

# AGENDA

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**Meeting:** Audit and Governance Committee

**Place:** Council Chamber - County Hall, Bythesea Road, Trowbridge, BA14 8JN

**Date:** Monday 11 October 2021

**Time:** 3.00 pm

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Please direct any enquiries on this Agenda to Tara Shannon, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718352 or email [tara.shannon@wiltshire.gov.uk](mailto:tara.shannon@wiltshire.gov.uk)

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## Membership:

Cllr Mark Connolly (Chairman)  
Cllr Stuart Wheeler (Vice-Chairman)  
Cllr Chuck Berry  
Cllr Adrian Foster  
Cllr Gavin Grant  
Cllr George Jeans

Cllr Edward Kirk  
Cllr Antonio Piazza  
Cllr Pip Ridout  
Cllr Mike Sankey  
Cllr Martin Smith

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## Substitutes:

Cllr Liz Alstrom  
Cllr Ernie Clark  
Cllr Matthew Dean  
Cllr Nick Errington

Cllr Ross Henning  
Cllr Jon Hubbard  
Cllr Tom Rounds  
Cllr Jo Trigg

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**You must contact the officer named on this agenda no later than 5pm on Thursday 7 October if you wish to attend this meeting.**

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To ensure safety at the meeting, all members of the public are expected to adhere to the following public health arrangements to ensure the safety of themselves and others:

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- Follow one-way systems, signage and instruction
- Maintain social distancing
- Wear a face-mask (unless exempt)

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Please see the agenda list on following pages for details of deadlines for submission of questions and statements for this meeting.

For extended details on meeting procedure, submission and scope of questions and other matters, please consult [Part 4 of the council's constitution](#).

The full constitution can be found at [this link](#).

For assistance on these and other matters please contact the officer named above for details

# AGENDA

## Part I

### Items to be considered while the meeting is open to the public

1 **Apologies**

To receive any apologies or substitutions for the meeting.

2 **Minutes of the Previous Meeting** (*Pages 7 - 46*)

To confirm and sign the minutes of the meeting held on 28 April 2021.

3 **Declarations of Interests**

To receive any declarations of disclosable interests or dispensations granted by the Standards Committee.

4 **Chairman's Announcements**

To receive any announcements through the Chairman.

5 **Public Participation**

To ensure Wiltshire Council COVID-19 public health guidance is adhered to, a capacity limit for public attendance at this meeting will be in place. You must contact the officer named on this agenda no later than 5pm on Thursday 7 October 2021 if you wish to attend this meeting. Places will be allocated on a first come first served basis and all requests may not be accommodated if there is high demand.

#### Statements

Members of the public who wish to submit a statement in relation to an item on this agenda should submit this electronically to the officer named on this agenda no later than 5pm on 7 October 2021. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named on the front of the agenda for any further clarification.

#### Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution.

Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of this agenda no later than 5pm on Monday 4 October 2021 in order to be guaranteed of a written response. In order to receive a verbal response questions must be submitted no later than 5pm on Wednesday 6 October 2021. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

6 **SWAP Presentation**

Overview, services & changes to Internal Audit.

7 **Internal Audit reports** (*Pages 47 - 108*)

To consider the:

- Internal Audit Annual Opinion Report 2020/21
- Proposed Q3 Internal Audit Plan and Revised Internal Audit Charter (also includes Q2 IA Plan for information)
- Internal Audit Activity – September 2021, including consolidated IA outstanding management actions report

8 **Update on the Statement of Accounts 2019/20** (*Pages 109 - 114*)

To receive a report on the progress of the statement of accounts 2019/20.

9 **Evolve Programme Update**

To receive a presentation on the Evolve Programme.

10 **Annual Governance Statement 2020/21** (*Pages 115 - 132*)

To consider the Annual Governance Statement 2020/21.

11 **Governance of Stone Circle Companies** (*Pages 133 - 212*)

To receive a report on the governance of Stone Circle companies.

The attached report will be considered by Cabinet on 27 September 2021.

12 **Forward Work Programme** (*Pages 213 - 216*)

To note the Forward Work Programme

13 **Date of Next Meeting**

To note that the next regular meeting of the Committee will be held on 24 November 2021.

14 **Urgent Items**

Urgent item to appoint a Member of the Audit and Governance Committee to the Constitution Focus Group.

The Constitution Focus Group is a working group of the Council which reports to the Standards Committee (which has responsibility for oversight of the Council's Constitution, and makes recommendations to Full Council). The Focus Group

periodically reviews the Constitution and makes recommendations to the Standards Committee. Membership of the Constitution Focus Group includes a representative of the Audit and Governance Committee.

Any other items of business, which the Chairman agrees to consider as a matter of urgency.

## **Part II**

Item(s) during consideration of which it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed.

None.

### Audit and Governance Committee

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#### MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING HELD ON 28 APRIL 2021 AT ONLINE MEETING.

##### Present:

Cllr Richard Britton (Chairman), Cllr Stewart Dobson (Vice-Chairman), Cllr Nick Holder, Cllr Edward Kirk, Cllr Pip Ridout and Cllr John Walsh

##### Also Present:

Cllr Philip Whitehead and Cllr Pauline Church

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#### 82 Apologies

Apologies were received from:

- Cllr Gavin Grant
- Cllr Ian Thorn and
- Cllr Stuart Wheeler.

#### 83 Minutes of the Previous Meeting

The minutes of the last meeting were presented for consideration. It was,

##### **Resolved**

**To approve the minutes of the meeting on 10 February 2021 as a true and correct record.**

#### 84 Declarations of Interests

The Chairman declared a non-pecuniary interest, stating that he was a Director at SWAP.

#### 85 Chairman's Announcements

The Chairman announced that the agenda order was slightly different to usual as Deloitte were unable to join the meeting at the beginning.

#### 86 Public Participation

No public questions or statements were received.

87 **Internal Audit Plan 2021/22**

The Chairman invited Charlotte Wilson, SWAP to present the item. The report for this item was published at page 4 of agenda supplement 1.

Ms Wilson explained that SWAP was building on the approach to the Internal Audit (IA) taken for 2020/21, whereby the plan would be an agile rolling plan, allowing for adaptability and flexibility. The programme of IA work would be built from the Wiltshire Council strategic and service level risk registers, by liaising with CLT and directors and looking at live corporate performance information. SWAP was looking to bring in some sector wide risk themes and highlight potential areas to focus on. SWAP would report quarterly to CLT and to the Audit and Governance Committee. Ms Wilson also highlighted the IA Charter attached at appendix 1 of the report. The purpose of the Charter was to set out the nature, role, responsibility, status and authority of internal auditing within Wiltshire Council, and to outline the scope of internal audit work.

In response to questions regarding the Healthy Organisation framework and where this fit into the IA plan it was explained that the Healthy Organisation review usually took place every three years, the review was a high level information gathering review into the Governance of the Council and the last review was in the process of being finalised and would be brought to the next committee meeting.

In response to points raised regarding the content of the report, it was confirmed that a reference to annual IA planning would be removed and that the responsibility of the Audit and Governance Committee to monitor implementation of IA recommendations would be added to a revised report. It was,

**Resolved:**

**To note the Internal Audit Plan 2021/22 and the Internal Audit Charter.**

88 **Q4 Internal Audit Report 2020/21**

Charlotte Wilson of SWAP presented the Q4 IA report which was published in agenda supplement 1. Ms Wilson stated that there had been challenges on delivery due to lock down and the redeployment of audit staff to Wiltshire Council in order to help administer business grants. It was stated that challenges were slowly reducing with the majority of audit staff now back in their roles.

With regards to agreed actions, there were 18 priority 2 actions outstanding, which was a decrease from the last update and a significant number of priority 3 actions outstanding. However, SWAP were awaiting an update on these outstanding actions in the next agenda item (item 8) and it was anticipated that the number would reduce significantly.



Details of changes to the IA plan due to the pandemic were also covered in the report. There had been some changes to Appendix B, the standard progress table, since the report was published, the Housing Benefit and Council Tax Support Audit and the ICT Governance review had now been issued as draft reports. There had been one limited assurance opinion issued since the last update, related to Children's brokerage and management actions, as a result roles, responsibilities, expectations and reporting requirements had been agreed upon.

The Chairman was concerned with the number of outstanding IA recommendations (page 23) which had been outstanding for over 4 months. In response Ms Wilson stated that with permission she would move into the next agenda item covering the Consolidated IA Outstanding Management Actions Report, which was agreed by the Chairman. It was anticipated that the figures would be reduced by the next meeting when an updated report would be provided. It was confirmed that no outstanding actions had been removed, only implemented actions had been removed from the list. For priority 1 and 2 items these were reviewed by IA. There was a follow up protocol in place and Ms Wilson was working closely with the Deputy s151 Officer to make sure actions were monitored and implemented. The Chairman welcomed the new follow up protocol.

The Chairman raised concerns regarding the fact that 100% of IA recommendations for schools had been outstanding for over 4 months, and further concerns regarding whose responsibility this was and what actions could be taken. In response Lizzie Watkin (Deputy s151 officer) stated that an update was required from the Director for Education on whose responsibility these issues were and how they could be addressed. It was hoped that the committee may be able to receive a short update on this at the next meeting and it was on the Forward Work Programme.

There was further discussion surrounding these issues from Members and in response Andy Brown (s151 Officer) stated that Wiltshire Council did have a level of responsibility with maintained schools, the last line of defence as it were, he stated that it would be useful to have a discussion around this at the next meeting to determine the level of oversight.

In response to a question regarding ICT Governance and ICT Strategy and the replacement of SAP, Darren Roberts of SWAP stated that the ICT Governance Review was a holistic review of technology at Wiltshire Council, ICT Strategy was part of that and involved a top down layered approach. Items raised in the ICT Governance Review would identify any areas of risk that required attention and could therefore possibly guide ICT strategies and policies.

With regards to replacing SAP, Andy Brown (s151 Officer) explained that a new improved system was required, which would bring improved assurance and control. It was too early to comment on this at the present time, however further down the line the Audit and Governance Committee should seek assurance regarding risks involved in this, both before and after implementation. Lizzie Watkin gave further assurance. Whilst at present time they were in the

evaluation process of the bids submitted, work was already underway developing strategy and resources for the migration of data. Consultants were also helping to support this work. SWAP and Deloitte would also be involved in the work on the integrity of the data.

At the close of the debate it was,

**Resolved:**

- **To note the Internal Audit Report 2020/21.**
- **To note the Consolidated IA Outstanding Management Actions Report and Follow Up Protocol (as agenda item 8 was also covered under this section).**

**89 Consolidated IA Outstanding Management Actions Report**

This item was taken under agenda item 7, the Q4 Internal Audit Report 2020/21.

**90 Corporate Governance Update**

Ian Gibbons, Director Legal and Governance, gave an update on Corporate Governance to the meeting.

The officer stated that there was an update report in the pack, the first part of which related to the Annual Governance Statement (AGS) and improvement actions as a result of the AGS, which were detailed in appendix 1. There were no changes to highlight.

The second part of the report was in response to a request from the Committee on governance reporting arrangements. As a result suggested amendments to the constitution (seen at appendix 2) had been made which gave clarity on the responsibilities of the Audit and Governance Committee and the Scrutiny Committees, there was some fine tuning summarised in the report, such as updating the name of the committee to the Audit and Governance Committee; confirmation of the Committee's responsibility to approve the Annual Statement of Accounts and the AGS; clarification of the Committee's role in relation to Swindon and Wiltshire Local Enterprise Partnership (SWLEP) and the Committee's role in relation to the Council's Stone Circle companies, which would be considered as part of a review of the governance arrangements for these companies as requested by Cabinet at its meeting in February. An update on the review would be provided to Cabinet in July 2021. The role of the Audit and Governance Committee would need to be considered as part of that.

The Chairman stated he was happy with the report but highlighted one error on page 37 where the adjustment of Audit, to Audit and Governance was missed. Mr Gibbons confirmed that this would be rectified. The officer also clarified that

the proposed changes would go to the Constitution Focus Group and then to Full Council for approval.

It was;

**Resolved:**

- **To note the current status of improvement actions identified in Annual Governance Statement, as set out at Appendix 1 (page 31), and**
- **To approve the proposed changes to Protocol 10 – Governance Reporting Arrangements, as set out at Appendix 2 (page 35).**

91 **Cyber Security**

Darren Roberts (SWAPs Assistant Director ICT, Digital and Cyber), gave a presentation on cyber security. The presentation slides are appended to these minutes. The essence of the presentation highlighted that cyber security was incredibly important, there would always be risk and it was highly likely that there would be a breach at some point, usually as a result of the human factor, therefore it was everyone's responsibility to take action to prevent breaches. The Chairman thanked Mr Roberts for his presentation.

The Chairman invited Ian Robinson (Director of Digital, Data and Technology) to give a presentation and asked for assurance for the Committee in regards to Cyber Security at Wiltshire Council and to what extent the concerns highlighted by Mr Roberts could be addressed.

The Officer stated that he wanted to give a sense of progression being made. He started in 2019 and started in depth reviews due to some concerns. Shortly after there was a data centre power failure which caused issues, turning some of the concerns to reality.

The review became a formal programme and a lot of the work undertaken was fed from the audit where 2 critical items were highlighted and a further 12 recommendations were made. As a result, Wiltshire Council back up facilities were completely refreshed. The primary data centre was now wholly reflected in a secondary data centre. There was also an "air gapped" back-up solution. So, if data was compromised and destroyed it could be replaced by the "air gapped" back up which was held completely separately. Some further trialling and real world testing of disaster recovery was required but had been delayed due to the pandemic.

A redesign of the boundary defences, such as firewalls had been implemented. Many apps and data were also now held in the cloud. The ICT structure would be reorganised and bolstered with training, this process had been prioritised. In summary good progress was being made.

Cllr Holder commented that he was gratified by the presentations and the comments made and was satisfied that progress was being made. Cllr Holder stated he had a specific question regarding Cyber Essentials Plus accreditation, however he was happy to raise this with the officer outside the meeting. Copeland Council's cyber security issues were raised as an example that all Councils wanted to avoid. He encouraged all to allow the live tests to occur.

At the conclusion of the debate it was proposed that the Audit and Governance Committee:

- Note the presentations.
- Note the need for further work on red risk items.
- Recommend that Wiltshire Council work towards Cyber Essentials Plus accreditation as a minimum standard.

The officer confirmed that action was being taken on all these items.

Cllr Philip Whitehead, Leader of Wiltshire Council also stated that this was a priority and he had previously had conversations with the officer regarding this, and work was progressing. The importance of our data was highlighted and the support of the Audit and Governance Committee was welcomed and work would be progressed on this issue.

Mr Roberts (SWAP) stated that framework reviews had been undertaken with many of their partners and he was encouraged by Wiltshire Council's progress.

The Chairman stated that it was important that this should be monitored in the future.

At the conclusion of the debate the motion was voted on and it was;

**Resolved:**

**That the Audit and Governance Committee**

- **Note the presentations.**
- **Note the need for further work on red risk items.**
- **Recommend that Wiltshire Council work towards Cyber Essentials Plus accreditation as a minimum standard.**

The meeting was adjourned at 11.55am for a five minute break.

## 92 **Accounting Policies 2020/21**

Lizzie Watkin (Assistant Director Finance and Deputy s151) gave a presentation on accounting policies for 2020/21.

Ms Watkin stated that this was an annual paper regarding accounting policies for the financial year for which they were currently producing the statement of

accounts, so 2020/21. There had been no significant changes since the previous year. However, there had been a significant amount of grant funding from central government due to the pandemic. Therefore, there was additional disclosure on the Council approach to agency / principal relationships. In addition, the creation of the Stone Circle subsidiary companies meant the Council would now be producing full group rather than single entity accounts in 2020/21. This required a change in format rather than policy, but due to political aspects and public interest this was also included.

In response to a question as to whether parish councils were creditors in regard to CIL it was clarified that this was not technically the case. Amounts due to parish councils were covered in the general recognition of balances. It was,

**Resolved:**

- **To approve the council's accounting policies for the financial year 2020/21.**

93 **Statement of Accounts 2019/20**

Andy Brown (Corporate Director Resources & Deputy Chief Executive (s151 Officer)) gave an update to the meeting. The statement of accounts 2019/20 were attached in draft format. Unfortunately, it had not been possible to finalise these accounts due to resource constraints however there was an improved direction of travel. In November 2020 the Statement of Accounts 2018/19 were approved which there had been some qualification issues with, which had caused delays and were having a knock-on effect on the 2019/20 Statement of Accounts. Some external technical support from David Bolden was being provided and a new Chief Accountant employed. The focus was on the 2020/21 accounts which it was hoped would be delivered on time.

Working arrangements and relationships with the external auditors had been worked upon and improved, so there as now a position of greater understanding and this was an improvement. Whilst there were issues with the 2019/20 accounts resources were in place to deal with these and the Cabinet Member for Finance was keeping a careful watch and holding the s151 Officer to account.

Lizzie Watkin (Assistant Director Finance and Deputy s151) stated that she recognised that there had been gaps in knowledge and expertise within the team. David Bolden had been instrumental in progressing the accounts to draft state, a review had been undertaken and several errors and misstatements were identified. Appendix A detailed all the changes that had been made and all errors and misstatements had been corrected apart from those noted in Deloitte's update.

The team was responding more quickly with robust data and an improvement plan in terms of technical financial accounting was being implemented which focused on development and learning, sharing audits findings, expectations of standards, recruiting senior technical accounting resource and recruiting

apprentices. Processes had been reset for the 2020/21 accounts which was helping with learning and development. It was explained that the statement of accounts and appendices were huge documents and the auditors were undertaking final reviews and checks on this and any changes which had occurred were clearly set out. In response to questions it was confirmed that the appendix contained all the changes which had been made.

Ian Howse of Deloitte then presented his report (page 173) on the Statement of Accounts 2019/20. The 2019/20 accounts had been very challenging and a lot of improvements made to the initial draft set of accounts. It was not easy to extract information from the current finance system, so he felt the fact that SAP was being replaced was good as were the improvements in staffing and expertise. A number of control recommendations and disclosure deficiencies had been raised in his report. A very positive workshop had been held with Deloitte and the finance team, helping to increase knowledge.

Mr Howse echoed the comments that the 2020/21 accounts were progressing very well so things would get back on track. They were outside the normal audit cycle on the 2019/20 accounts which impacted how long it took to complete the work. The report gave assessment of where issues were and he was encouraged by the actions being taken.

In response to questions it was stated that the finance team were making a real effort to get all information required to Deloitte. Work was progressing well on removing the qualification issues from 2018/19 and the aim was to ensure the removal of the qualification issues for the 2020/21 accounts. The complexity of the various systems used to gather information was explained and that Evolve and changing the ERP would give more control, being more dynamic and easier to use.

Cllr Pauline Church, Cabinet Member for Finance stated that she had been holding the s151 Officer to account and agreed that it was of the utmost importance that a good quality set of accounts that everyone was happy with were signed off. Cllr Church was pleased that the Evolve project was underway and felt that it would be fit for purpose. A new culture within the finance team was being fostered and the need for very technical expertise and both Lizzie Watkin and Andy Brown had worked hard on this. Cllr Church urged Deloitte to ensure the resources were in place so that the accounts would be ready in time for the July Committee.

The Chairman echoed that sentiment and very much hoped that the 2019/20 accounts could be signed off at the July Committee and that this would end the problems encountered with the statement of accounts. The Chairman was encouraged by the progress on the 2020/21 accounts.

There was a debate as to whether there should be a reference in the AGS (on page 47) to the steps taken to reinforce the finance department. Lizzie Watkin stated that would be more relevant to the AGS for 2020/21 when the actions were implemented. The Chairman felt that maybe it should be included in the "how we can improve section" for 2019/20. Andy Brown stated that as an

alternative he could include that in his narrative report for the 2019/20 accounts, being transparent about the weaknesses inherited and, planned actions and the steps taken. At the conclusion of the debate it was,

**Resolved:**

- **To note the updated position on the Statement of accounts 2019/20.**

94 **External Audit Plan 2020/21**

Ian Howse, Deloitte, presented the External Audit Plan 2020/21. The report identified key risks, which were materially broadly in line with previous years and involved property valuation; having the right amounts in the right year; valuation of the pension fund which included a lot of assumptions; management override of controls; changes to the value for money work and the ISA 540 update to how they audit. There was also detail on the impact of the pandemic. There was uncertainty around the period at year end in 2019/20, which was consistent across all Councils due to the pandemic, but which should hopefully not feature in the 2020/21 accounts. Control deficiencies were also included for completeness.

It was stated that the right conditions had been created for 2020/21 and the work that had been undertaken by the new resources to close down plan was very encouraging.

Cllr Dobson queried out of interest what was determined material and how fraud might of smaller amounts might be reported. It was clarified that smaller amounts were reported when it was a qualitative issue. Any fraud should be picked up by Internal Audit.

Andy Brown (s151 Officer) stated that there were 3 lines of defence to fraud, management controls, policies and procedures such as IA to ensure controls were to standard, and the external aspect.

**Resolved:**

- **To note the External Audit Plan 2020/21.**

95 **Forward Work Programme**

The Chairman highlighted the Forward Work Programme contained within the agenda (page 239) and requested that the following items be added to the FWP:

- Healthy Organisation Review
- The SWLEP (responsibilities towards that and what we do)
- Governance of the Stone Circle Company

- Cyber Security and how to take forward these issues

**Resolved:**

- **To note the FWP and add the above items.**

96 **Date of Next Meeting**

The date of the next meeting would be held on 21 July 2021.

