the Audit Commission in April 2014 will be extended for one year. As a result, the Council will be required to make a local appointment for external audit services from 2018/19.

AUDIT ARRANGEMENTS

Planned outputs

We plan to issue the following reports and opinions over the course of the 2016/17 audit:

REPORT	DATE
Progress reports to the Audit Committee	each meeting
Audit plan	January 2017
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	April 2017
Final report to those charged with governance	September 2017
Independent auditor's report including: <ul style="list-style-type: none">Opinion on the financial statementsValue for money conclusionCertificate	September 2017
Consistency opinion on the summarisation schedules	October 2017
Summary of findings from the audit in the annual audit letter	October 2017
Grant claims and returns certification report	December 2017

Audit team

The key members of the audit team will be:

Engagement Lead - Greg Rubins

email: greg.rubins@bdo.co.uk

Tel: 0238 088 1892

Greg will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

Technical and VFM lead - Matthew Hepenstal

Email: matthew.x.hepenstal@bdo.co.uk

Tel: 0238 088 1888

Matthew will provide support on key technical issues and our value for money work.

Project Manager - Pamela Evans

email: pamela.evans@bdo.co.uk

Tel: 0117 973 1584

Pamela will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Greg Rubins in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the PSAA complaints handling procedure is detailed on their website <http://www.psaa.co.uk/about-us/contact-us/complaints/>.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO LLP is separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

Copyright ©2016 BDO LLP. All rights reserved.

www.bdo.co.uk



Audit Committee Work Plan 2016/17

Item	Lead Officer	2016							2017					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Internal Audit Annual Report (including six month Internal Audit Progress Report - Dec)	Rob Hutchings/ Dominic Measures	30						8						
Statement of Accounts 2015/16		30			15									
Operational Risk and Opportunity Register- Update Report	Mike Hocking	30						8						
Risk and Opportunity Management Annual Report 2015/16	Mike Hocking	30												
Annual Governance Statement 2015/16	Mike Hocking	30												
Annual Report on Treasury Management Activities for 2015/16	David Northey	30			15			8	❖					

Audit Committee Work Plan 2016/17

		2016							2017					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
Strategic Risk and Opportunity Register Monitoring Report	Mike Hocking				8						16			
Internal Audit Plan 2016/17	Robert Hutchins / Dominic Measures										16			
Internal Audit – Progress Report	Robert Hutchins / Dominic Measures				8									
Internal Audit – Follow Up Work	Robert Hutchins / Dominic Measures				8									
External Audit Plan Progress Report 2015/2016	External Auditor BDO	30			8									
Audit Committee Update	External Auditor BDO							8			16			

Audit Committee Work Plan 2016/17

Item	Lead Officer	2016							2017					
		J	J	A	S	O	N	D	J	F	M	A	M	J
Annual Report to Those Charged with Governance (ISA260 Report) 2015/2016 including Value for Money (VFM)	External Auditor BDO				15									
Annual Audit Letter 2015/2016	External Auditor BDO							8						
Certification Plan	External Auditor BDO							8						
Certification Work Report 2015/2016	External Auditor BDO							8						
Audit Plan 2016/17	External Auditor BDO									16				
Audit Fee Letter 2016/2017	External Auditor BDO													
Review of Rolling Work Plan	Lead Officer/DSO	30			15			8		16				

Audit Committee Work Plan 2016/17

		2016							2017					
Item	Lead Officer	J	J	A	S	O	N	D	J	F	M	A	M	J
NEW Devon CCG Audit Committee					15			8			16			
Treasury Management Practices, Principles and Schedules 2016/17											16			
Treasury Management Strategy											16			
Internal Audit Charter and Strategy 2016/17											16			

- ❖ The Audit Committee agree that approval of the Treasury Management Strategy and Annual Investment Strategy 2016/17 is delegated to the Head of Corporate Strategy in consultation with the Chair and Vice Chair of the Audit Committee to agree a final version.

The Audit Committee noted that the Treasury Management Strategy and Annual Investment Strategy 2016/17 will be submitted to Cabinet and Full Council for authorisation in February 2016.