97 **Urgent Items**

There were no urgent items, however as this was the last meeting of the Committee in this Council term, the Chairman expressed thanks to all Members, in particular the Vice-Chairman who was retiring.

Cllr Dobson thanked all officers for their hard work and thanked the Chairman for his excellent stewardship of the Committee.

The Chairman also thanked Ian Gibbons (Director Legal and Governance) who was retiring, for all his help and advice.

(Duration of meeting: 10.00 am - 12.45 pm)

The Officer who has produced these minutes is Tara Shannon of Democratic Services, direct line 01225 718352, e-mail [tara.shannon@wiltshire.gov.uk](mailto:tara.shannon@wiltshire.gov.uk)

Press enquiries to Communications, direct line (01225) 713114/713115



# Cyber Is For Everyone

**Why Cyber Security at Wiltshire Council is everyone's responsibility**

Darren Roberts QICA MBCS, Assistant Director, ICT, Digital and Cyber Audit, SWAP Internal Audit Services



[www.swapaudit.co.uk](http://www.swapaudit.co.uk)

## From the outset...

BUSINESS CASE

EXPANSION OF CARE PROVISION  
FOR YR 3-6 CHILDREN WITH  
PROFOUND & MULTIPLE LEARNING  
DIFFICULTIES

COST = £85,000

BUSINESS CASE

NEW SOLUTION FOR  
PROTECTING NETWORK  
BORDERS

COST = £85,000

- **Cyber is fundamental**
- **Demystification**
- **Non Opinion**

## Objectives for today



- **Establish why we all take cyber security seriously**
- **What are the immediate considerations for Cyber Risk**
- **Why People, Process and Technology Risks and Controls are vital to establish good cyber security**
- **Whose responsibility is it anyway?**

# Why we get serious



## Risks in Focus 2020

2019	2020
1. Cybersecurity: IT governance & third parties	1. Cybersecurity & data privacy: rising expectations of internal audit
2. Data protection & strategies in a post-GDPR world	2. The increasing regulatory burden
3. Digitalisation, automation & AI: technology adoption risks	3. Digitalisation & business model disruption

# No-one wants to be the victim

## Redcar Council suffered £10.14m loss due to February ransomware attack

AUGUST 12, 2020



A ransomware attack targeting the Redcar and Cleveland Borough Council's IT systems in February inflicted a financial loss of £10.14m to the Council, forcing it to seek additional budgetary support from the government.

## Lynn News

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### Virus attack left council 'paralysed' as figure of £3,000 raised at meeting

By Ben Hardy - ben.hardy@liffepublishing.co.uk

Published: 15:38, 13 July 2020 | Updated: 15:39, 13 July 2020

Swaffham Town Council may have to pay upfront costs of nearly £3,000 following a computer virus attack in April.

The attack was said to have left council staff "paralysed" for three days from April 22, and has been described as a "big problem".



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## Copeland Borough Council: managing a cyber attack

During the August bank holiday in 2017, Copeland Borough Council was hit by a zero-day ransomware cyber attack.

Efficiency and income generation | 09 Oct 2018

A zero-day attack means the hacker is deploying a type of virus so new it is not yet recognised by any anti-virus tools – which Copeland *did* have in place – meaning there is no way Copeland could have prevented the attack, despite their best efforts.

## Myth - it will never happen to me

- #1 You are going to get or have been exposed to a breach (<https://haveibeenpwned.com/>)
- #2 The human factor is the weakest link
- #3 Don't rely on software to protect you



**Not promoting a culture of fear - promoting a culture of compliance**

# Even the ICT Auditor can get “pwned”

## Breaches you were pwned in

A "breach" is an incident where data has been unintentionally exposed to the public. Using the [1Password password manager](#) helps you ensure all your passwords are strong and unique such that a breach of one service doesn't put your other services at risk.



**Canva:** In May 2019, the graphic design tool website [Canva](#) suffered a data breach that impacted 137 million subscribers. The exposed data included email addresses, usernames, names, cities of residence and passwords stored as bcrypt hashes for users not using social logins. The data was provided to HIBP by a source who requested it be attributed to "JimScott.Sec@protonmail.com".

**Compromised data:** Email addresses, Geographic locations, Names, Passwords, Usernames



**Onliner Spambot ([spam list](#)):** In August 2017, a spambot by the name of Onliner Spambot was identified by security researcher [Benkow moxueq](#). The malicious software contained a server-based component located on an IP address in the Netherlands which exposed a large number of files containing personal information. In total, there were 711 million unique email addresses, many of which were also accompanied by corresponding passwords. A full write-up on what data was found is in the blog post titled [Inside the Massive 711 Million Record Onliner Spambot Dump](#).

**Compromised data:** Email addresses, Passwords

# Immediate considerations on cyber risk



## Cyber Threats



## Regulatory and Legislative



## Business Continuity



## Emerging Technology



# Cyber Threats – The Outcomes

## Monetary Outcome

- Theft/sale of data
- Scam or Fraud
- Kidnap and Ransom



## Malicious Outcome

- Major Disruption
- Leaks or Whistle Blow
- Guerrilla Reasoning

## Accidental Outcome

- Data Breach
- Enabler for a Cyber Attack

# Regulatory and Legislative

**ico.**  
Information Commissioner's Office

The UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals.

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## Gloucester City Council fined by ICO for leaving personal information vulnerable to attack

Date 12 June 2017  
Type News

The Information Commissioner's Office (ICO) has fined Gloucester City Council £100,000 after a cyber attacker accessed council employees' sensitive personal information.

The attacker took advantage of a weakness in the council's website in July 2014, which led to over 30,000 emails being downloaded from council mailboxes. The messages contained financial and sensitive information about council staff.

# Financial

**ITPro.**

Business Cloud Hardware Infrastructure Security Software Technology Resources .co.uk

NEWS Home > Security > Data Breaches

## Data breaches 'have destroyed customers' trust in companies'

In the aftermath of TalkTalk and Ashley Madison hacks, people are less likely to give firms their data

High profile data breaches have decimated consumers' trust in companies, according to a survey by security firm FireEye.

Almost three quarters of 1,000 UK respondents told FireEye they would not use services from organisations who lost their data in cyber attacks, and nearly two-thirds of people now trust companies a lot less after the torrent of high profile hacks that hit businesses last year.

# Reputational

# Business Continuity

Hypothetical Scenario:-

Your main finance and payroll system has been subject to a ransomware attack. You are unable to access sensitive data and critical business processes. You were due to pay staff in the monthly salary run in 2 days time.

What would you do?

So, what if you could not get access to the system for:-

- 1 day
- 1 week
- 1 month or beyond
- Or...do you pay the ransom?

# Difficult Decisions

RISK MANAGEMENT / FRAUD & PRIVACY 2020

## Should you pay a ransom?

Paying to get stolen data back following a ransomware attack often seems the only course of action, but you may pay double in the long run

BY EMMA WOOLLACOTT – AUGUST 20, 2020

RCNT.EU/R3A7P



# Emerging Technology

**BLOCKCHAIN**

**5G**

**INTERNET  
OF  
THINGS**

**3D PRINTERS**

**BIG  
DATA**

**DRONES**

**ARTIFICIAL  
INTELLIGENCE**

**ADVANCED  
MATERIALS**

**ROBOTICS**

**QUANTUM**



# Cyber Security Awareness Eco System

PEOPLE



GOOD CYBER HEALTH



TECHNOLOGY

PROCESS



# People Risks

## PEOPLE



- Weakest Link – they can let attackers in rather than the attacker breaking in
- Social Engineering
- Phished and Spoofed
- Cyber Auditors are quickly becoming experts in Human Psychology
- Mitigate against 4 types of user behaviour

# Social Engineering

**FEARS**

**NOT WANTING  
TO QUESTION**

**DESIRE TO HELP**

**RESPECT**

**NAIVETY**

**NOT WANTING TO  
BE A NUISANCE**

**TRUST**





## Social Proof



If we don't know to behave, we will mimic others.

You may well be aware of something but still behave in a certain way

# People Controls

## PEOPLE



- Training and Awareness
- Embed Security by Design
- Everyone fully engaged with all processes
- Culture of Compliance owned from the top
- Aware of Outcomes... which need to be enforced

## Process Risks

### PROCESS



- Poor, impractical or non-existent policy framework
- Reckless use of devices
- Service Management Processes are not security by design eg: Joiners, Movers and Leavers
- There's a Security Incident. What next?
- Don't know what you are protecting
- Information quality and management

# Process Controls

## PROCESS



- Well defined, practical, approved, enforceable and managed framework of policies
- Robust Service Management Processes – application of security updates and patches, integrated HR.
- Standard Security Builds – Hardware, Software and Cyber
- Security Incident Management
- Business Continuity Management – Back up systems and data with recovery processes
- Robust approach to Information Governance and Management

## Secrets – so many secrets

What does your phone and it's installed apps know about you:-

- Location – sometimes quite precisely
- Personal Preferences
- What you like posting and sharing
- Your internet browsing history and cookies
- Data Aggregation within Apps – date and location stamps

# Technology Risks

## TECHNOLOGY



- Infrastructure design including network
- Technical security solutions at network perimeters and on devices not managed or non-existent
- Configuration of security devices are not appropriate to security requirements
- Amount of supported technology solutions not supported by appropriate resources
- Logging and monitoring may be poor and/or non-existent
- Over-reliance on the 3<sup>rd</sup> party supplier or provider

# Technology Controls

## TECHNOLOGY



- Well designed dynamic infrastructure that meets the needs of the authority
- Appropriate technical security solutions at network perimeters and on devices dynamically monitored and updated
- Configuration of security devices are subject to technical analysis and review
- Logging and monitoring has been defined and is used by inform future security decisions
- Mutual understanding between providers on technology used to embed security

# Whose responsibility is this?



ICT Manager



CHIEF EXECUTIVE OFFICER

Chief Executive Officer



Operational Staff

Elected Members



Service Managers



Head of Information Governance





# It is everyone's responsibility



ICT Manager



CHIEF EXECUTIVE OFFICER

Chief Executive Officer



Operational Staff

**Not promoting a culture of fear - promoting a culture of compliance**

Elected Members



Service Managers



Head of Information Governance



# Promotion of culture of compliance?

Not promoting a culture of fear - promoting a culture of compliance

Low on  
new  
solutions

Fundamental  
risks not being  
addressed

Payloads of Cyber  
Crime getting more  
sophisticated....

...but the  
technology to  
initiate them  
is not.



## Conclusion

### Champions Network

More positive cyber and digital attitudes

Champions network promotes a 2-way approach feeding back on gaps

Embed culture of compliance at induction

Be realistic, don't overwhelm, prioritise on what you want to achieve

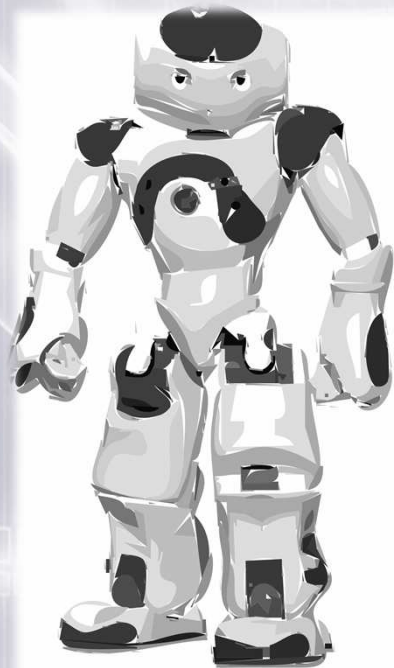
Use scenarios and hypothesis - be brave.

Search: "Security Champions Playbook" on OWASP

**Not promoting a culture of fear - promoting a culture of compliance**

## Over to you...

# A better word than Cyber?



Darren Roberts QICA,  
MBCS

ICT, Digital and Cyber Assurance | ICT  
Auditor (QICA) | BCS Professional  
(MBCS) | Chair of BCS IRMA SG |



# Cyber is for everyone

## Questions



Darren Roberts QiCA MBCS  
darren.roberts@swapaudit.co.uk  
Assistant Director, ICT Audit Team  
SWAP Internal Audit Services  
28<sup>th</sup> April 2021

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# Wiltshire Council

## Internal Audit Annual Opinion Report 2020/21

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Agenda Item 7

# Internal Audit Annual Opinion – 2020/21: ‘At a Glance’

## Annual Opinion



There is generally a sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.

## The Headlines



**Three Significant Risks identified in year.**  
(However, actions have been agreed to significantly lower the residual risk)



**45 reviews delivered as part of the 2020/21 Internal Audit Plan.**  
Includes assurance (22), advisory (11), grant certifications (5) and follow up reviews (7).



**Internal Audit staff redeployed directly into Council areas to assist with the COVID response.**  
COVID 19 Business Grant processing and post payment checks.



**Significant improvements in the implementation of agreed actions.**



**Range of innovations and enhancements made to our internal audit process throughout the year.**  
One-page audit report, continuous audit and the introduction of Agile auditing and planning.

## Internal Audit Assurance Opinions 2020/21

Substantial		5
Reasonable		14
Limited		3
No Assurance		0

## Internal Audit Agreed Actions 2020/21

Priority 1		0
Priority 2		35
Priority 3		61
<b>Total</b>		<b>96</b>





## Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



### Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
  - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
  - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
  - the effectiveness of risk management processes; and
  - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.



# Executive Summary

## Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

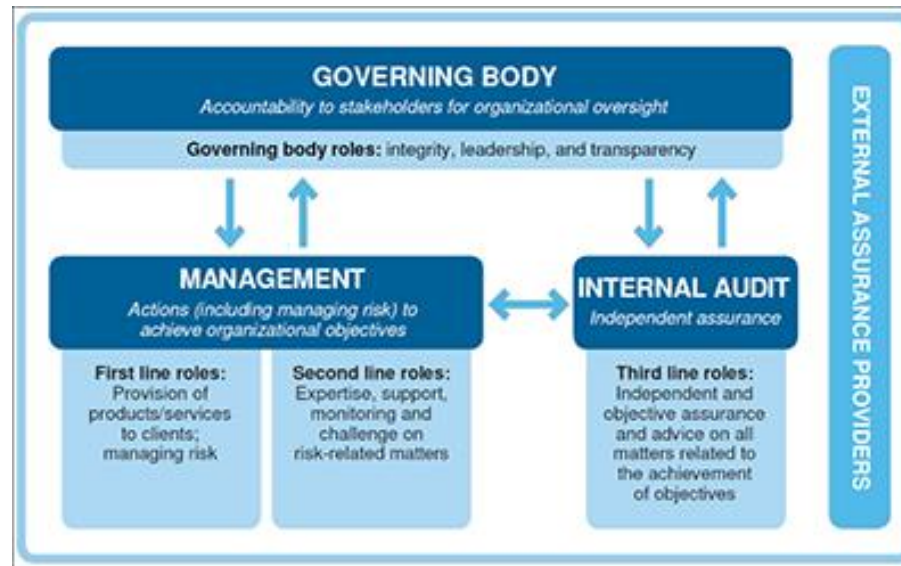


## Background

The Internal Audit service for Wiltshire Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2020/21 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



### Annual Opinion

On the balance of our 2020/21 audit work for Wiltshire Council, enhanced by the work of external agencies, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Just as in more normal times, audit work has been planned to ensure that sufficient assurance will be available to support the annual opinion. The professional requirements of PSIAS have remained unchanged and in line with these, new audit priorities to cover the risks from the impact of COVID-19 have been agreed throughout the year and that work supports the annual opinion.

The additional audits performed to carry out assurance work on new risks associated with the Covid-19 emergency response were:

- Work around business support grants;
- Audit of covid grants;
- Focussed analytical work; and
- Relevant advisory work.

It has been agreed to defer some of the less urgent audit work to 2021/22 and this has been replaced and reported as follows.

- Additional audit work on new risks associated with COVID-19 being delivered.
- Some areas of the Council facing significant resource challenges as leading the Council's response to the pandemic, meaning key staff/information/systems not accessible to internal auditors.
- Redeployment of audit staff to support the Council's response reducing the resource base for internal audit.

## Summary of Audit Work 2020/21

The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control.

- Healthy Organisation
- Business Continuity
- Continuous assurance
- Key financial audits
- Information governance and security
- Key front-line services



# Summary of Audit Work 2020/21

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.



## Audit Coverage by Corporate Risk

Corporate Risk	Coverage	Assurance assessment based on completed internal audit work
CRR 01 – Safeguarding Children		Limited
CRR 02 – Safeguarding Adults		Reasonable
CRR 03 – Salsbury Economy		
CRR 04 – Interest Rate Changes		Reasonable
CRR 05 – Cyber Resilience		Advice and Guidance
CRR 06 – Staff Capacity		
CRR 07 – Budget Management		Reasonable
CRR 08 – Contract Management		Limited
CRR 09 – Income Collection		Reasonable
CRR 10 – Corporate Health, Safety & Wellbeing		
CRR 11 – Information Governance		Advice and Guidance
CRR 12 – COVID 19 Related Risks		Advice and Guidance

Table Key	
	Reasonable internal audit coverage
	Limited internal audit coverage
	No recent internal audit coverage
	Proposed internal audit coverage removed

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**SWAP**  
INTERNAL AUDIT SERVICES  
Helping Organisations to Succeed

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

## Definitions of Corporate Risk

### High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

### Medium Risk

Issues which should be addressed by management in their areas of responsibility.

### Low Risk

Issues of a minor nature or best practice where some improvement can be made.



## Significant Corporate Risks

For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

### Review

#### Deprivation of Liberty Safeguards

##### Objective:

The objective of this audit is to ensure that the key controls within the Deprivation of Liberty Safeguards are operating effectively.

##### Risk:

Deprivation of Liberty Safeguards (DoLS) Assessments are not completed within the statutory timeframe, resulting in loss of individuals freedoms without a right of appeal and subsequent reputational harm to the Council.

##### Updated Position:

The overall assurance opinion provided for this review was High Reasonable. However, the residual risk following conclusion of this audit remains high due to the current backlog of DoLS assessments. This risk had already been identified and escalated by the DoLS team to management. As a result, it has been decided to hire the services of a third party that will be responsible to assess the pending requests by April 2022. Once this has been addressed by the plan already in place, the residual risk will be significantly lowered.

The assurance opinion has not been impacted by the risk level as the Council had sufficient plans already in place prior to the audit.

**Review**

**Brokerage - Adults**

Objective:

To assess whether processes in operation within the Adults Brokerage service are efficient and effective and whether both internal and external relationships are effective in achieving aims for the service.

Risk:

The Council fails in its duty to broker care packages for its service users.

Updated Position:

The overall assurance opinion provided for this review was High Limited. The review identified that due diligence processes are currently not effective in identifying providers with previous inadequate ratings with the Care Quality Commission (CQC) and some long-term contracts are also no longer fit for purpose.

A total of five actions have been discussed and agreed with management with a target date of the end of June 2021. Four of these actions have already been implemented, with the remaining Priority 3 action having a revised implementation date set as 30<sup>th</sup> August 2021.



## Review

### Third Party Spend – Purchase to Pay

#### Objective:

To provide assurance that the Council's tendering process is effective at procuring goods and services.

#### Risk:

The Council's procurement policy and procedure suite are not up to date with legislation, contract requirements and best practices and do not promote achieving value for money.

#### Updated Position:

The overall assurance opinion provided for this review was Low Limited. The review identified that the Procurement Strategy has not been reviewed since 2019, this should be undertaken annually and confirm that the Strategy complies with current Government legislation. Social value is also not currently supported by a Social Value Policy or reference to social value within the Procurement Rules.

A sample of contracts and business cases/sourcing plans were also reviewed. It was found that these varied in detail and quality. The large contracts examined mentioned savings however, we could not evidence how these savings were being monitored or captured. A centralised central record of collaborative or partnership arrangements is also not currently held.

All actions have been agreed with a target date of the end of October 2021. The procurement governance project has now been superseded by the Commercial Workstream and Organisational Recovery Programmes and several of the agreed actions will be picked up by these programmes.





# Summary of Audit Work 2020/21

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

## Assurance Definitions

<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

## Summary of Audit Opinions

Table 1: Summary of Audit Opinions

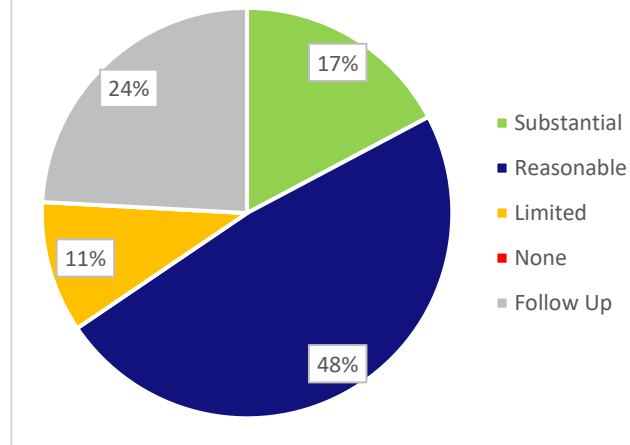


Table 2: Audit Work by Type

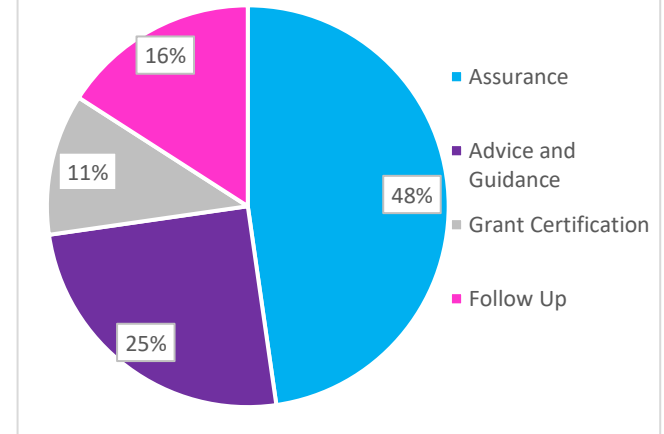


Table 1 above indicates the spread of assurance opinions across our work during the past year.

Table 2 indicates the audit work by type. Whilst assurance work is the main focus of internal audit, in a time of crisis such as the pandemic, internal audit has the knowledge and skills to be able to provide advisory work that supports the organisation through such turbulence. In addition, it was possible to progress COVID related advisory work whilst our normal assurance work was temporarily paused.



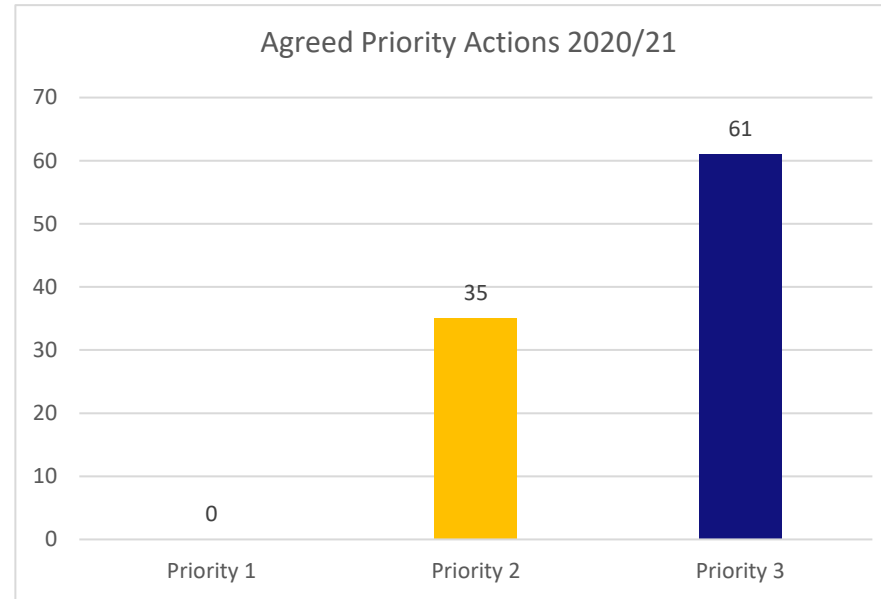
# Summary of Audit Work 2020/21

## SWAP Performance - Summary of Audit Actions by Priority



## Priority Actions

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



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### Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



### Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

#### **Benchmarking**

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN) for:

- Processes around the operation of Business Grants
- Value for Money
- Corporate Criminal Offence
- Unregistered Placements
- Protection of Property
- Contract Management

#### **CIFAS Data Matching**

SWAP has paid an annual subscription of £9,105 for 2020/21 to enable Wiltshire Council to be part of CIFAS. This data matching service will help the Council to both detect and prevent fraud. SWAP is working with both CIFAS and the Council to facilitate data matching work in the following areas:

- Insurance – to identify whether claimants have been recorded within the database as attempting to perpetrate fraud.
- Human Resources – to identify whether existing staff or staff offered a vacant position through the recruitment process have been identified as attempting to perpetrate fraud.
- Adult Services, residential homes and domiciliary services – to identify whether contractors are continuing to claim for deceased service users.

#### **Innovations and Enhancements to our Audit Process**

During this exceptional year, we have taken the opportunity to implement and introduce a number of innovations and enhancements to our audit process. This has included:

Introducing the concept of 'Agile Auditing' to our audit process. With increased collaboration and a joint commitment with the service under review, it is possible to complete audits faster and more efficiently. We have used this concept to complete a number of audits this year and have had positive feedback from the senior managers working with us on these reviews.

Introduction of continuous audit reviews in relation to the key fundamental areas. This is a method whereby audit testing of key controls of an area or activity, is performed on a more frequent basis. It changes the audit approach from periodic reviews incorporating a small sample of transactions, to ongoing testing of a larger overall sample, with audit results produced shortly after testing. The benefits are a more reactive and timely approach to auditing which gives a continuous assurance on systems and processes throughout the year.

With the help of SWAP's two newly appointed Data Analysts, we are looking to include analysis of data as part of our auditing wherever possible. This allows us not only the opportunity to test whole populations of data, but where this is not possible or appropriate, to be able to use data analytics to target our testing in a more effective manner.

SWAP's Counter Fraud Team has also facilitated access to counter fraud intelligence resources and issued alerts and newsletters to key officers in the Council.

Introduced a new one-page audit report, that summarises all the key messages of the audit on one page for ease of consumption as well as increasing impact. Feedback on the report style has again been extremely positive.

Introduced a new continuous audit planning and risk assessment process.



Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



## SWAP Performance

SWAP’s performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The outturn performance results for Wiltshire Council for the 2020/21 year are as follows:

Performance Target	Average Performance
<b>Audit Plan – Percentage Progress</b>	
Final, Draft and Discussion 90%	100%
In progress/Review	0%
Yet to Commence	0%
<b>Customer Satisfaction Questionnaire</b>	
Feedback 95%	100%

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance to PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP’s Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.



## Summary of Internal Audit Work 2020/21

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
<b>Completed Work</b>							
Follow Up	Direct Payments	Completed	Follow Up	N/A			
Follow Up	Gross Loans	Completed	Follow Up	N/A			
Advisory	COVID Business Grants Spotlight Process Assurance Review	Completed	Advice and Guidance	N/A			
Advisory	COVID Business Grants Red Team Process Assurance Review	Completed	Advice and Guidance	N/A			
Assurance	Pension Fund Key Control Review	Completed	Medium Reasonable	5	0	2	3
Grant Certification	Local Transport Capital Grants	Completed	Certification	N/A			
Grant Certification	Local Authority Bus Subsidy	Completed	Certification	N/A			
Grant Certification	COVID-19 Bus Services Support Grant	Completed	Certification	N/A			
Grant Certification	Public Health Grant	Completed	Certification	N/A			
Assurance	Brokerage – Adults	Completed	High Limited	5	0	3	2
Advisory	COVID-19 Discretionary Grant	Completed	Advice and Guidance	N/A			
Assurance	Budget Management	Completed	High Reasonable	4	0	0	4
Advisory	Infection Control Funding Assurance	Completed	Advice and Guidance	N/A			
ICT	Cyber Security Framework Review	Completed	Advice and Guidance	N/A			
Assurance	Brokerage - Children's	Completed	Low Limited	12	0	6	6

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## Plan Performance 2020/21

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Follow Up	School Theme HR & Payroll - Holt	Completed	Follow Up	N/A			
Follow Up	School Theme HR & Payroll – St Patrick’s	Completed	Follow Up	N/A			
Follow Up	Adult Services – Court of Protection: Deputyship and Appointeeship for Service Users	Completed	Follow Up	N/A			
Assurance	Treasury Management	Completed	High Reasonable	4	0	2	2
Assurance	Accounts Payable - Continuous Assurance and Data Analytics	Completed	Medium Reasonable	3	0	1	2
Follow Up	Christ the King Catholic School Amesbury	Completed	Follow Up	N/A			
Assurance	Accounts Receivable - Continuous Assurance and Data Analytics	Completed	Medium Reasonable	3	0	1	2
Advisory	Adult Safeguarding – Proactive Review of Finances	Completed	Advice and Guidance	N/A			
Assurance	Whiteparish All Saints C of E Primary School	Completed	Low Reasonable	7	0	3	4
Assurance	Southwick C of E Primary School	Completed	Medium Substantial	3	0	0	3
Assurance	Chilton Foliat CE (VA) Primary School	Completed	Medium Substantial	3	0	0	3
Assurance	Urchfont C of E Primary School	Completed	Medium Reasonable	5	0	2	3
Assurance	Crockerton C of E Primary School	Completed	Medium Reasonable	5	0	2	3
Assurance	Stonehenge School	Completed	Medium Substantial	3	0	1	2
Assurance	IR35 Compliance	Completed	Medium Reasonable	3	0	3	0

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## Plan Performance 2020/21

Audit Type	Audit Area	Status	Opinion	No of Actions	1 =	↔	3 =
					Major		Action
					1	2	3
Advisory	CiFAS Data Matching Support	Completed	Advice and Guidance	N/A			
Advisory	Baseline Assessment of Maturity for Fraud	Completed	Advice and Guidance	N/A			
Special Investigation	Strategic Assets and Facilities Investigation	Completed	Advice and Guidance	N/A			
Grant Certification	Troubled Families	Completed	Certification	N/A			
Advisory	National Fraud Initiative (NFI)	Completed	Advice and Guidance	N/A			
Redeployment	COVID-19 Business Grants – Post Payment Checks	Completed	Support	N/A			
Assurance	Missing Children	Completed	Low Reasonable	6	0	1	5
Assurance	Housing Benefit and Council Tax Support - Continuous Assurance and Data Analytics	Completed	Medium Substantial	1	0	0	1
ICT	ICT Governance Review	Completed	Advice and Guidance	N/A			
Assurance	Deprivation of Liberty Safeguards	Completed	High Reasonable	4	0	0	4
Follow Up	Contract Management	Completed	Follow Up	N/A			
Assurance	Main Accounting - Continuous Assurance and Data Analytics	Completed	Medium Reasonable	3	0	1	2
Assurance	Council Tax and Business Rates - Continuous Assurance and Data Analytics	Completed	Low Reasonable	3	0	1	2
Assurance	Housing Rent - Continuous Assurance and Data Analytics	Completed	High Reasonable	3	0	1	2
Assurance	Payroll - Continuous Assurance and Data Analytics	Completed	Medium Substantial	3	0	0	3

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## Plan Performance 2020/21

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Assurance	Third Party Spend – Purchase to Pay	Completed	Low Limited	8	0	5	3
Redeployment	COVID-19 Business Grants - Processing	Completed	Support	N/A			
<b>Audits Deferred/Removed</b>							
Assurance	Data Breaches	Deferred	This audit has been deferred to enable the redeployment of SWAP staff to support the Council's COVID response.				
Grant Certification	Growth Hub	Deferred	Review deferred to 2021/22, grant certification not due yet.				
Assurance	ICT Strategy	Removed	Replaced with ICT Governance Review				
Grant Certification	Test and Trace Service Support Grant	Deferred	The certification of this grant is not due until October 2021.				
Assurance	Council Oversight of Maintained Schools	Deferred	This audit has been deferred to enable the redeployment of SWAP staff to support the Council's COVID response.				
Assurance	Medium Term Financial Strategy	Removed	This audit has been deferred to enable the redeployment of SWAP staff to support the Council's COVID response.				
Assurance	Culture and Ethics	Deferred	This audit has been deferred to enable the redeployment of SWAP staff to support the Council's COVID response.				
Assurance	Hullavington C of E Primary School	Deferred	Due to staff shortages and the pressures caused by the pandemic this audit has been deferred.				
Assurance	Stratford Sub Castle C of E School	Deferred	Due to staff shortages and the pressures caused by the pandemic this audit has been deferred.				
Grant Certification	Additional Dedicated Home to School and College Grant	Deferred	Review deferred to 2021/22, grant certification not due yet.				
Grant Certification	COVID-19 Bus Services Support Grant (Restart)	Deferred	Review deferred to 2021/22, grant certification not due yet.				
Assurance	Climate Change	Deferred	This audit has been deferred to enable the redeployment of SWAP staff to support the Council's COVID response.				



## Plan Performance 2020/21

Audit Type	Audit Area	Status	Opinion	No of Actions	1 = Major	↔	3 = Medium
					Action		
					1	2	3
Assurance	Adults Safeguarding	Removed	This audit has been removed to enable the redeployment of SWAP staff to support the Council's COVID response.				
Assurance	Virtual Schools	Deferred	This audit has been deferred to enable the redeployment of SWAP staff to support the Council's COVID response.				
Assurance	Community Safety Partnerships	Removed	This audit has been removed to enable the redeployment of SWAP staff to support the Council's COVID response. An internal review of this area is also being undertaken.				
Assurance	Commercialisation Strategy	Removed	This audit has been removed to enable the redeployment of SWAP staff to support the Council's COVID response.				

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# Wiltshire Council

Q2 Internal Audit Plan, Proposed Q3 Internal Audit Plan 2021/22  
and Revised Internal Audit Charter

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# Internal Audit Planning 2021/22: A Revised Approach

The work of internal audit should align strategically with the aims and objectives of the organisation, taking into account key risks, operations and changes.

In order to do this Internal Audit needs to be flexible in adapting audit plans to handle rapidly changing risks, priorities and challenges.

It is the responsibility of the Senior Leadership Team, and the Audit & Governance Committee to ensure that the audit work scheduled and completed throughout the year contains sufficient and appropriate coverage of key risks.

## Approach to Internal Audit Planning 2021/22

### **Background**

Over the past year, as a result of the COVID pandemic, SWAP, like Wiltshire Council, has had to adapt, re-prioritise, and shift focus. Whilst 2020/21 was an exceptional year, it has demonstrated the need for a fully flexible and responsive approach to audit planning. Although 2021/22 is likely to offer more stability in operations, we are looking to build on our new planning approach, ensuring that we are supporting the Council by collaboratively aligning our work to its aims, objectives and key risks. This should ensure that we are auditing the right things, at the right time; enabling us to provide insight and value when and where it is required.

### **Approach to Internal Audit Planning 2021/22**

Our approach to internal audit planning throughout 2021/22 will be a continuous risk assessment and rolling plan approach. Rather than present a proposed annual plan at the start of the year, which is subject to a high level of uncertainty and change, we will build our plan in conjunction with management as the year progresses, presenting a quarterly plan at each meeting of this Committee.

A quarterly planning process will provide the same assurances as an annual plan but should better reflect the changing risk landscape.

Audit planning meetings will be held with relevant officers and the plan for each quarter will be agreed with the Corporate Director Resources and the Corporate Leadership Team (CLT) prior to presenting to this Committee for formal approval. The quarter 3 plan was presented to and discussed with CLT on 9<sup>th</sup> September 2021.

For the remaining quarters of the plan, meetings will be held with management to discuss the audit plan. These meetings will lead to a 12 month 'rolling wave plan' place-marking key areas of coverage to support the annual opinion. This is then underpinned by quarterly risk-based work plans which draw from meetings with management and the 'rolling wave plan' throughout the financial year to ensure we are auditing the right areas, with the correct scope, at the right time and reported through our quarterly progress updates.

The resulting programme will be a combination of requested audit work aligned to service priorities, combined with audit work recommended by SWAP driven by our continuous risk assessment. This risk assessment will be based on the live status of both the Council's strategic and service risk registers. Overlaid onto this assessment

## The Internal Audit Plan: Approach

will be SWAP's sector-wide top 10 risk areas, and consideration of the eight strands of our 'Healthy Organisation' framework. The results of our risk assessments will be shared with senior management to obtain their view on the value of internal audit involvement. In developing risk assessments, we will also take account of other sources of assurance, where relevant.

It should be noted that Internal Audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement.

It is the responsibility of the Authority's CLT and the Audit and Governance Committee, to determine that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

When reviewing the proposed Quarter 3 audit plan (as set out below), key questions to consider include:

- Are the areas selected for coverage appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by CLT and the Audit and Governance Committee?
- Is sufficient assurance being received within the plan to monitor the organisation's risk profile effectively?

*Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, Internal Audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.*

**Delivery of an internal audit programme of work that provides sufficient and appropriate coverage of key risks, will enable us to satisfy our requirement to provide a well-informed and comprehensive year-end annual internal audit opinion. Our audit work is governed by our Internal Audit Charter, attached at Appendix 1.**

# The Internal Audit Plan: Coverage

This page highlights any key risk areas where we believe Internal Audit coverage is currently missing.

The risk coverage will be assessed for each individual quarter and an overall assessment of coverage will be provided within the Annual Opinion.

## Risk Coverage in 2021/22 Quarter 3 Internal Audit Plan

Following our SWAP risk assessment and the preparation of the various 2021/22 quarterly audit plans, we have set out below coverage per quarter of corporate risks as defined by the Council. This will build a picture of the overall coverage at year end.

### Coverage of audits in the 2021/22 audit plan against the Strategic Risk Register

Corporate Risk	Inherent Risk Rating	Residual Risk Rating	Q1 Coverage	Q2 Coverage	Q3 Planned Coverage
CRR.01 – Safeguarding Children	12	8	Some aspects of internal audit coverage	Adequate internal audit coverage	Adequate internal audit coverage
CRR.02 – Safeguarding Adults	8	8	Some aspects of internal audit coverage	Adequate internal audit coverage	No internal audit coverage to date
CRR.03 – Salisbury’s Economy	6	6	Some aspects of internal audit coverage	No internal audit coverage to date	No internal audit coverage to date
CRR.04 – Interest Rates Changes	6	4	Adequate internal audit coverage	Adequate internal audit coverage	Adequate internal audit coverage
CRR.05 – Cyber Resilience	16	8	Some aspects of internal audit coverage	Some aspects of internal audit coverage	Some aspects of internal audit coverage
CRR.06 – Staff Capacity	6	6	Some aspects of internal audit coverage	Some aspects of internal audit coverage	No internal audit coverage to date
CRR.07 – Budget Management	16	16	Good internal audit coverage	Good internal audit coverage	Good internal audit coverage
CRR.08 – Contract Management	12	12	Some aspects of internal audit coverage	Some aspects of internal audit coverage	Adequate internal audit coverage
CRR.09 – Income Collection	9	6	Adequate internal audit coverage	Adequate internal audit coverage	Adequate internal audit coverage
CRR.10 – Corporate Health, Safety & Wellbeing	4	4	Some aspects of internal audit coverage	Adequate internal audit coverage	No internal audit coverage to date
CRR.11 – Information Governance	6	6	Some aspects of internal audit coverage	Some aspects of internal audit coverage	Adequate internal audit coverage

Coverage Key	
<span style="color: green;">■</span>	Good internal audit coverage
<span style="color: blue;">■</span>	Adequate internal audit coverage
<span style="color: yellow;">■</span>	Some aspects of internal audit coverage
<span style="color: red;">■</span>	No internal audit coverage to date

# The Internal Audit Plan: Approach

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes 25 public sector partners, crossing eight Counties, but also providing services throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated

## Your Internal Audit Service

### Audit Resources

The 2021/22 Internal Audit programme of work will be equivalent to 1800 days. The current Internal Audit resources available represent a sufficient and appropriate mix of seniority and skill to be effectively deployed to deliver the planned work. The key contacts in respect of your Internal Audit service for Wiltshire Council are:

**Charlotte Wilson, Assistant Director – [Charlotte.Wilson@SWAPAudit.co.uk](mailto:Charlotte.Wilson@SWAPAudit.co.uk), Tel: 07732 688505**

**Becky Brook, Principal Auditor – [Becky.Brook@SWAPAudit.co.uk](mailto:Becky.Brook@SWAPAudit.co.uk), Tel: 020 8142 5030**

### External Quality Assurance

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors (IPPF).

Every three years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed general conformance with the IPPF.

### Conflicts of Interest

We are not aware of any conflicts of interest within Wiltshire Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

### Consultancy Engagements

As part of our Internal Audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

### Approach to Fraud

Internal Audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption and have included some focused proactive fraud work in the plan. We have a dedicated Counter Fraud Team available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

## Wiltshire Council Quarter 2 Internal Audit Plan 2021/22 – For Information

*It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.*

Link to Corporate Priorities/ Corporate Risk Register	Areas of Coverage	Brief Description	Requested/Agreed by or Rationale for audit
<b>Corporate and Resources (including ICT)</b>			
An Innovative and Effective Council  CRR.04 CRR.07 CRR.08 CRR.09	<b>Key Financial Controls</b> Main Accounting Accounts Payable Accounts Receivable Payroll Council Tax Business Rates Housing Benefit and Council Tax Support Housing Rents Treasury Management	All key financial systems are subject to cyclical audits to review key controls as a minimum and to provide assurance on effectiveness of controls. The Key Financial Control reviews will be undertaken via quarterly continuous assurance work throughout the year.	Review of the Authority's fundamental business processes and key services.
	Procurement Exemptions	Review of the use of and controls in place for procurement exemptions.	Agreed with Corporate Director Resources.
	Various COVID Grants	Grant Certification – Full list to be confirmed and agreed.	Agreed with Corporate Director Resources.
	Pension Fund Investment Transfer and Cost Savings	This audit is to conduct a review of the Fund's pension transfer arrangements to Brunel Pension Partnership during 2020/21 to ensure the project remains on track delivering the expected cost savings.	Requested by the Pension Fund Committee.
An Innovative and Effective Council  CRR.06 CRR.11	Mental Health and Wellbeing	Assess the controls in place to identify the mental health and wellbeing of employees following the COVID lockdowns.	Agreed with Director HR & OD.

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## Wiltshire Council Quarter 2 Internal Audit Plan 2021/22 – For Information

Link to Corporate Priorities/ Corporate Risk Register	Areas of Coverage	Brief Description	Requested/Agreed by or Rationale for audit
Linked to all risks	Risk Maturity Assessment	An assessment against the Risk Management Maturity Model.	Agreed with Corporate Director Resources.
An Innovative and Effective Council	ICT Access Controls	Review to look at the controls in place for the Active Directory and access controls for network folders.	Agreed with the Corporate Director Resources.
CRR.05 CRR.12	ICT Reviews	Various ICT reviews identified within the Cyber Security Framework Review and the IT Governance Review.	Agreed with Director ICT, Digital and Organisational Innovation.
<b>People</b>			
Protecting the Vulnerable  CRR.01 CRR.02 CRR.07 CRR.08	Designated Officer for Allegations (DOfA)	A review of the process to ensure adequately controlled and in line with relevant legislation. Objectives were set as part of a business case a check will be performed to ensure these objectives are being delivered.	Agreed with Director Families and Children.
	Education, Health and Care Plans (EHCP)	To assess whether adequate processes and procedures are in place to ensure that Education, Health and Care Plans are being successfully implemented in line with statutory requirements and sufficient resources are available to continue to deliver the service.	Agreed with Director Education and Skills.
	Care Home Alliance	Review of the new platform to provide residential and nursing care home bed services in Wiltshire.	Agreed with Director Commissioning.
	Multi-Agency Safeguarding Hub - Adults (MASH)	An audit to assess the extent to which the Safeguarding Adults Board is delivering its statutory responsibilities and is operating as an effective multi-agency partnership, in line with nationally recognised standards.	Agreed with Director Access and Reablement.

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## Wiltshire Council Quarter 2 Internal Audit Plan 2021/22 – For Information

Link to Corporate Priorities/ Corporate Risk Register	Areas of Coverage	Brief Description	Requested/Agreed by or Rationale for audit
Strong Communities CRR.01 CRR.07	Supporting Families – Quarter 2	MHCLG requirement for audit of claims submitted reviewed a representative sample of families and achievement of outcomes.	Agreed with Director Families and Children.
<b>Place and Environment</b>			
Strong Communities CRR.07	Waste Collection Service	This is a review of the collection service and new ways of working to ensure it is running efficiently following the changes implemented in March 2020.	Agreed with Director Waste and Environment.
Growing the Economy CRR.03 CRR.07	Climate Change Strategy	This audit will review the Council's Climate Change plans including strategy and processes in place to achieve carbon neutral status by 2030.	Agreed with Corporate Director Place.
	Peer Networks Certification	Grant certification for the 2020/21 financial year.	Requested by the Corporate Director Resources
<b>Follow Up Work and Support Activities</b>			
Follow Up Work	Follow Up Contingency	Follow up of audits awarded Partial or No Assurance opinions. The work will assess responses to previous audit coverage and any changes to the control environment.	Inclusion of audit follow up work incorporating any prior year weaknesses identified.
Counter Fraud and Corruption	Proactive Fraud Work	Linked to risks in Protecting the Public Purse.	
	Reactive Fraud Work	To undertake ad-hoc unplanned investigations as agreed.	
	National Fraud Initiative	To assist the Council in monitoring and investigation of matches.	
Support Activities	Corporate Advice	Includes meetings and direct liaison with the Director Finance and Procurement	
	External Audit	Ongoing liaison with External Audit.	

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## Wiltshire Council Proposed Quarter 3 Internal Audit Plan 2021/22

*It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.*

Link to Corporate Priorities/ Corporate Risk Register	Areas of Coverage	Brief Description	Requested/Agreed by or Rationale for audit
<b>Corporate and Resources (including ICT)</b>			
An Innovative and Effective Council  CRR.04 CRR.07 CRR.08 CRR.09 CRR.11	<b>Key Financial Controls</b> Main Accounting Accounts Payable Accounts Receivable Payroll Council Tax Business Rates Housing Benefit and Council Tax Support Housing Rents Treasury Management	All key financial systems are subject to cyclical audits to review key controls as a minimum and to provide assurance on effectiveness of controls. The Key Financial Control reviews will be undertaken via quarterly continuous assurance work throughout the year.	Review of the Authority's fundamental business processes and key services.
	Various COVID Grants	Grant Certification – Full list to be confirmed and agreed.	Agreed with Corporate Director Resources.
	Decision Making Processes	To assess whether decisions are made based on complete, accurate and up to date information which is presented in a way that can be analysed and enable the decision makers to make an informed opinion.	Agreed with Director Legal and Governance.
	Complaint Handling	A review of the Council's complaint handling process in relation to the new guidance issued on effective complaint handling for Local Authorities in 2020.	Agreed with Director Legal and Governance.

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## Wiltshire Council Proposed Quarter 3 Internal Audit Plan 2021/22

Link to Corporate Priorities/ Corporate Risk Register	Areas of Coverage	Brief Description	Requested/Agreed by or Rationale for audit
An Innovative and Effective Council  CRR.05 CRR.11	ICT Reviews	Various ICT reviews identified within the Cyber Security Framework Review and the IT Governance Review.	Agreed with Director ICT, Digital and Organisational Innovation.
<b>People</b>			
Protecting the Vulnerable  CRR.01 CRR.08	School Audits	Review of a selection of schools to determine from the financial health check review, the effectiveness of financial management, governance, and compliance with SFVS and Wiltshire Schools regulations.	Agreed with Director Education and Skills.
	Fostering Excellence	A new programme in place for 12 months. This audit is to review the objectives set out in the business case to ascertain if the programme is on track to achieve priorities.	Agreed with Director Families and Children.
Strong Communities  CRR.01 CRR.07	Supporting Families – Quarter 3	MHCLG requirement for audit of claims submitted reviewed a representative sample of families and achievement of outcomes.	Agreed with Director Families and Children.

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## Wiltshire Council Proposed Quarter 3 Internal Audit Plan 2021/22

Link to Corporate Priorities/ Corporate Risk Register	Areas of Coverage	Brief Description	Requested/Agreed by or Rationale for audit
<b>Place and Environment</b>			
Growing the Economy  CRR.08	Housing Private Finance Initiative Contracts	Independent review of the Housing PFI Contracts.	Agreed with Director Housing and Commercial.
	Planning Policy	Audit to ensure Planning Policy documents, including the Core Strategy and the Local Development Strategy are up to date, realistic and in accordance with relevant legislation and guidance.	Agreed with Corporate Director Place.
	Planning Development	Review of the controls in place in the new planning ICT system.	Agreed with Corporate Director Place.
<b>Follow Up Work and Support Activities</b>			
Follow Up Work	Follow Up Contingency	Follow up of audits awarded Partial or No Assurance opinions. The work will assess responses to previous audit coverage and any changes to the control environment.	Inclusion of audit follow up work incorporating any prior year weaknesses identified.
Counter Fraud and Corruption	Proactive Fraud Work	Linked to risks in Protecting the Public Purse.	
	Reactive Fraud Work	To undertake ad-hoc unplanned investigations as agreed.	
	National Fraud Initiative	To assist the Council in monitoring and investigation of matches.	
Support Activities	Corporate Advice	Includes meetings and direct liaison with the Director Finance and Procurement, ongoing support relating to delivery of the Internal Audit plan to ensure satisfactory progress and compliance with the Public Sector Internal Audit Standards.	
	External Audit	Ongoing liaison with External Audit.	

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## INTERNAL AUDIT CHARTER

### Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Wiltshire Council, and to outline the scope of internal audit work.

### Approval

This Charter was approved by the Audit and Governance Committee on 29<sup>th</sup> April 2020 and is reviewed each year to confirm it remains accurate and up to date. It is presented to the Audit and Governance Committee today 28<sup>th</sup> September 2021 to ensure it remains accurate and up to date.

### Provision of Internal Audit Services

The internal audit service is provided by SWAP Internal Audit Services (SWAP). \*This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners\* and other key documents including the Data Sharing Protocol.

The budget for the provision of the internal audit service is determined by Wiltshire Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the organisation, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment which is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

### Role of Internal Audit

The Accounts and Audit (England) Regulations, state 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 the public sector internal auditing standards or guidance.”*

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

### Responsibilities of Management, INSERT COMMITTEE NAME and Internal Audit

#### Management<sup>1</sup>

Management is responsible for ensuring SWAP has:

- The support of management and the organisation;
- Direct access and freedom to report to senior management, including the Chief Executive and the Audit and Governance Committee; and
- Notification of suspected or detected fraud, corruption or impropriety.

Management is responsible for establishing (including the tracking and implementation of Internal Audit recommendations) and maintaining internal controls, including proper accounting records and other management information and is also responsible for the appropriate and effective management of risk.

<sup>1</sup> In this instance Management refers to the Corporate Leadership Team and Statutory Officers.

## **Audit and Governance Committee<sup>2</sup>**

The Audit and Governance Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director (as Head of Internal Audit<sup>3</sup>) on the progress of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

## **Internal Audit**

The SWAP Assistant Director is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending the action to be taken on the outcome of, or findings from, their work designed to provide assurance and add value.

Internal audit is responsible for operating under the policies established by management in line with good practice. A range of SWAP policies exist to underpin staff and service development, including to seek out and implement new innovative audit techniques and increase technological solutions to ensure provision of an efficient and effective service and consolidate the role of Trusted Advisor.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to conform with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for the organisation will not be asked to review any aspects of their previous department's work until a minimum of one year has elapsed.

## **Relationship with the External Auditors/Other Regulatory Bodies**

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

## **Status of Internal Audit in the Organisation**

\*The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP and Assistant Director also report to the Section 151 Officer, and report to the Audit and Governance Committee as set out below.

The Assistant Director will be the first and primary point of contact for the organisation for all matters relating to the Audit and Governance Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for the design, development and delivery of audit plans, subject to the agreement of Wiltshire Council.

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<sup>2</sup> In this instance the Audit and Governance Committee relates to "The Board" referred to in the PSIAS.

<sup>3</sup> PSIAS refers to the 'chief audit executive'.

## Scope and Authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

Internal audit work will normally include, but is not restricted to:

- Reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- Evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- Appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- Assist management and Members to identify risks and controls with regard to the objectives of the organisation and its services;
- Reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation is in compliance;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- Appraising the economy, efficiency and effectiveness with which resources are employed;
- Reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned, with performance and accountabilities established.
- Reviewing the operations of the organisation in support of their anti-fraud and corruption policy, ethical expectations and corporate values (and investigating where necessary) ethical expectations and corporate, social and environmental values and responsibilities; and.
- At the specific request of management, internal audit may provide consultancy services (including e.g. data analytics, benchmarking, strategic/project reviews/investigations etc) provided:
  - the internal auditor's independence is not compromised;
  - the internal audit service has the necessary skills to conduct the assignment, or can obtain such skills without undue cost or delay;
  - the scope of the consultancy assignment is clearly defined and management can resource the work; and
  - management understand that the work being undertaken is not internal audit work although the outcomes may contribute to the annual opinion.



## Planning and Reporting

SWAP will submit an internal audit plan to Management and the Audit and Governance Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan will be reviewed on a quarterly basis to ensure it remains relevant and adequately resourced.

SWAP will carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers and copied to the S151 Officer. SWAP will present a regular summary of their work to Management and the Audit and Governance Committee, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

Internal audit reporting will normally comprise a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work. The detailed report will also be copied to the Section 151 Officer and to other relevant line management.

The Assistant Director will submit an annual report to the Audit and Governance Committee providing an overall opinion of the status of risk and internal control within Wiltshire Council, based upon, and limited to, internal audit activity conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and SWAP Executive Directors and Assistant Directors have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit and Governance Committee, the organisation's Chief Executive Officer or the External Audit Manager.

Revised May 2021

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# Wiltshire Council

## Report of Internal Audit Activity

### Plan Progress 2021/22 – September 2021

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## Executive Summary

The Assistant Director is required to provide an annual opinion to support the Annual Governance Statement.

As part of our plan progress reports, we will provide an ongoing opinion to support the end of year annual opinion.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating previously identified significant risks by audit.

The contacts at SWAP in connection with this report are:

**Charlotte Wilson**

Assistant Director

Tel: 07732 688 505

[Charlotte.wilson@swapaudit.co.uk](mailto:Charlotte.wilson@swapaudit.co.uk)

**Becky Brook**

Principal Auditor

Tel: 020 8142 5030

[Becky.brook@swapaudit.co.uk](mailto:Becky.brook@swapaudit.co.uk)



### Audit Opinion and Summary of Significant Risks

**COVID-19 SWAP Staff Redeployment Update:**

Since our last update in April, the remaining SWAP redeployment within the business grants team has now concluded. One member of the SWAP Team is however still undertaking some post payment checks. This work is due to be completed shortly.

**Introduction:**

This is our second quarterly update for the 2021/22 financial year. Members will recall we are no longer planning on an annual basis. Instead, we have implemented a quarterly planning process producing a 'rolling wave plan' place-marking key areas of audit coverage.

**Audit Opinion:**

This is our second quarterly update for 2021/22. Reviews completed to date highlight that, in the majority of areas, risks are reasonably well managed with the systems of internal control working effectively.



# Internal Audit Plan Progress 2021/2022

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.



## SWAP Internal Audit Plan Coverage and a move to Assurance Mapping

Recent internal audit coverage and outcomes are reflected in the chart below. Audit coverage by corporate risk is just one measure of the extent of audit coverage. In addition, we also monitor coverage by ‘Corporate Plan Objectives’, ‘Core Areas of Recommended Coverage’, and also by ‘SWAP Top 10 Risk Themes’.

Additionally, we are currently working with the Council to develop a more holistic Assurance Map, which will identify and capture other streams of assurance over key risks across the Council. From this and our own coverage assessment we will be able to visually highlight key assurance gaps, but also build a better picture of assurance outcomes to help direct focus and oversight.

Corporate Risk	Audit Coverage	Assurance Assessment
CRR.01 – Safeguarding Children	In Progress	Limited
CRR.02 – Safeguarding Adults	In Progress	
CRR.03 – Salisbury’s Economy		Advisory
CRR.04 – Interest Rates Changes	In Progress	
CRR.05 – Cyber Resilience	In Progress	
CRR.06 – Staff Capacity	In Progress	
CRR.07 – Budget Management	In Progress	Reasonable
CRR.08 – Contract Management	In Progress	
CRR.09 – Income Collection	In Progress	Reasonable
CRR.10 – Corporate Health, Safety & Wellbeing	In Progress	
CRR.11 – Information Governance	In Progress	

Coverage Key	
	Good coverage
	Adequate coverage
	Some aspects of coverage
	No coverage to date

Assurance Key	
	Substantial Sound system of governance, risk management and controls exist.
	Reasonable Generally sound system of governance risk management and control in place.
	Limited Significant gaps, weaknesses or non-compliance were identified.
	No Assurance Fundamental gaps, weaknesses or non-compliance identified.

\*Assurance assessment based on completed audit work.



# Internal Audit Plan Progress 2021/2022

The Chief Executive Officer for SWAP reports performance on a regular basis to the SWAP Directors and Owner Bords.

We will build our audit plan as the year progresses to ensure that we are auditing the right things at the right time.



## SWAP Performance

SWAP performance is subject to regular review by both the Directors and Owners meetings. The respective outturn performance results for Wiltshire Council for the 2021/22 year (as of 26<sup>th</sup> August 2021) are as follows:

Performance Measure	Performance
<p><b><u>Quality of Audit Work</u></b></p> <p><b>Overall Client Satisfaction</b>  <i>(Did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i></p> <p><b>Value to the Organisation</b>  <i>(Client view of whether our audit work met or exceeded expectations in terms of value to their area)</i></p>	<p>100%</p> <p>100%</p>



**Significant Corporate Risks:**

**Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.**

➡ **Summary of Work Completed – Significant Corporate Risks**

We provide a definition of the three Risk Levels applied within audit reports within **Appendix A**.

**Third Party Spend – Purchase to Pay**

To provide assurance that the Councils tendering process is effective at procuring goods and services.

The areas covered in this audit included a sample of contracts and business cases / sourcing plans across the values used by the Council. The contracts were placed within the previous 12 months, and where possible this year. Discussions were also held with Category Managers and staff working within the Strategic Procurement Hub. The current Procurement Strategy and Procurement Manual were also used in the review of the contracts.

We excluded the following from our review due to information not being returned during the audit:

- Strategic Category Management Plans
- List of requisitioners and authorisers
- Benefits / savings reports
- Routine contract spend reports.

The following two risks were review as part of this audit and assessment made of the residual risk.

Risks Reviewed	Assessment
1. The Council's procurement policy and procedure suite are not up to date with legislation, contract requirements and best practices and do not promote achieving value for money.	<b>High</b>
2. Contract procurement is not completed or reviewed effectively in accordance with the Council's policy, procedures and processes for contract management, economic benefit and appropriate governance, leading to challenge, reputational damage and financial losses.	<b>Medium</b>

# Internal Audit Plan Progress 2021/2022

## Completed Assignments:

Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.

All audits awarded a Limited or No Assurance rating will be followed up to provide assurance to the Corporate Director, Senior Managers and the Audit and Governance Committee, that the agreed actions to mitigate risk exposure have been implemented.



## Summary of Work Completed – Limited and No Assurance Opinions

### Third Party Spend – Purchase to Pay – Limited Assurance

#### Assurance Opinion



Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

#### Key Findings

	Business cases and sourcing plans varied in detail and quality; reviews are not going to be effective if the data is not of sufficient quality to enable sound decisions.
	The Procurement Strategy has not been reviewed since 2019, this should be undertaken annually, the review should include confirmation that it complies with current Government legislation.
	Collaborative arrangements have the potential to offer good value as a larger customer. Services have entered into shared contractual arrangements which the Strategic Procurement Hub were not familiar with and could not confirm they were aligned to the Council's business plan.
	Large contracts examined mentioned savings, but we could not evidence how they were being monitored and reported.
	Social Value is not currently supported by a Social Value Policy or reference to Social Value in the procurement rules.

Eight actions have been agreed with the Head of Strategic Procurement and management. All actions are due to be implemented by 29th October 2021.





# Internal Audit Plan Progress 2021/2022

## Completed Assignments:

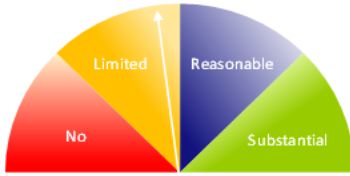
Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee.





All audits awarded a Limited or No Assurance rating will be followed up to provide assurance to the Corporate Director, Senior Managers and the Audit and Governance Committee, that the agreed actions to mitigate risk exposure have been implemented.



## Summary of Work Completed – Limited and No Assurance Opinions

### Council Oversight of Maintained Schools – Limited Interim Assurance

Interim Assurance Opinion	Prospects for Improvement
	<p>There is an awareness by Council employees that there is not a sufficient governance framework in place for the oversight of Health and Safety and Building Compliance within maintained schools.</p> <p>The implementation of an adequate governance framework accounting for Health and Safety and Building compliance will provide an effective building block in ensuring adequate oversight of maintained schools.</p>

Key Findings	
	<p>There is not an adequate governance framework in place for the oversight of Health and Safety and Building Compliance in maintained schools. The responsibilities of both the Council and schools should be clearly documented for each party, and consideration should be given to the distinction between employer and landlord.</p>
	<p>The Council will ultimately be held accountable for Health and Safety and Building Compliance incidents in schools. Other Local Authorities have been subject to substantial fines in recent cases, and the Council is at higher risk of this without a considered governance framework in place.</p>
	<p>Building Compliance training is not being sufficiently accounted for by Health and Safety in the training provided to schools, or within the self-assessment audits undertaken.</p>
	<p>Concerns raised by employees do not appear to have been adequately considered or actioned by the Council. The Directorate Discussion Papers written by the Asset Manager Asset Condition &amp; Business Management in 2019 outline a variety of issues facing the Council should they neglect to implement a sufficient governance framework, including the risk of prosecution under Health and Safety legislation.</p>



There is an outstanding action from 2019 regarding the implementation of a governance framework. This framework would be a significant aspect of the control framework looked at during this audit. Therefore, we have provided an interim assessment at this stage and propose to revisit the audit once the action is complete. Safeguarding was due to be reviewed as part of this audit, however, the focus of this interim assessment is Health and Safety and Building Compliance.

We have assessed the interim assurance as Limited, with a Medium risk assessment. However, this interim assessment will need to be set in the context of the overriding risk appetite of the service. This assessment does not replicate a full audit and we propose to revisit this area once an adequate governance framework is in place.



### Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



### Added Value

#### **Benchmarking:**

We have undertaken a range of benchmarking exercises since our last report. We use our own SWAP partner councils for benchmarking, but also utilise a wider national group of the Chief Auditor's Network which has delivered some useful benchmarking data. The exercises undertaken since our last report are:

- Insurance – how Wiltshire compares to other Councils in terms of self-insurance and in-house handling of claims.
- Duplicate Payments – whether other Councils use bespoke software to identify duplicates in the payment process and if so, how successful this has been.
- Schools Forum – the make-up and constitution of other Council's Forums.
- Disclosure and Barring Checks – the approach taken by other Councils to ensure that volunteers are DBS checked where appropriate.

#### **COVID Grant Certification Work:**

Due to the COVID-19 pandemic, numerous grants have been issued by Central Government. We have therefore undertaken a number of COVID related grant certifications across the last quarter.

#### **COVID Business Grants – Data Matching:**

SWAP has been able to support the Council by matching data from the latest round of COVID business grants with the Credit Industry Fraud Avoidance System (CIFAS) in order to identify cases of potential fraud.

SWAP has also paid an annual subscription of £12,600 for 2021/22 to enable Wiltshire Council to continue to be part of CIFAS and utilise the data matching service.

# Internal Audit Plan Progress 2021/2022

Aged Analysis of Audit Actions Exceeding the Originally Agreed Target Implementation Date



## Summary of Actions

### Outstanding Audit Actions by Priority Non Schools

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
<b>3</b>	5	3	6	0	31	<b>45</b>
<b>2</b>	1	1	1	0	8	<b>11</b>
<b>1</b>	0	0	0	0	0	<b>0</b>
<b>Totals</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>0</b>	<b>39</b>	<b>56</b>

### Outstanding Audit Actions by Priority Schools

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
<b>3</b>	0	8	1	3	15	<b>27</b>
<b>2</b>	0	5	0	3	12	<b>20</b>
<b>1</b>	0	0	0	0	0	<b>0</b>
<b>Totals</b>	<b>0</b>	<b>13</b>	<b>1</b>	<b>6</b>	<b>27</b>	<b>47</b>

Appendix C provides a summary of any outstanding Priority 1 and 2 non-schools actions.



## Internal Audit Plan Progress 2021/2022

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time.



### Changes to the Audit Plan

We will regularly re-visit and adjust our programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls. Full details of our current on-going work are detailed in Appendix B. Unplanned work, special reviews or projects carried out on a responsive basis are requested through the Corporate Director Resources (Section 151 Officer). As new and emerging risks are identified, any changes to the plan will be subject to the agreement of this Committee and the Corporate Director Resources (Section 151 Officer).

Assignment	Amendment	Reason
Council Tax and Business Rates Continuous Audit Q1	Removed	The actions agreed within the 2020/21 review are not due to be implemented until September 2021. As these actions are key to the monitoring of this area, this continuous audit will not be undertaken in Q1.
Building Digital UK Grant	Addition	Update to guidance requiring Internal Audit certification in addition to the usual S151 Officer certification.
Mental Health and Wellbeing	Merger	This audit has now been included within the scope of the Workforce Planning and Capacity audit.
Adults, Childrens and Public Protection Procurement	Addition	The scope of this audit has now been increased to also include Housing, Waste and ICT.
New Procurement Process Maps	Addition	Request to provide advice and act as a 'critical friend' for the new Procurement Process Maps.
Council Oversight of Maintained Schools	Scope Amendment	This audit has been amended to an interim assurance assessment due to work currently in progress in this area. We propose to revisit this area once further improvement has been made to the governance framework.



The role of SWAP as the internal auditors for Wiltshire Council is to provide independent assurance that the Council’s risk management, governance and internal control processes are operating effectively. In order for senior management and members to be able to appreciate the implications of the assurance provided within an audit report, SWAP provide an assurance opinion. We have four opinion ratings defined as follows:

Assurance Definitions	
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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**Advisory** – As well as our opinion-based work we will provide consultancy services. The advice offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

In addition to the assurance definitions above we have also introduced an ‘assurance dial’ which indicates on a range of high medium or low where within the range of that assurance a particular audit assurance sits.



As can be seen in this example the assurance provided is low limited as the dial is sitting on the lower end of the limited scale. It could equally have been a medium limited assurance where the dial sits midway or high limited when it is sitting at the upper end close to the reasonable assurance.

We provide the Committee with details of the overall assurance opinion for all completed audits, and they can be seen in the plan progress table in Appendix B below.

In addition to the corporate risk assessment, it is important that management know how important the action is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the action. Actions are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level. Each action has been given a priority rating at service level with the following definitions:

Categorisation of Actions	
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service’s business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management.
<b>Priority 3</b>	Finding that requires attention.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk	
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor Action		
					1	2	3
					<b>2021/22 Plan Progress</b>		
<b>Complete</b>							
Grant Certification	EU Transition Readiness Growth Hub Grant	Completed	Certification	N/A			
Grant Certification	Growth Hub	Completed	Certification	N/A			
Grant Certification	Supplemental Growth Hub Funding	Completed	Certification	N/A			
Grant Certification	Building Digital UK Grant	Completed	Certification	N/A			
Grant Certification	Supporting Families May Claim	Completed	Certification	N/A			
Assurance	Housing Benefit and Council Tax Support Continuous Audit Q1	Completed	Medium Substantial	1			1
Assurance	Accounts Receivable Continuous Audit Q1	Completed	Medium Reasonable	3		1	2
Assurance	Accounts Payable Continuous Audit Q1	Completed	High Reasonable	2			2
Assurance	Payroll Continuous Audit Q1	Completed	Low Substantial	4			4
Assurance	Housing Rents Continuous Audit Q1	Completed	Medium Substantial	2			2
Assurance	Treasury Management Continuous Audit Q1	Completed	High Substantial	1			1
Assurance	Main Accounting Continuous Audit Q1	Completed	Medium Reasonable	4		2	2
Assurance	Council Oversight of Maintained Schools – Interim Assessment	Completed	High Limited	N/A			

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor		
					Action		
					1	2	3
Advisory	Service Level Fraud Risk Self-Assessments	Completed	Advisory	N/A			
Grant Certification	Supporting Families August Claim	Completed	Certification	N/A			
Grant Certification	Peer Networks Certification	Completed	Certification	N/A			
<b>Reporting</b>							
Assurance	Adult Payment to Providers	Draft					
<b>In Progress</b>							
Assurance	Assurance Mapping	Fieldwork					
Assurance	Adults, Childrens and Public Protection Procurement	Fieldwork					
Grant Certification	COVID-19 Additional Dedicated Home to School and College Grant	Fieldwork					
Assurance	Workforce Planning and Capacity & Mental Health and Wellbeing	Fieldwork					
ICT	ICT Incident Management Process	Fieldwork					
Grant Certification	Public Health Grant	Fieldwork					
Grant Certification	Local Transport Capital Grants	Fieldwork					
Assurance	Good Lives Alliance	Fieldwork					
Assurance	Pension Fund Investment Transfer and Cost Savings	Fieldwork					
Assurance	Procurement Exemptions	Fieldwork					

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Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor		
					Action		
					1	2	3
Advisory	Risk Maturity Assessment	Fieldwork					
Grant Certification	Local Authority Bus Service Operators Grant (BSOG)	Fieldwork					
ICT	IT Access Controls – Root Cause Analysis	Initiation					
Assurance	Care Home Alliance	Fieldwork					
Advisory	New Procurement Process Maps	Ongoing Support					
Advisory	National Fraud Initiative	Ongoing Support					
Advisory	External Audit Liaison	Ongoing Support					
Advisory	Anti-Fraud and Corruption Advice	Ongoing Support					
Advisory	CIFAS	Ongoing Support					
Advisory	COVID-19 Advice	Ongoing Support					
<b>Yet to Commence</b>							
Grant Certification	COVID-19 Bus Services Support Grant (CBSSG) Restart						
Assurance	Main Accounting Q2						
Assurance	Accounts Payable Continuous Audit Q2						
Assurance	Accounts Receivable Continuous Audit Q2						



Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major 2 = Moderate 3 = Minor		
					Action		
					1	2	3
Assurance	Council Tax and Business Rates Continuous Audit Q2						
Assurance	Housing Benefit and Council Tax Support Continuous Audit Q2						
Assurance	Payroll Continuous Audit Q2						
Assurance	Housing Rents Continuous Audit Q2						
Assurance	Treasury Management Continuous Audit Q2						
Assurance	Education, Health and Care Plans		Deferred to Q3 due to strain cause by the Pandemic				
Assurance	Designated Officer for Allegations (DOFA)						
Assurance	Multi-Agency Safeguarding Hub - Adults (MASH)		Deferred to Q3 due to staffing changes				
Assurance	Waste Collection Service						
Assurance	Climate Change Strategy		Deferred to Q4 to enable strategy to be finalised				

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# Consolidated Outstanding Priority 1 and 2 Internal Audit Actions

Wiltshire Council Outstanding Actions 01.09.2021

Non Schools

Corporate Director Resources							
Accounts Receivable (Audit Report Issued 19th January 2020)							
Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
42722	We recommend that Accounts Receivable continue to develop and seek approval of the draft procedural guides that would allow for clear guidelines across all service areas.	2	Outstanding	29-Feb-20	31-Oct-21	Corporate Income and Admin Manager	Guidance was circulated in February 2020, but this has been overtaken by the Evolve Project, which was introduced at the same time.
Main Accounting (Audit Report Issued 11th June 2020)							
Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
43460	We recommend that the Financial Manual is finalised, approved and published to the Council as a whole as soon as is practically possible. The published manual should be communicated to relevant officers to ensure they have an appropriate understanding of the practices they are required to follow.	2	Outstanding	30-Sep-20	31-Dec-21	Head of Corporate Finance	A full review of Financial Regulations and Financial Procedures is planned to ensure procedures remain relevant, transparent and understandable.

**Main Accounting (Audit Report Issued 13th May 2021)**

Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
45366	Review the ownership allocation of suspense and control accounts; Update the current sign-off dashboard; and Confirm the responsible officer for overseeing completeness and timeliness of this dashboard.	2	Outstanding	30-Jun-21	31-Dec-21	Chief Accountant	This will be a priority area for the new Chief Accountant who starts late October.

**Corporate Debt Management Management (Audit Report Issued 24th June 2020)**

Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
Page 102 43749	We recommend that the Debt Management Policy, Corporate Debt Management and Recovery Strategy and associated guidance are revisited to ensure they are complete, encompassing the requirements for full and proper records and adequately details responsibilities for all areas of income and debt management. These should then be finalised and approved. Once approved these should be rolled out with an appropriate programme of training for relevant officers to ensure that their obligations are fully communicated and understood.	2	Outstanding	31-Mar-21	31-Mar-22	Chief Accountant and Head of Revenues and Benefits	First draft of policy has been circulated and socialised but this is significant and onerous document which will require corporate acceptance and will need to be launched at the highest level.

**Programme Management (Audit Report Issued 4th October 2019)**

Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
42099	We recommend that the existing framework is developed to capture all projects and programmes being delivered across the whole Council so there is consistency of approach and a clear corporate wide view.	2	Outstanding	30-Nov-19	31-Dec-21	Corporate Director Resources	The development of a new framework/approach to transformation is progressing. During Sept-Oct 2021 this will be developed with Systems Thinking & Programme Office team, Adoption and Change, Executive Office, ICT, etc with a view to consulting on it in key service areas and rolling it out corporately. Concurrently, a review of transformational projects and programmes will be conducted against the emerging Business Plan to ensure alignment with both strategic objectives and the framework approach and to provide an overview of all projects/programmes. A new Assistant Director for Transformation and Business Change is being recruited (Sept 2021) and will take over leadership of the work once in post.

**IR35 Compliance (Audit Report Issued 22nd February 2021)**

Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
44935	<p>Procurement management will review training and information given to hiring managers, so they understand;</p> <ul style="list-style-type: none"> <li>- What their responsibilities are;</li> <li>- That they have access to required information to complete adequate IR35 assessments; and</li> <li>- That IR35 training includes the requirement that an assessment must be completed regardless of value.</li> </ul> <p>Procurement management will also implement a control after the end of the Spend restriction period for the contracts that do not necessarily go through the Procurement systems.</p>	2	Outstanding	31-Mar-21	31-Aug-21	Acting Senior Category Manager –Corporate Procurement	This action has been partly implemented (responsibilities assessments and training) and the remainder will be implemented as part of the end to end process work.

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**Contract Management (Audit Report Issued 13th February 2020)**

Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
42901	We recommend that Contract Managers ensure that performance of the contract is regularly measured against Key Performance Indicators that are determined at the pre-tender stage and included in the contract specification. Any underperformance should be reported in a timely manner.	2	Outstanding	31-Mar-20	31-Mar-21	Head of Procurement	Contract management is conducted in service areas. Clarity of the roles and responsibilities for the setting and monitoring of KPIs will be picked up as part of the end to end process work.



## Director Education & Skills

### Thematic - Health & Safety of School Premises (Audit Report Issued 22nd January 2019)

Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
40361	Occupational Health and Safety and Strategic Asset and Facilities Management should determine how best they can work together to ensure there is a robust system in place for monitoring and addressing remedial actions, to reduce duplication and optimise the use of limited resources. The Health, Safety and Welfare Policy Statement for Schools needs to be revised to clarify the responsibilities of each function within the Council involved in the Health and Safety of Schools including who ultimately acts as the "Competent Person".	2	Outstanding	31-Mar-19	31-Jan-21	Head of Occupational Health and Safety	<p>This action has been followed up as part of the Council Oversight of Maintained Schools audit. The Head of Health and Safety advised that this action is still in progress. They have sought legal advice and have been in discussion with the Director for Education &amp; Skills, with further meetings planned.</p> <p>This action was also discussed with the Team Leader Property and Planning (legal) who advised that they have been discussing the Council's responsibilities and accountability regarding schools with the Asset Manager Asset Condition &amp; Business Management and the School Place Commissioning Lead who had raised concerns. An interdepartmental meeting has been arranged to discuss the issues raised as part of the Council Oversight of Maintained Schools audit and will also discuss this action.</p> <p>SWAP further advised the Team Leader Property and Planning (legal) liaise with the Head of Health and Safety.</p>

**Director Access & Reablement****Court of Protection (Audit Report Issued 13th February 2019)**

Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
40680	We recommend that the Court of Protection Team Manager gives consideration to the most cost effective and efficient manner of document storage for the service.	2	Outstanding	31-Aug-19	30-Oct-21	Court of Protection Team Manager	Work is progressing to update the Team's IT system to one with a document storage facility. A Business Case has been approved by the Technical Advisory Board in June and work is now underway with procurement. The plan is that the new system will be implemented mid October 2021.

**Director Commissioning****Children's Brokerage (Audit Report Issued 15th February 2021)**

Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
44632	The process for creating the Families and Children's Finance spreadsheet will be reviewed to ensure that the accuracy of the data input is checked through quality assurance reviews initially sampling 10% of entries. Furthermore, segregation of duties will be explored within the payments process and will be put in place where required to reduce the risk of error and fraud.	2	Outstanding	31-Jul-21		Head of Finance Children and Education	An updated response had not been received.

**Director Families & Children****Missing Children (Audit Report Issued 28th June 2021)**

Reference Number	Action	Priority	Status	Original Target Date	Revised Target Date	Responsible Officer	Management Update
45083	IT are leading a wider review of access to network folders to ensure appropriate controls are in place, this will be completed in advance of a transfer to SharePoint. While this work is ongoing the Service Manager will ensure that a quarterly review of access to the Missing Children folders is undertaken and that access remains appropriate.	2	Outstanding	31-Aug-21		Director Families & Children	An updated response had not been received.

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**Wiltshire Council**

**Audit and Governance Committee**

**28 September 2021**

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**Subject: Statement of Accounts 2019/20 update**

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## **Executive Summary**

This report presents an update to the Statement of Accounts 2019/20 audit and approval process.

## **Proposal(s)**

It is recommended that the Audit & Governance Committee note the update on the Statement of Accounts 2019/20 and the ongoing delay to the completion of the audit process and formal approval by the Committee.

## **Reason for Proposal(s)**

The responsible financial officer is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings. It is therefore important that the Audit & Governance Committee receive updates on the progress of this work.

Andy Brown

**Corporate Director for Resources & Deputy Chief Executive (S.151 Officer)**

## **Wiltshire Council**

### **Audit and Governance Committee**

**28 September 2021**

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**Subject: Statement of Accounts 2019/20 update**

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#### **Purpose of Report**

1. This report presents an update on the progress of the Statement of Accounts for the financial year 2019/20, the audit process and expectations for the timing of the approval of the accounts by this committee.

#### **Relevance to the Council's Business Plan**

2. The responsible financial officer, the Councils Section 151 Officer, is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings.

#### **Background**

3. The Statement of Accounts for the financial year 2018/19 was presented to Audit and Governance Committee for final approval at its meeting on 18 November 2020 following an extended audit process. At this meeting the committee approved the accounts accepting an 'except for' qualification limited to the historic balances on the Revaluation Reserve and historic balances on the Accumulated Depreciation within the Capital Adjustment Account.
4. The 'except for' qualification is limited to a technical financial accounting area for the council specifically aspects of fixed asset accounting and does not impact the usable reserves available to the council for delivering services. To work through the technical area to resolve the outstanding issue a new asset management system was implemented, and work was completed to introduce the new system to give confidence to the 'in-year' transactions for the 2018/19 accounts but further analysis and evidence was required to remove the qualification and the accounts were approved on this basis. The new system provided inherent controls on the 'in-year' movements as well as more transparency on reporting on the council's assets.
5. The progress of the 2019/20 accounts have been impacted by the delay in the approval of the 2018/19 accounts as well as being impacted by the limited technical capacity and experience of resources within the council at the time of production, then further compounded by the difficulties in progressing the audit process remotely. Although additional experienced capacity has been brought in we have seen an increased number of audit queries due to the breadth and number of errors that have been found and this has caused further delay to the completion of the audit process. Progress of the accounts and audit process has been reported to this committee at every meeting since

November 2020, where it was also reported that the 'except for' qualification would remain in place for the 2019/20 accounts.

### **Main Considerations for the Council**

6. Positive progress with the audit has continued however further technical fixed asset accounting issues have arisen, which have been highlighted by the transparent reporting of the new system, and these now need to be resolved. The issues cover several different aspects of fixed asset accounting, which stem from ineffective and unstructured communication processes between services and finance, lack of experience and knowledge within the accountancy team leading to poor practice and historic data records.
7. To ensure we have confidence in the fixed asset values disclosed in the accounts and provide the assurances required, and due to the scale of misstatement found it is necessary for us to carry out a wider review of fixed assets. We continue to work with the auditors to progress this work and provide evidence and assurance, but the impact of this is a further delay to the completion of the audit process and final accounts approval.
8. The 2020/21 end of year processes and the more robust construction of the accounts has also highlighted some issues that have not been addressed in the draft 2019/20 accounts that require further adjustment, such as leases which have not been accounted for or disclosed in past years.
9. The above misstatements require adjustments made to the draft accounts and due to the number of adjustments and the technical nature of adjusting prior year balances the external auditor will require further review which will include engagement with their national technical team to ensure all due disclosures for these adjustments are made in line with accounting requirements. It is not clear at this stage whether this work will be able to be completed in time to conclude the audit and be in a position to recommend the approval of the 2019/20 accounts at the next Audit & Governance committee in November.

### **Next Steps**

10. From the outset it is imperative to understand that the majority of the 2019/20 accounts have been resolved to satisfaction. It was reported and accepted that we were not in a position to resolve the 'except for' qualification of the accounts, however significant progress has been made since the accounts were first published as draft back in August 2020 and we continue to make progress in addressing the historical issues and misstatements. Progress has been reported to the committee to ensure transparency and the development of the team and more robust processes and controls remains a priority, especially as we work towards drawing together the draft accounts for the 2020/21 financial year and the clearance of the except for qualification.

11. Focus within the team is firmly on carrying out the work to provide assurance on the values of fixed assets in the accounts so that the 2019/20 accounts and audit can be concluded. When we have more confidence in this area focus will then move to finalising the draft 2020/21 Statement of Accounts. We continue to work with the external auditors to plan the work required and ensure resources are available to support this work for both the council and the auditors.
12. Work has already been provided to the external auditors in reference to the technical historic account balances. We continue to work with them so that we can give assurance on these technical historic account balances so that the 'except for' qualification can be lifted and will not apply to the accounts for 2020/21 and work is underway alongside this additional assurance work to produce the Statement of Accounts.

### **Overview and Scrutiny Engagement**

13. No overview and scrutiny engagement has taken place due to the statutory nature of the annual accounts process and those charged with governance i.e. Audit and Governance Committee, are responsible for the review and approval of all matters concerning the annual accounts.

### **Safeguarding Implications**

14. There are no safeguarding implications associated with this report.

### **Public Health Implications**

15. There are no public health implications associated with this report.

### **Procurement Implications**

16. There are no procurement implications associated with this report.

### **Equalities Impact of the Proposal**

17. There are no equalities impacts arising from this report.

### **Environmental and Climate Change Considerations**

18. There are no environmental and climate change considerations arising from this report.

### **Risks that may arise if the proposed decision and related work is not taken**

19. The annual accounts are required to be approved as part of the overall statutory requirement of the annual accounts process. If the accounts and audit process is not finalised the ability to progress the accounts and audit process for 2020/21 will be limited and result in further delay to this process. The statutory deadline for completion of the 2019/20 accounts was 30 November 2020 and the deadline for the completion of the draft accounts for the 2020/21 accounts was 31 July 2021.



## **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

20. Additional work is required by both council and audit staff to address the outstanding issues, including the historical balances in the technical reserves and ensure the 'except for' qualification is lifted and does not apply to the 2020/21 accounts and assurance is given that the values within the accounts for the councils fixed assets are materially correct. This work is likely to result in additional audit fees. The audit is a statutory function and accounts must be prepared in accordance with regulation to represent a true and fair view of the financial position of the council.

## **Financial Implications**

21. The financial implications have been set out in the body of this report. As with 2018/19 the extended time and additional work required to complete the audit is likely to result in additional audit fees being incurred. As stated in previous reports, additional local government technical financial accounting experienced resource has been sourced through an agency for short-term support to address to conclusion the 2019/20 accounts and audit, to address the outstanding technical historic account balances issue which resulted in the 'except for' qualification of the 2018/19 accounts in time for the lifting of this 'except for' qualification for the 2020/21 accounts process, and to also support the development and training of team through the production of the 2020/21 accounts process.

## **Legal Implications**

22. There are no legal implications associated with this report.

## **Workforce Implications**

23. There are no workforce implications associated with this report.

## **Options Considered**

24. The responsible financial officer is required to approve and publish the Statement of Accounts for the council by the deadlines set out in regulation, or as soon as reasonably practicable after the receipt of the auditor's final findings.

## **Conclusions**

25. It is recommended that the Audit & Governance Committee note the update on the Statement of Accounts 2019/20 and the further delay to the completion of the audit process and approval.

**Andy Brown**

Corporate Director for Resources & Deputy Chief Executive (S.151 Officer)

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15 September 2021

**Appendices:**

None

**Background Papers**

The following documents have been relied on in the preparation of this report:

Draft Statement of Accounts 2019/20

**Wiltshire Council**

**Audit and Governance Committee**

**28 September 2021**

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**Subject: Annual Governance Statement 2020/21**

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## **Executive Summary**

The Annual Governance Statement for Wiltshire Council should demonstrate how the Council is meeting the principles of good governance adopted in its Code of Corporate Governance. A statement has been prepared based on the local code of corporate governance adopted by full council as part of the Constitution. The statement has been shared with external auditors for comment and will be updated to reflect the discussion at the committee ahead of its final agreement as part of the Annual Accounts.

## **Proposal(s)**

The Audit Committee is asked to consider the draft Annual Governance Statement for 2020/21 at Appendix 1.

## **Reason for Proposal**

The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2020/21. This will be signed by the Leader of the Council and the Chief Executive after final approval by the Audit and Governance Committee. The AGS will form part of the Annual Statement of Accounts for 2020/21.

## **Perry Holmes**

Director, Legal and Governance / Monitoring Officer

## **Andy Brown**

Corporate Director Resources / Section 151 Officer

## **Jo Pitt**

Director, Human Resources and Organisational Development

## Wiltshire Council

### Audit and Governance Committee

28 September 2021

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**Subject: Annual Governance Statement 2020/21**

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#### Purpose of Report

1. To consider the Annual Governance Statement for 2020/21.

#### Background

2. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2020/21. This will be signed by the Leader of the Council and the Chief Executive after final approval by the Audit and Governance Committee. The AGS will form part of the Annual Statement of Accounts for 2020/21.
3. The format of the AGS follows advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), with an onus on making it focused and readable. This is also the format of the [Local Code of Corporate Governance](#) that full council adopted as part of the Constitution on 9 July 2019.
4. The AGS for Wiltshire Council should demonstrate how the Council is meeting the principles of good governance adopted in its Code of Corporate Governance. These principles aim to ensure the Council is:
  - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - Ensuring openness and comprehensive stakeholder engagement.
  - Defining outcomes in terms of sustainable economic, social and environmental benefits.
  - Determining the interventions necessary to optimise the achievement of intended outcomes.
  - Developing capacity, including the capacity of the Council's leadership and the individuals within it.
  - Managing risks and performance through robust internal controls and strong public financial management.
  - Implementing good practices in transparency, reporting and audit to deliver accountability.

5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2020/21, but must take account of any significant issues of governance up to the date of publication of the Statement of Accounts. The AGS should outline the actions taken or proposed to address any significant governance issues identified.
6. The AGS is drafted by senior officers who have lead roles in corporate governance. The evidence for the AGS comes from a variety of sources, including service plans, relevant lead officers within the organisation, internal and external auditors and inspection agencies.
7. In last year's Annual Governance Statement the Council identified a number of areas where further improvements could be made to strengthen its governance framework. Quarterly reports have been provided to the Audit and Governance Committee and where appropriate have been rolled forward into the AGS for 2020/21. It should be noted that the previous AGS was agreed later than normal (in November 2020) after the date for its submission was extended under the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020. This means that less time has been available than usual to implement the improvement actions identified within that AGS.

## Summary of improvements suggested in 2019/20

### Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

AGS improvement actions	Current Status	
Deliver policy and training to embed social value across the council	Our work on Organisational Recovery will ensure we strengthen alignment between policy development and spending with third parties across the Council, and establish a culture, to maximise the delivery of tangible social, economic and environmental outcomes through commercial activity. We will take a targeted and data driven approach to such policy application to ensure that we focus efforts on those areas where maximum benefits can be achieved; we will supplement this by providing support, training and tools, to help people throughout the Council to deliver defined & tangible benefits for the people of Wiltshire. <i>Action will be reworded and rolled forward.</i>	AB JH
Promote with staff 'EPIC values' (Empowering People to Innovate and Collaborate) and an updated code of conduct, replacing the previous Behaviours framework	Complete. The code of conduct was updated in September 2020. A range of activity has promoted EPIC values with staff.	JP PM

### Principle B - Ensuring openness and comprehensive stakeholder engagement

AGS improvement actions	Current Status	
Implement a new VCS strategy and review the Wiltshire Compact	A new VCS strategy was drafted before the COVID pandemic. The principles of	JG

	<p>openness and comprehensive stakeholder engagement have been embedded into the partnership work of response and recovery. The Neighbourhood cell led this initially and leadership continued through the Community Resilience recovery group bringing together Community Partners, VCS, Strategic partners and the Council. Wessex Community Action are leading a developmental evaluation exercise to assess the impact of the Community Resilience Partnership work during the pandemic. This work will inform how the Council learn lessons from the pandemic and work with the VCS in future.</p> <p><i>Action will be reworded and rolled forward.</i></p>	
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**Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits**

<b>AGS improvement actions</b>	<b>Current Status</b>	
Pilot a multi-year outcome-based planning process aligned to budget build (when spending reviews permit)	The delay in a multi-year spending review until 2021 means the process will be considered when spending reviews permit. <i>Action will be reworded and rolled forward.</i>	<b>AB</b>
Review approach to service delegation and asset transfer and One Public Estate	A review of the benefit of the asset transfer and service devolution programme has taken place. The future approach will be informed by the review. One public estate opportunities will be identified as part of the asset rationalisation programme and early progress has already been made in that respect.  <i>Action will be reworded and rolled forward.</i>	<b>AB SH</b>

**Principle D - Determining the interventions necessary to optimise the achievement of intended outcomes**

<b>AGS improvement actions</b>	<b>Current Status</b>	
Review the effectiveness of the commercial policy and current commissioning approaches.	Elements of the Council's Capital Programme around commercial investment were deferred while others are progressing. The Council's appetite for commercial investment, given the current economic state, will be wrapped up as part of the	<b>SH HH</b>

	<p>recovery work. Recent government controls on use of PWLB borrowing has prevented commercial investment. There will be a need to review the commercial policy in light of changing government policy.</p> <p>The governance of the council owned companies, Stone Circle, is being reviewed and a report will be taken to Cabinet in July 2021.</p> <p><i>Action will be reworded and rolled forward.</i></p>	<p><b>AB</b> <b>PH</b></p>
Embed good commissioning and contract management as part of staff job descriptions.	<p>Procurement are reviewing information and will liaise with HR Business Partner to discuss – current action is with Procurement</p> <p><i>Action will be reworded and rolled forward.</i></p>	<p><b>AB</b> <b>JH</b></p>

**Principle E - Developing capacity, including the capability of the Council's leadership and the individuals within it**

<b>AGS improvement actions</b>	<b>Current Status</b>	
Rollout training and awareness on decision making processes	<p>Guidance is being drafted, subject to review by Corporate Governance Group, before discussion at CLT/ELT and development of training material. A comprehensive councillor induction and development programme has been prepared for all councillors to benefit from following local elections.</p> <p><i>Action will be rolled forward.</i></p>	<p><b>IG</b> <b>JP</b> <b>MD</b> <b>MN</b></p>
Work with partners to complete a multi-agency evaluation of the response to the pandemic	<p>A full multi-agency debrief was not taken forward before response was reactivated for the second wave – this will be considered during 2021. As part of the ongoing management of outbreaks and situations the Local Outbreak Management Plan has been updated. This used multi-agency feedback and wider regional Sector-Led Improvement work to ensure an effective continued response to the changing nature of the pandemic.</p> <p><i>Action will be rolled forward.</i></p>	<p><b>KB</b> <b>EP</b> <b>MN</b></p>

**Principle F – Managing risks and performance through robust internal controls and strong public financial management**

<b>AGS improvement actions</b>	<b>Current Status</b>	
Review how performance can be communicated to the public to deliver maximum openness and transparency	<p>A new approach to communication of performance as well as publishing open data will be developed and delivered as part of</p>	<p><b>MN</b></p>

	the BI Development programme and SAP Evolve project in line with organisational recovery  <i>Action will be rolled forward.</i>	
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**Principle G - Implementing good practices in transparency, reporting and audit to deliver accountability**

<b>AGS improvement actions</b>	<b>Current Status</b>	
Align organisational processes more closely to the outcomes in the Business Plan to ensure a focus on the resources used and outcomes achieved	An outcome-based process has been developed with the intention of informing a three year budget. The delay in a multi-year spending review until 2021 means the process will be piloted during 2021/22, following the local elections, ready for 2022/23. Services are being provided with support for preparations with the new Business Plan.  A new portfolio management approach is being implemented to align corporate programmes with the new Business Plan and ensure benefits realisation.  <i>Action will be rolled forward.</i>	<b>AB</b> <b>MN</b>

**Initials**

**AB:** Andy Brown, Interim Corporate Director, Resources

**PH:** Perry Holmes, Director, Legal and Electoral Services

**JP:** Jo Pitt, Director, HR and OD

**SH:** Simon Hendey, Director, Housing and Commercial

**HH:** Helean Hughes, Director, Education and Skills

**JG:** Jess Gibbons, Director, Communities and Neighbourhood Services

**KB:** Kate Blackburn, Director, Public Health

PM: Paula Marsh, HR

JH: Jonathan Hopkins, Procurement

MN: Martin Nicholls, Executive Office

MD: Maria Doherty, Democracy

EP: Emergency Planning



## Main Consideration for the Council AGS - Content

8. An AGS for 2020/21 is attached at Appendix 1. This has been updated in the light of the observations of external audit (Deloitte). The Council's internal auditors, SWAP, have given an overall audit opinion of reasonable assurance on the effectiveness of the Council's control environment for 2020/21.
9. The final sections of the AGS require the Council to identify any significant internal control issues affecting the Council during the relevant period. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:
  - the issue has seriously prejudiced or prevented achievement of a principal objective;
  - the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
  - the issue has led to a material impact on the accounts;
  - the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
  - the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
  - the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
  - the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
10. The response to the COVID-19 pandemic will have immediate and undoubtedly long lasting significant financial implications for Wiltshire's economy, communities and residents as well as the Council itself. The magnitude and far reaching consequences of this unprecedented situation represents a significant governance issue for the Council, which will be addressed through business planning processes and work with our partners.
11. Areas for improvement in governance arrangements will need to be considered through the lens of recovery as work progresses under the themes of the Recovery Plan. Subject to this, the following areas for improvement have been identified at this stage:
  - Review commissioning and procurement approaches to embed industry standard contract management as part of staff job descriptions; deliver policy and training to embed social value across the council; and strengthen our approach to partnership working with the VCS through business planning processes.
  - Continue activities to embed all of the values in Our Identity across the organisation
  - Take effective steps to respond to the significant budget gap for 2022/23 within the context of a Medium Term Financial Strategy
  - Regularly report on delivery against outcomes defined in the new Business Plan, including our commercial approach
  - Finalise the governance review of Stone Circle company and shareholding

- arrangements
  - Rollout training and awareness on decision making processes
  - Continue to work with partners to complete a multi-agency evaluation of the local response to the pandemic
  - Review how performance can be communicated to the public to deliver maximum openness and transparency.
  - Align organisational processes more closely to the outcomes in the Business Plan to ensure a focus on the resources used and outcomes achieved
  - Review the Complaints Procedure alongside arrangements to report trends and learning
12. The Council's external auditors, Deloitte LLP, have been asked for their comments on the draft AGS and these will be reflected in the final draft. The Council has been working with the **External Auditor** and has agreed an approach to evidence the fixed asset accounting disclosures historical balances within the revaluation reserve and capital adjustment account to ensure the 'except for' qualification on these accounts for 2018/19 and 2019/20 is cleared for the accounts for the financial year 2020/21. Details of the conclusion and opinion can be found in the auditor's ISA 260 reports. The issue will also be covered separately in the report on the annual accounts.

**Perry Holmes**  
**Director Legal and Governance / Monitoring Officer**

**Andy Brown**  
**Corporate Director Resources / Section 151 Officer**

**Jo Pitt**  
**Director HR and OD**

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Report Authors: Perry Holmes, Jo Pitt, Andy Brown and David Bowater.

## **Appendices**

Appendix 1 Wiltshire Council's Annual Governance Statement 2020/21

# **Wiltshire Council**

## **Annual Governance Statement 2020/21**

## **Introduction**

Wiltshire Council is a local authority that is responsible for providing services to nearly half a million residents, tens of thousands of varied businesses and over a million visitors per year. It aims to create strong communities, grow the local economy and protect vulnerable people and this approach underlines everything we do. The Council secures funding from national government, local taxation and charges. So, as a public body, it needs to have a strong governance and assurance framework to make certain its business is conducted to the highest standards, ensuring:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making, conducted in accordance with the law and proper standards;
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities; and
- public money is safeguarded and properly accounted for, and continuous improvement in the way in which its functions are exercised is secured, having regard to economy, efficiency and effectiveness.

This statement reflects how Wiltshire Council has met those standards in 2020/21 and beyond; as well as the ongoing actions it is taking to maintain and improve its governance arrangements. Evidence of how we have assessed ourselves has been grouped into sections as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its publication 'Delivering Good Governance in Local Government Framework (2016)' and is consistent with the Local Code of Corporate Governance.

## **Approval of the Annual Governance Statement 2020/21**

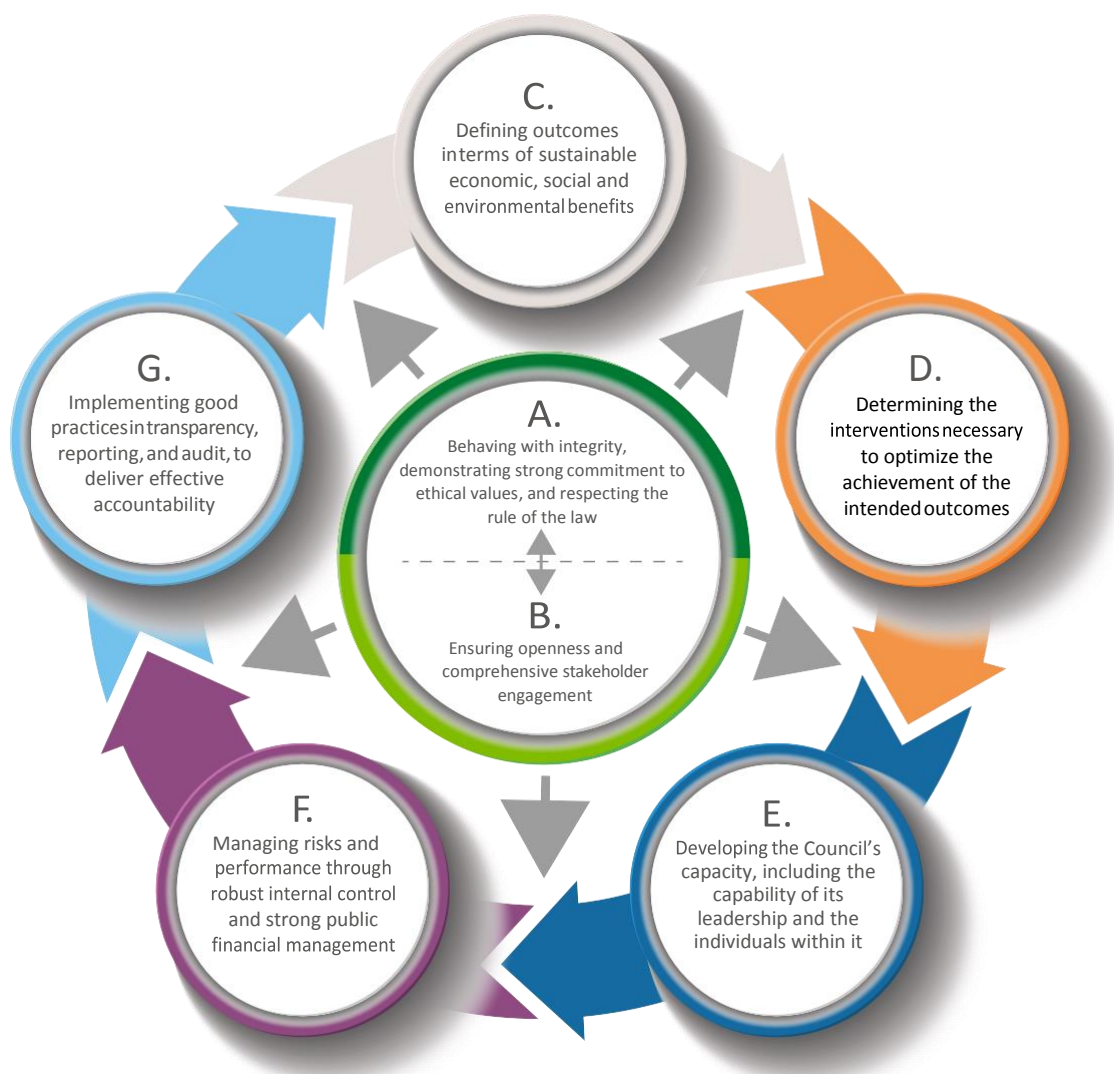
We are satisfied that this statement provides a substantial level of assurance that good governance is in place in Wiltshire Council and that appropriate arrangements are in place to address improvements identified in our review of compliance. Progress on these improvements and on addressing and mitigating the risks will be monitored through the year by senior officers and the Audit and Governance Committee.

Terence Herbert  
Chief Executive

Cllr Richard Clewer  
Leader of Wiltshire Council

September 2021

The Local Code of Corporate Governance provides a means of demonstrating that a sound level of governance is operated. This local code acts as a means of assurance, but also a mechanism for achieving continuous improvement. This approach is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. The principles are set out below:



The following pages set out a summary of the key governance controls, mapped against the CIPFA principles. These are supported by case studies to help demonstrate where positive improvement action has already been taken, and a note of improvement actions that the Council will take.

**Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Respect for the rule of law

Behaving with integrity

The Council's [Constitution](#) provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, effective, transparent and accountable. The constitution is kept under review by the Standards Committee who request the Constitution Focus Group to review sections. In 2020/21 this included the terms of reference for Wiltshire Pension Fund Committee and Local Pension Board, adjustments to the policy framework and temporary meeting protocols for Covid-19. Bespoke arrangements were in place to ensure virtual meetings delivered continued councillor engagement on key decisions.

The Constitution includes at Part 13 the **Members' Code of Conduct**, which makes clear the obligation of elected members in promoting and maintaining high standards of conduct and ensuring the principles of public life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) are adhered to. Pecuniary and non-pecuniary interests are [registered](#) and published on the web site in accordance with the requirements of the Code of Conduct and underlying legislation. During 2020 the Local Government Association (LGA) has consulted on a Model Code of Conduct and the Council's response to the consultation was overseen by the Standards Committee.

Strong commitment to ethical values

The Council publishes and promotes a recently revised code of conduct for its staff. Alongside this '**Our Identity** - public servants building stronger communities' sets out the type of organisation that the Council needs to be; with 10 characteristics that provide the blueprint for organisational development. This includes an EPIC culture – Empowering People to Innovate and Collaborate – and **EPIC Values** that define what the council stands for, creating an inclusive and agile environment where we celebrate each other's successes. These values will be embedded throughout the employment lifecycle, forming a key part of the appraisal system to promote ethical awareness amongst the Council's staff.

There is a process for dealing with complaints under the code of conduct for unitary, parish, town and city councillors in Wiltshire. This process and its application is set by the Council and reviewed regularly by the Council's **Standards Committee**. This year a new assessment sub-committee system has been adopted to streamline the handling of complaints. Minutes from the meetings of this Committee can be found [online](#). There were 71 complaints last year, 11 in relation to unitary members, 60 parish members. 7 in total were referred for investigation. There were 3 hearings, with 2 determined to not be breaches, and the other found to be in breach. The number of complaints per year since 2012 has ranged from 27-82.

Ethical considerations are also evident in the Council's [Procurement Strategy](#) where Social Value is a consideration. A task & finish group has been set up to ensure Social Value is at the forefront of all procurement activity, achieving value for money on a whole life basis for the council, communities and the economy, whilst protecting the environment.

**How we can improve**

Review commissioning and procurement approaches to embed industry standard contract management as part of staff job descriptions; deliver policy and training to embed social value across the council; and strengthen our approach to partnership working with the VCS through business planning processes.  
Continue activities to embed all of the values in Our Identity across the organisation

**Principle B - Ensuring openness and comprehensive stakeholder engagement**

Openness

The Council makes available a range of important information on its website including its strategic aims and ambitions in its published [Business Plan](#) and via its [publication scheme](#). The council has arrangements for dealing with requests under Freedom of Information laws. In 2020/21 there were 1281 requests with 94% responded to within 20 days

Committee meetings are open to the public, and **agenda papers and minutes** are available on the internet in various formats along with forward work plans/ calendars.

**Public engagement** plays a key part in the decision-making process, across the full range of council services. Key consultations undertaken during 2020/21 include those on Neighbourhood Plans, the Local Plan, reopening libraries, Melksham Bypass, Chippenham distributor road, Salisbury River Park, cycling schemes and extra care housing. A **communications protocol** is in place for councillors and officers.

The Council supports a range of partnerships including: the [Health and Wellbeing Board](#), promoting integrated working between the council and the NHS; the [Wiltshire Police and Crime Panel](#) which reviews and scrutinises decisions of the Police and Crime Commissioner (joint committee with Swindon Borough Council); and the work of the Swindon and Wiltshire Local Enterprise Partnership ([SWLEP](#)). The Council has been an active partner in the [Local Resilience Forum](#) during pandemic and is leading a multi-agency Recovery Coordinating Group and plans for local outbreak control.

Wiltshire Council's 18 **Area Boards** involve the local community in decision-making within the agreed scheme of delegation. 64 area board meetings took place remotely with devolved funding on community grants, youth, health and wellbeing and transport and devolved decision-making powers on community asset transfers. Grants supported a range of local action in response to covid.

The **Wiltshire Compact** is an agreed set of guidelines and principles to foster good working relationships between the voluntary sector and the public sector.

The council's [Statement of Community Involvement](#) sets out expectations in preparing Wiltshire's planning policy documents and in considering planning applications. This was approved by Full Council in July 2020 and included temporary arrangements in light of the pandemic. Timely, open, officer decision making is in place with the ability for local councillors to call-in **planning** decisions to committee in response to local concerns. A strategic planning committee oversees particular significant issues.

Emergency and other **officer decisions** taken under the scheme of delegation during the pandemic have been enacted with the support of the Leader and published [online](#); with regular reports to Cabinet on the key developments. Input from representative groups has been sought where appropriate and a Covid-19 task and finish scrutiny group has also been established to ensure wider councillor input continues to take place.

Engaging with institutional stakeholders

Engaging with citizens and service users

**How we can improve**

Review commissioning and procurement approaches to embed industry standard contract management as part of staff job descriptions; deliver policy and training to embed social value across the council; and strengthen our approach to partnership working with the VCS through business planning processes.

**Principle C - Defining outcomes in terms of sustainable economic, social and environmental benefits**

Defining outcomes

The [Business Plan](#) 2017-27 was agreed in 2017 to enable the vision, priorities and goals set out to be translated into actions that deliver the changes required in the coming years. Following the 2021 local elections a refreshed plan is under development.

Following the publication of the report of the Local Government Association's **Peer Review** on Wiltshire Council in 2018, an [action plan](#) was developed and in July 2019 the Overview and Scrutiny Management Committee agreed that further scrutiny was not needed given progress on its recommendations. A further peer review may take place in the next financial year

A [Local Development Scheme](#) provides a three year rolling project plan for producing the **local development framework**

Parishes throughout the county can continue to request community asset transfers. During 2020/21 a review of the policy for wider devolution of services and transfer of assets to Town and Parish Councils began, within the scope of current COVID recovery priorities. Significant **service delegation and asset transfer** packages have previously been agreed with Bradford on Avon, Devizes and Chippenham Town Councils, Pewsey Parish Council and Salisbury City Council in previous years. Requirements for the public estate are likely to evolve further in coming years with related opportunities for capital receipts, jobs and housing.

The Council receives reports on the combined economic, social and environmental impacts of its policies in the form of various reports including the **Joint Strategic Needs Assessment (JSNA)**. These also inform community led action planning and inform other schemes such as the Big Pledge.

**Community facilities** have a key role in supporting people to live more active and fulfilled lives. The campus programme has provided sustainable assets for towns that provide a place, facilities and services that help to combat isolation and loneliness and increase the opportunities for social interaction; and in so doing build strong communities. Several campuses have been completed already including Calne in November 2020 and Cricklade in February 2021. Work continues on the upgrade in Melksham and Trowbridge Leisure Centre has had temporary repairs. Temporary closure of facilities during the pandemic has led to increased uptake of digital facilities; and engagement on safe reopening.

Investment in transformation of **adult social care** has continued with strengths-based professional practice, increasing customer independence and reducing reliance on expensive packages of care. Close working with the NHS during the pandemic has also enabled a multi-professional discharge flow hub to be established. **Families and children** transformation has implemented improved multi-professional early support

Sustainable economic, social and environmental benefits

**How we can improve**

Regularly report on delivery against outcomes defined in the new Business Plan, including our commercial approach



**Principle D - Determining the interventions necessary to optimise the achievement of intended outcomes**

Determining and planning interventions

Regular Performance and financial updates are reported to senior officers and councillors, including scrutiny through the **Financial Planning Task Group** which is a task group established by the [Overview and Scrutiny](#) Management Committee.

Oversight of corporate projects is undertaken by the Corporate Leadership Team (CLT), supported with advice from Finance, Legal, HR and Procurement Teams. The **Programme Office** manages projects and programmes on behalf of the Council and provides reports to the Council on ongoing work. During 2019/20 the majority of projects were delivered or progressed according to schedule and monthly reports were provided to CLT with appropriate actions taken. A decision to defer expenditure on a number of programmes was taken by Cabinet in June 2020; although many of these have now resumed alongside a comprehensive approach to planning and delivering organisational recovery.

The Council has established a **local energy company** so that it can trade in energy produced on its assets in the future. The company is currently dormant whilst opportunities are explored – if they are any business plan would be approved by Cabinet.

Business plans for the Council's **local housing company** and **development company** were agreed by Cabinet in February 2021. This will involve the acquisition of 250 homes over five years and the development of five council owned sites to deliver 116 units. The housing company has acquired 22 properties so far which are also tenanted. The development company is applying for planning permission for its first development site in Calne and is currently undertaking due diligence in respect of proposed developments of in Marlborough and Trowbridge. The Council is currently undertaking a governance review of the company and shareholding arrangements to ensure that governance and oversight continues to be robust and fit for purpose

The council's [annual budget](#) setting process has also seen updates to the Medium Term Financial Strategy and ongoing Capital Programme

The [Corporate Procurement Strategy](#) provides the framework for the council to obtain value and social capital from all of its bought in goods and services. The strategy focuses on identifying and delivering efficiencies, but not at the expense of quality; and developing and embracing the principles of sustainable procurement.

The procurement strategy is used to encourage the adoption of a mixed economy approach, evaluating on the basis of whole life costings and breaking down barriers to participate in council opportunities. Using transparent processes, the council commits to meeting its obligation to ensure that all of our procurement activity addresses relevant social, economic and environmental standards.

Optimising achievement of intended outcomes

**How we can improve**

Finalise the governance review of Stone Circle company and shareholding arrangements

**Principle E - Developing capacity, including the capability of the Council's leadership and the individuals within it**

Developing capacity

The Council's [People Strategy](#) focuses on attracting the best people to work for the Council and engaging, developing and retaining existing staff and will be updated to reflect internal recovery focus.

A wellbeing survey in July 2021 showed an **improvement in staff engagement** overall (+14% to 84%) since December 2018. As might be expected, moving out of the initial response to the pandemic has seen the engagement index score drop very slightly but this is still a very high score and well above the index in the 2018 staff survey (and prior surveys). 82.5% of staff are currently working (predominantly) from home, and most say they face 'no significant challenges' with this. For those finding it more challenging the most common reasons were 'communicating with colleagues' and 'social isolation'. Pilots are currently running on collaborative working, alongside manager wellbeing referrals to support staff. As we move through recovery, to make sure there is support for all staff the council will be moving towards a 'best of both worlds' hybrid working model to build on previous flexible working arrangements, giving us all the benefits of physical as well as virtual collaboration. 95.4% of staff feel they could work efficiently in these new arrangements.

Following the introduction of the **apprenticeship levy** the council and maintained schools in Wiltshire have 316 new and upskilling apprentices. All grade D-F posts are considered for apprenticeships when recruited externally. A leadership development programme offers aspiring and developing managers the opportunity to complete accredited qualifications using levy funding. In addition, the council has 4.8% of its staff aged under 25, some of whom are employed as apprentices.

We have continued to develop the alignment of service responsibilities to roles at the top of the organisation to ensure joined up and effective working. Following the implementation of a single Chief Executive post, as a focal point of leadership for recovery from the impact of COVID-19, appointments at Tier 1 and Tier 2 of the organisation have been confirmed. Further work continues to ensure ongoing alignment and good succession planning.

The council continues to learn by seeking **best practice** both regionally and nationally and responding to the findings of external inspections such as CQC and Ofsted inspections.

The council has evaluated how well we have worked with our civil contingency partners in the response to (and recovery from) the events in south Wiltshire and will be doing the same for the pandemic given the significant implications for the county, council and partners.

Managers complete **annual appraisals** with their staff and use these to discuss behaviours, identify training and development needs, and develop plans to address these needs. Exit interviews also ensure the council learns is a learning

As well as the training provided as part of councillor induction a range of learning material is made available to councillors online via the Wiltshire Council **learning portal**, GROW.

Developing the capability of the Council's leadership and other individuals

**How we can improve**

Rollout training and awareness on decision making processes

Continue to work with partners to complete a multi-agency evaluation of the response to the pandemic

**Principle F – Managing risks and performance through robust internal controls and strong public financial management**

Managing risk and performance

A new [risk and performance management policy](#) was [agreed](#) in February 2019 to replace the previously separate Corporate Risk and Corporate Performance Strategies. In the last year service level risks have been identified through, and managed within the COVID response structure. All services risks are scored on the same basis. Significant risks have been escalated to the top of that structure and owned by CLT. Three iterations of this register have replaced the Strategic Risk Register which has been mothballed during the COVID response. The standard corporate risk process will be revived alongside a new corporate strategy with risks being linked to outcomes in the strategy. The Audit and Governance Committee monitor and review the effective development and operation of performance and risk management, receiving progress reports as required.

The Council is the administering authority for more than 180 employers through the Wiltshire Pension Fund, and the [Pension Committee](#) exercises its responsibilities in relation to investment management where it sets investment policy and appoints and monitors external investment managers. This has included participation in the Brunel Pension Partnership (as agreed by full council). The operation of a **Local Pension Board** continues, with the purpose of scrutinising the Council as Administrator for the Wiltshire Pension Fund and ensuring the efficient and effective governance of the pension scheme.

Wiltshire's section 151 Officer or **Chief Finance Officer** has a statutory duty to ensure that the Council has a strong financial control environment, including an effective and independent Internal Audit function in accordance with the Accounts and Audit Regulations.

The main **changes in risk** during 2020/21 have been around the impact of the pandemic. The pandemic will have immediate and undoubtedly long lasting significant financial implications for Wiltshire's economy, communities and residents as well as the Council itself. The magnitude and far reaching consequences of this unprecedented situation represents a significant governance issue for the Council, which will be addressed through the Council's new Business Plan and the linked Organisational Recovery Plan.

The Senior Information Risk Owner's **(SIRO) Annual Report**, outlines the significant work that has taken place to embed good practice and manage risk to ensure compliance across the council.

Robust internal control and strong public financial management

**How we can improve**

Review how performance can be communicated to the public to deliver maximum openness and transparency.

**Principle G - Implementing good practices in transparency, reporting and audit to deliver accountability**

Assurance and effective accountability

Implementing good practices in transparency and reporting

The Council has independent external auditors (Deloitte) and SWAP Internal Audit Services, who provide an internal audit function, Wiltshire being the biggest partner. SWAP’s internal audit plan is agreed by the [Audit and Governance Committee](#) and periodic update reports were considered by the Committee throughout 2020/21. Due to the significant changes to ways of working as a result of the response to the COVID-19 pandemic it was agreed by the Committee that the internal audit plan for 2020/21 would be considered on a flexible basis, due to the changing operations, risks and priorities for the council during the year. As at April 2021, SWAP Internal Audit completed 45 internal audit reviews, to draft and final report including significant high-risk areas e.g. Missing Children and ICT Cyber and Governance reviews. SWAP has worked closely with officers and the Audit & Governance Committee to follow up and monitor implementation of actions, in particular 3 reports where there was limited assurance (brokerage, accounts payable and procurement). SWAP has also supported the council in the emergency response by providing staff into joint teams to deliver the significant COVID-19 Business Grants to the business sector. This work has been carried out by specific members of the SWAP team to ensure no conflict with Internal Audit activity arose during the year. Overall SWAP assessed the Council’s control environment as ‘reasonable’ with no significant issues raised. The Council has been working with the **External Auditor** and has agreed an approach to evidence the fixed asset accounting disclosures historical balances within the revaluation reserve and capital adjustment account to ensure the ‘except for’ qualification on these accounts for 2018/19 and 2019/20 is cleared for the accounts for the financial year 2020/21. Details of the conclusion and opinion can be found in the auditor’s ISA 260 reports.

There is a strong culture operating in the Council of acting to the highest standards. This is rooted in the behaviours expected of councillors and staff and upheld by the senior leaders. Where any resident feels the Council has not acted properly the Council has a **corporate complaints procedure**. The number of complaints received has fallen from previous years with 380 in 2020/21 (compared to 459 in 19/20, 588 in 18/19, 624 in 17/18 and 671 in 16/17). The Council receives at the end of July the [Annual Letter](#) of the Local Government and Social Care Ombudsman. There were 16 detailed investigations undertaken by the Ombudsman in the year ending 31 March 2021. The number of complaints upheld by the Ombudsman were 9. This compares with 19 (of 37) and 10 (of 19) in the previous two years. This is an uphold rate of 56% which is lower than the average rate of 63% for similar authorities. The council has complied with 100% of Ombudsman recommendations and in 11% of upheld cases the council had already provided a satisfactory remedy before the complaint was considered.

The ambitions set out in the **Local Code of Corporate Governance** are reviewed regularly and quarterly updates have been provided to the Audit and Governance Committee.

**Overview and Scrutiny** temporarily switched to a streamlined model during the pandemic, comprising a dedicated working group who met regularly with the Executive. The management committee continued to hold public meetings online, alongside regular briefings for select committee chairs. Reviews have also been carried out looking at climate change, the Families and Children Transformation Programme (FACT) and mental health services for children. An [Annual Report](#) sets out the activity in detail.

The Council complies with reporting requirements such as an [online structure chart](#) and senior salaries and expenses.

**How we can improve**

- Align organisational processes more closely to the outcomes in the Business Plan to ensure a focus on the resources used and outcomes achieved
- Review the Complaints Procedure alongside arrangements to report trends and learning

Wiltshire Council

Cabinet

27 September 2021

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**Subject:** Stone Circle Governance Review

**Cabinet Member:** Councillor Pauline Church Cabinet Member for Finance & Procurement Commissioning, IT Digital and Commercialisation

**Key Decision:** Non Key

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## Executive Summary

This report presents the findings of a governance review, into the Stone Circle companies which was commissioned by Cabinet in February 2021 and conducted by the Corporate Director for Resources and Deputy Chief Executive and the Director of Legal and Governance in the intervening period.

The report sets out the recommendations of the review and their implications. It explains the opportunity to mark a change in emphasis of the Stone Circle companies from set up and commencement to enhanced delivery and commercial success.

The seven recommendations of the review are:

**Recommendation 1 (R1)** a Business Plan with greater detail including market analysis, risks, sensitivity, performance and forecasting should be produced by the companies especially Stone Circle Housing and Stone Circle Development.

**Recommendation 2 (R2)** There should be quarterly performance reporting by the companies to the Council in the order Corporate Leadership Team (CLT), an appropriate Task Group or Scrutiny Select Committee and then Cabinet (through the Shareholder Group).

**Recommendation 3 (R3)** create a Shareholder Group as a sub-Committee of Cabinet with the Leader as Chair with two other Cabinet Members as members with the option to co-opt external commercial expertise to enable the Shareholder Group (after consideration of performance reporting by CLT and Scrutiny) to conduct its role on behalf of the shareholder.

**Recommendation 4 (R4)** to amend the articles of the company to introduce a three year term for the Chair.

**Recommendation 5 (R5)** review the appointments to the Board. Now is the time to focus on delivery and therefore the current appointments, although assisting in set-up and initial trading activity, should be amended over a 12-month transitional period. This should include replacing the elected Members on the company Boards, with the advent of the Shareholder Group which will

carry out a scrutiny and challenge function, expanding the membership of non-executive appointments with specific housing sector commercial experience and increasing the general non-executive membership to the Housing and Development companies by two. The Director of Housing and Commercial Development also be appointed to the companies.

**Recommendation 6 (R6)** request the company to develop and implement an appropriate staffing structure for the companies, to oversee the operations and to drive commercial delivery at pace. This structure could be resourced incrementally and phased against specific trading data.

**Recommendation 7 (R7)** annual presentation of governance arrangements to the Audit & Governance Committee.

### **Proposal(s)**

1. Cabinet adopts and commits to implementing the recommendations of the governance review over the next 12 months.
2. Cabinet requests the companies to create Business Plans with greater detail including market analysis, risks, sensitivity, performance and forecasting to be presented to Cabinet at a future meeting.
3. Cabinet agrees to create a sub-committee called the Stone Circle Shareholder Group chaired by the Leader with two other Cabinet Members and the option to co-opt external expertise and delegates to the Director of Legal & Governance in consultation with the Leader to make the necessary arrangements and Constitutional amendments.
4. Cabinet requests the Stone Circle companies to provide quarterly reporting to the Council with reports shared with Corporate Leadership Team, Scrutiny and the Stone Circle Shareholder Group starting from January 2022 and to produce its accounts to the Audit and Governance Committee from 2022.
5. Cabinet delegates to the Corporate Director of Resources in consultation with the Leader the recruitment and appointment of new non-executive board directors and officer director to replace current members of the Stone Circle companies and to take all further necessary steps to complete this.
6. Subject to agreeing the above recommendations Cabinet to agree the revised Stone Circle Housing company business plan as submitted to cabinet at its February 2021 meeting such that individual acquisition budgets are increased.

**Reason for Proposal(s)**

To give effect to the recommendations contained in the Governance Review of Stone Circle companies which provides best practice advice, academic sources and other local government learning on the governance and commercial success of council owned companies.

**Terence Herbert**  
**Chief Executive**

## **Wiltshire Council**

### **Cabinet**

**27 September 2021**

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**Subject: Stone Circle Governance Review**

**Cabinet Member: Councillor Pauline Church Cabinet Member for Finance & Procurement Commissioning, IT Digital and Commercialisation**

**Key Decision: Non Key**

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#### **Purpose of Report**

1. Cabinet commissioned a review of the governance arrangements for the Stone Circle companies in February 2021. It agreed a terms of reference and asked the Corporate Director for Resources and Deputy Chief Executive and the Director of Legal and Governance to conduct the review. This report presents the outcome of the review, attached at Appendix 1, explains the implications of the seven recommendations and seeks Cabinet approvals.

#### **Relevance to the Council's Business Plan**

2. The proposals in this report support the Business Plan 2017-2027 priority of Growing the Economy and the goal of more affordable homes to rent and buy. The report also reflects our commercialism as an innovative and effective Council.

#### **Background**

3. The Stone Circle companies were formed in 2019 and with two principle aims. Firstly, to provide homes to residents whose financial circumstance enabled them to afford rents somewhere between council house levels and the private sector, with rental levels offered at above the local housing allowance as well as allowing access to the homes outside the Council's allocation policy. Secondly, to create homes for sale through developing council owned land. Cabinet set out to review the governance arrangements for the companies, agreeing a terms of reference:
4. As the business of the companies grows a review of governance will be undertaken and reported to the July cabinet meeting. This will follow best practice and learning from other Councils and include:
  - the company governance in relation to the shareholder requirements as set out in the shareholder agreement;
  - a clear process for decisions, performance and risk reporting from the companies through to CLT and Cabinet;



- the role of the Council as shareholder in holding the company to account on its business plan objectives;
- shareholder representation on the Boards;
- clear separation of roles between the council as shareholder and the companies and minimising the scope for conflicts of interest;
- role of the Audit and Governance Committee in overseeing the effectiveness of the governance arrangements;
- role of Overview and Scrutiny.

### **Main Considerations for the Council**

5. Cabinet as the representative of the shareholder should consider the recommendations of the review and the extent to which approving them would support the shareholder's aspirations for the companies. The recommendations offer a shift of emphasis from the setting up of the companies and the commencement of their current business plans, towards a focus on business viability, with greater prominence being given to accelerated delivery and commercial success.
6. The Cabinet may consider that the range of recommended changes such as the board membership, the development of more sophisticated business planning and the acquiring of employee capacity, support greater pace of delivery. The other recommendations such as enhanced reporting provide an improved level of scrutiny and oversight and could also promote commercial success.
7. At its meeting February 2021 cabinet agreed to consider a revised business plan submitted by the Stone Circle Housing company subject to the outcome of the governance review:
  1. ***“ Agree the Stone Circle housing company business plan 2021/22 but serve notice on the company that the increased budget for individual acquisitions is not agreed and will be subject to a governance review and new business plan.”***
8. The Stone Circle Housing company proposes the business plan as in February 2021 which requests an increase in the individual property acquisition price by 25% and also to bring forward acquisitions into 2021/22 such that the target number of acquisitions is 125. The report in February showed that if all properties were purchased at the 25% increased level all debt would be cleared by year 57.
9. At year 50 the business plan is predicting fixed assets of £149m, current liabilities of £18m and long term liabilities of £5m giving a net retained earnings profit and loss of £116m. The current well documented strength of the residential property market indicates that the individual property acquisition budget will need to increase if the company is to be able to compete in acquisitions going forward so as to fulfil the business plan.

## **Overview and Scrutiny Engagement**

10. The Overview and Scrutiny Management Committee will consider this report on 21 September 2021, with comments reported to the Cabinet meeting.

## **Safeguarding Implications**

11. There are no direct safeguarding implications.

## **Public Health Implications**

12. There are no direct public health implications, but it is hoped that faster delivery of affordable housing in Wiltshire will have a beneficial impact on the health and well-being of families who become residents of Stone Circle Housing.

## **Procurement Implications**

13. There are no direct procurement implications.

## **Equalities Impact of the Proposal**

14. A low equalities risk score was calculated for the proposals in this report.

## **Environmental and Climate Change Considerations**

15. Stone Circle development company aims to be a carbon zero developer and will not include fossil fuel use to heat homes in its developments.

## **Risks that may arise if the proposed decision and related work is not taken**

16. Missing the opportunity that this review provides to shift the emphasis of the companies to greater pace of delivery and commercial viability risks the under delivery of new homes and the financial viability of the companies and the return of the Council's investment.

## **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

17. Care will need to be taken in the selection of non-executive directors to ensure that commercial delivery is progressed whilst accepting the context for the companies being local authority trading companies.

## **Financial Implications**

18. Stone Circle company will need to present a new business plan that incorporates the financial implications of the included recommendations and then update the Council, as Shareholder, of the impact of the proposed direction of travel. In particular presenting the changes to the companies cashflow position, breakeven point and debt position at the end of 50 years as a result of the recommendations being presented today.

19. The Council will continue to keep oversight of the overall position, risk and financial viability of the companies, and this assessment will be updated following receipt of the revised business plan.

### **Legal Implications**

20. There are no legal implications to the proposals.

### **Workforce Implications**

21. The proposals will have workforce implications for the companies as they recruit staff. It is a matter for the companies to take advice on those consequences. Any Council officers appointed as Directors of the boards will need to manage any conflicts of interests, professional conflicts and seek appropriate indemnities.

### **Options Considered**

22. Cabinet commissioned the review but it has the option to disregard the recommendations proposed.

### **Conclusions**

23. The review draws on examples of best practice, academic material and the experience in other Councils with trading companies, to provide recommendations that are designed to enhance the viability and pace of delivery of the Stone Circle companies. Cabinet is advised to implement the recommendations and together with Scrutiny and Audit & Governance Committee, hold the companies to account to deliver their ambitious plans.

### **Andy Brown, Corporate Director for Resources and Deputy Chief Executive**

Report Author: Perry Holmes, Director of Legal & Governance  
[perry.holmes@wiltshire.gov.uk](mailto:perry.holmes@wiltshire.gov.uk)

16 September 2021

### **Appendices**

Governance Review of Stone Circle companies

### **Background Papers**

None

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## **Governance Review of Stone Circle companies**

**Andy Brown, Corporate Director Resources and Deputy Chief Executive  
(Section 151 Officer)**

**Perry Holmes, Director Legal & Governance (Monitoring Officer)**

### **Background**

Cabinet requested a review of the Governance arrangements for the Stone Circle companies at its meeting on 2 February 2021 [Agenda for Cabinet on Tuesday 2 February 2021, 10.00 am | Wiltshire Council](#)

### **Terms of reference**

The terms of the governance review were expressed by Cabinet as follows:

As the business of the companies grows a review of governance will be undertaken and reported to the July cabinet meeting. This will follow best practice and learning from other Councils and include:

- the company governance in relation to the shareholder requirements as set out in the shareholder agreement;
- a clear process for decisions, performance and risk reporting from the companies through to CLT and Cabinet;
- the role of the Council as shareholder in holding the company to account on its business plan objectives;
- shareholder representation on the Boards;
- clear separation of roles between the council as shareholder and the companies and minimising the scope for conflicts of interest;
- role of the Audit and Governance Committee in overseeing the effectiveness of the governance arrangements;
- role of Overview and Scrutiny.

### **Background to Company set up**

1. The Stone Circle Holding Company was incorporated on 6 September 2019. The Housing and Development Companies were incorporated on 9 September 2019. The Energy Company was incorporated on 2 March 2020.
2. The Cabinet considered the establishment of the Housing and Development Companies at its Meeting on 15 January 2019. The full details can be viewed here (item 9) :

<http://moderngov.wiltshire.council/ieListDocuments.aspx?CId=141&MId=11671&Ver=4>

3. Following a decision to proceed, external advice from legal and finance specialists was obtained and a 2019/20 Business Plan and a range of draft documentation was presented to the Council's Cabinet at its Meeting on 23 July 2019. The Holding, Housing and Development Companies were incorporated following approval of the 2019/20 Business Plan and draft documentation at this meeting. The full details can be viewed here (item 108) :  
<http://moderngov.wiltshire.council/ieListDocuments.aspx?CId=141&MId=12816&Ver=4>
4. The 2020/21 Business Plan was approved at a meeting of Cabinet on 7 January 2020. The full details can be viewed here (item 11) :  
<http://moderngov.wiltshire.council/ieListDocuments.aspx?CId=141&MId=12506&Ver=4>
5. The 2020/21 Business Plan was adjusted due to the ongoing covid-19 pandemic and it was approved at a meeting of Cabinet on 14 July 2020. The full details can be viewed here (item 15):  
<http://moderngov.wiltshire.council/ieListDocuments.aspx?CId=141&MId=13070&Ver=4>
6. The 2021/22 Business Plan was presented and approved by Cabinet earlier this year: [Agenda for Cabinet on Tuesday 2 February 2021, 10.00 am | Wiltshire Council](#) Item 31.
7. A Business Plan for Energy Company is yet to be produced and presented to the Council for approval. At present, Energy Company is dormant and no independent director has been recruited. A Business Plan will be presented to the Council for approval before any activity is commenced.
8. At the meeting of 23 July 2019, the Council's Cabinet approved the following governance arrangements:
  - a. The appointment of the Cabinet member responsible for Housing (currently Richard Clewer) to the Board of Directors;
  - b. The appointment of the Cabinet member responsible for Highways, Transport and Waste (currently Bridget Wayman) to the Board of Directors;
  - c. The appointment of a member of the opposition (currently Ian Thorn) to the Board of Directors;
  - d. The appointment of an independent director to each of Housing and Development Companies with relevant expertise in housing and development respectively (currently Nicholas Samuels and John Terry respectively);

- e. The appointment of two independent directors to Holding Company (currently Nicholas Samuels and John Terry); and
  - f. The appointment of the then Executive Director of Growth, Investment and Place (Alistair Cunningham) and acting as shadow chairman. Upon the senior management restructure which resulted in Alistair Cunningham retiring from the Council, the Council's Cabinet at its meeting on 14 July 2020 approved the appointment of Alistair Cunningham as an additional independent director of all Stone Circle companies. Alistair was then appointed as the first Chairman of the Board by the Directors, a role which is subject to an annual appointment process in each October.
9. The Shareholder's Agreement between the Council and the Holding Company sets out the inter-relationship between the two organisations. Most notably, it includes the following:
- a. The requirement for a Business Plan to be presented to the Council and approved on an annual basis. The Business Plan must include:
    - i. An annual operating revenue plan and capital expenditure requirements;
    - ii. Funding sources;
    - iii. Balance sheet forecast;
    - iv. A minimum 5 year financial strategy plan inclusive of proposed investments, borrowings, key risks and new business;
    - v. Long term projections;
    - vi. Identification of any surpluses and any distribution of any profits;
    - vii. An annual profit and loss account; and
    - viii. Any other such content as the Council may require.This is presented at a meeting of Cabinet in January with a view to it taking effect for the period 1 April – 31 March of each year. The 2021/22 Business Plans were presented to Cabinet on 2 February 2021. Essentially, the Companies are required to deliver what is set out in each Business Plan.
  - b. In respect of the Development Company, a requirement for a Project Plan in respect of each proposed site to be developed to be presented to the Council and approved. This has been delegated to the Corporate Director for Resources, in consultation with the Cabinet Member for Finance & Procurement, Commissioning, IT Digital and Commercialisation Two Project Plans have been approved and two more have been presented for approval.
  - c. A list of 'reserved matters' which must be referred back to the Council for approval. A copy of these are set out in Annex 1 and include changes to the Board, changes to the Business Plan, creation of security over company assets, payment of dividends and acquiring (or

disposing of) assets with a value of over £30k not approved in the Business Plan.

- d. The Council is entitled to receive copies of reports, accounts and information submitted to the Company, annual accounts and Board Meeting minutes. The Council may also request any other information reasonably required and/or request to inspect books and records.
10. The Council can, as shareholder, pass a special resolution to direct the Directors to take, or refrain, from taking specified action. In addition, the Council can require the directors to convene a general meeting and propose resolutions and circulate statements.
  11. The Companies currently borrow loan finance from the Council under the terms of the Housing Company Loan Agreement and Development Company Facility Agreement. These documents were approved by the Council's Cabinet at its meetings on 23 July 2019, 7 January 2020 and 14 July 2020 and is reflected in the relevant Business Plan.
  12. Under Company Law, the Shareholder is entitled to attend and participate in General Meetings. The Company is not required to hold a General Meeting unless the Shareholder or Directors require a General Meeting to be convened. Notwithstanding this position, representatives from the Council are invited to attend board meetings of the Directors. Currently, Councillor Pauline Church and Wiltshire Council Chief Executive, Terence Herbert, are invited to attend the meetings on behalf of the Council. In addition, Council officer's Leanne Sykes (from a Company and Council finance perspective), Mike Dawson (from an Company estates perspective) and Simon Hendey (as Council director responsible for housing and estate) attend meetings of the Directors. In addition to members of the Board, these individuals also have access to the Stone Circle SharePoint site where the statutory registers, reports, papers, contracts, meeting agendas and minutes are available to view.
  13. Each Director is aware of their statutory duties and duties in respect of conflicts of interests. At meetings of Cabinet, the Directors of Stone Circle who also attend Cabinet declare conflicts of interest and leave the meeting. The Company holds a declaration of interests register and, at each meeting of the Company, members of the Board are invited to declare any conflicts of interest.

## **Methodology**

The Director of Legal & Governance, conducted an initial review of the following:

- the information provided to Cabinet about the setting up of the companies



- the information provided to the Cabinet about the performance of the Stone Circle companies
- the information available in the Stone Circle Sharepoint site
- Consulted with the Leader and Deputy Leader, the Chief Executive, Director for Housing & Commercial, colleagues from Legal Services who provide the company secretary role and legal advice to the companies.
- Considered some academic literature and other best practice information available about the operation of Council owned companies (see references)

The Corporate Director of Resources and Deputy Chief Executive and the Director of Legal & Governance then collaborated in the completion of the review to provide observations and recommendations to Cabinet set out below. The report follows the order of the Terms of Reference.

## **1. The company governance in relation to the shareholder requirements as set out in the shareholder agreement**

In order to consider whether the shareholder's requirements are being met (as set out in the shareholder agreement), it is helpful first to define what is meant by company or corporate, governance.

The seminal definition adopted by the Institute of Chartered Secretaries and Administrators (ICSA), the professional body for company secretaries, is:

'Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting.' (This is from the *Cadbury Report (1992) page 14.*)

### **Observations**

The Council as shareholder, through Cabinet, has demonstrably exercised its role in appointing Directors and Auditors. As part of this review Cabinet has the option to change those appointments. This could reflect the development of the Stone Circle companies and the shareholders wish to see new approaches. It could also reflect the issue of company capacity and the wish to see greater commercial drive from within the companies.

In addition, through this review the Council as shareholder can assure itself that an appropriate governance structure is in place. As a Council shareholder there are other factors that need to be considered and most of those are set out below, such as the role of other functions of the wider Council, such as the role of Overview and

Scrutiny, which are unique to local (and central) government and not a normal feature of corporate governance.

#### **a) Shareholder agreements.**

The Council took specialist legal advice in the drafting of the Shareholder agreements which appear to provide appropriate safeguards for the Council as shareholder. The Council has been able to exercise its role as shareholder under the terms of the three agreements.

#### **b) Control**

The separate legal entity that a company enjoys, raises issues of control. The Council as a shareholder and funder of the Stone Circle companies, and pursuant to the Shareholder Agreements, has a high level of control. This should not stifle commercial activity or entrepreneurial endeavour but does reflect the public accountability the companies have to the residents of Wiltshire.

#### **c) Risk**

The Council is taking most of the risk with the activity of the companies. It is the Council who appoints the Directors, who steer the companies to deliver against their Business Plans, which are presented to approval to Cabinet. The Council funds the activity of the companies, through borrowing. The Council currently provides staff to service the companies' activities. The company secretary role, some legal, financial and property roles are conducted by Council officers, charged out to the companies at subsidy control (formerly state aid) compliant rates.

The Business Plans that the companies are working to deliver are short in detail. Details of a format used at another Council owned company, Treveth in Cornwall, attached at Appendix 1 show the scope for providing a more detailed Business Plan. Over time as the concept of the Council owned status of the companies is understood, the focus for the Business Plans could be the commercial performance. A second example of a Business Plan with for example some detailed market analysis, performance and risk from another Council owned company, Goram Homes, in Bristol, is attached at Appendix 2.

**Recommendation 1 (R1)** a Business Plan with greater detail including market analysis, risks, sensitivity, performance and forecasting should be produced by the companies especially Stone Circle Housing and Stone Circle Development.

## **2. A clear process for decisions, performance and risk reporting from the companies through to CLT and Cabinet**

### **Observations**

Reporting has taken place to Cabinet in line with the terms of the Shareholder agreements. The reporting could be enhanced to mark the move into a delivery phase for the companies.

**Recommendation 2 (R2)** There should be quarterly performance reporting by the companies to the Council in the order Corporate Leadership Team (CLT), an appropriate Task Group or Scrutiny Select Committee and then Cabinet (through the Shareholder Group).

### **3. The role of the Council as shareholder in holding the company to account on its business plan objectives**

#### **Observations**

The Council through Cabinet has the role of holding the companies to account for delivery against their business plan objectives. If Recommendation 1 is implemented that would be a good opportunity to enhance the role of Cabinet in acting on behalf of the shareholder to hold the companies to account. The professional body for local authority lawyers, Lawyers in Local Government (LLG) issued a Code of Practice for the Governance of Council Interests in Companies in (2018). It refers to the option of a Shareholder Group to hold the Board to account with the inclusion of commercial expertise if necessary. The Shareholder Group could be a sub-Committee of Cabinet with the enhanced Cabinet role delivered either through bespoke commercial training for the Shareholder Group to enable areas of focus for their attention, or the adding of some external commercial expertise to the Shareholder Group, as a non-voting co-optee.

**Recommendation 3 (R3)** create a Shareholder Group as a sub-Committee of Cabinet with the Leader as Chair with two other Cabinet Members as members with the option to co-opt external commercial expertise to enable the Shareholder Group (after consideration of performance reporting by CLT and Scrutiny) to conduct its role on behalf of the shareholder.

### **4. Shareholder representation on the Boards**

#### **Observations**

There is currently no definitive critique of the makeup of the Boards of Council owned companies. Anecdotal information suggests that Councils take a mix of approaches to Board membership. Councils often appoint Cabinet Members to the Boards of companies they own. This is a mechanism to provide a link between the executive leadership of the council and the activity and direction of the company. Councils also appoint professional officers and, in some cases non-executive directors with industry expertise. A director of a company has a legal duty to promote the best interests of that company. This can conflict with their other roles. They have a duty to resolve any such conflicts. This has implications for councillors who are also Cabinet Members, therefore having strong links to the shareholder but also a duty to promote the success of the company. This has led to some Councils not including any members on the boards of their companies. The LLG Code of Practice is clear on this point, that although conflicts of interest can be waived by the company, as a matter of law they cannot in a local authority setting, so that a Councillor Director would always have to resolve a conflict of interest in favour of the company. That is because they have a legal duty at all times to act in the best

interests of the company. The LLG Code of Practice therefore counsels against Councillor Directors being appointed, which is consistent with previous Government guidance on the same issue.

There is some academic study on the success or otherwise of companies with Councillor Board members as opposed to those that include for example non-executive directors with commercial proficiency. One study suggests that majority owned Council companies are more likely to succeed. It also theorises that greater political control is a factor in company mortality. This uncomfortable finding is echoed in some of the recent public interest reports issued for considering some of the problems that Council companies have encountered, including Nottingham, Croydon and Liverpool.

The Robin Hood Energy (RHE) Ltd public interest report into the governance arrangements by Grant Thornton

<https://www.nottinghamcity.gov.uk/media/2835756/report-in-the-public-interest-rhe.pdf>) focused amongst other things on the role of councillors on the board.

They made the following comments:

More generally, it is not seen as good practice for councillors to be on the boards of local authority companies, with other mechanisms used to ensure that the company meets the Council's policy objectives. This reflects the above issues in relation to the expertise and experience of many councillors, and the potential for conflicts of interest between the councillors' commitment to the interests of the company, which has to override other interests when they are on company 'business', and their wider responsibilities as councillors. Having councillors on company boards can lead to a failure to properly separate the two sets of interest – of the company and of the Council – and it appears that this occurred in relation to the expectation that the Council would continue to fund RHE indefinitely.

Councillor Clewer has resigned as a director of Stone Circle Holding Company, on his becoming Leader of the Council. Due to other changes in Cabinet membership, the Council has no Cabinet member on the Board of Stone Circle Holding Company and no senior Council officer. It is suggested that there is room for a re-setting of the Board makeup.

There is no Corporate Leadership Team (CLT) representation on the Board. Best practice suggests that if appointing a senior officer to the Board of a Council owned company, that should not be the Chief Executive, the Section 151 Officer or the Monitoring Officer so as not to conflict with their statutory roles.

If recommendations are implemented with the creation of new governance arrangements by the shareholder, it is now the time to move from set up to focus on delivery with the right commercial and housing experience and composition on the board to enable that to happen. It is also good practice and governance for the role of Chair to be appointed annually but also time bound to allow for consistency but critically to focus on the delivery of the business plan and delivery as the company continues to grow.

**Recommendation 4 (R4)** to amend the articles of the company to introduce a three year term for the Chair.

**Recommendation 5 (R5)** review the appointments to the Board. Now is the time to focus on delivery and therefore the current appointments although assisting in set-up and initial trading activity, should be amended over a 12-month transitional period. This should include replacing the elected Members on the company Boards, with the advent of the Shareholder Group which will carry out a scrutiny and challenge function, expanding the membership of non-executive appointments with specific housing sector commercial experience and increasing the general non-executive membership to the Housing and Development companies by two. The Director of Housing and Commercial Development also be appointed to the companies.

## **5. Clear separation of roles between the council as shareholder and the companies and minimising the scope for conflicts of interest**

### **Observations**

If the recommendations for the Shareholder Group and the changes to the Board appointments are made there will be a clear separation at a strategic level of the shareholder and the company.

At an operational level, those officers who are currently undertaking company activity are also employed by the Council. The work done for the company is limiting their capacity for Council work and vice versa. As the companies enter the next phase of delivery, it is self-evident that the amount of work necessary will increase. For example if Recommendation 1 is to be implemented, someone will need to write a fuller set of Business Plans, which under Recommendation 2 and 3 will then require detailed performance reporting. These need to feature commercial acumen and insight. This activity, if conducted under the current model by Council officers, will deplete Council capacity.

The company could counter this by employing staff. One of the benefits of Council owned companies is that they can employ staff on commercial rates to carry out the work of the companies. This would increase the current capacity where, council officers who already have considerable council workloads are being asked to conduct company work. The productivity of the companies and the speed of delivery would inevitably increase if staff were employed within the companies. Their costs could be charged against specific projects as a normal overhead.

The roles could start with, for example, the single appointment of a Head of operations, to drive the next phase of delivery. The Council could resist at this stage a Managing Director role, until the scale of activity and turn over justified such a senior position. What a Head of Operations would bring is sufficient commercial knowledge and insight to start to drive commercial performance and delivery.

Such appointments would bring pension costs and human resource requirements of the company would increase.

This could sit alongside some continued “buying back” of other Council services to enable the companies to keep costs down and to provide financial benefit to the Council.

**Recommendation 6 (R6)** request the company to develop and implement an appropriate staffing structure for the companies, to oversee the operations and to drive commercial delivery at pace. This structure could be resourced incrementally and phased against specific trading data.

## **6. Role of the Audit and Governance Committee in overseeing the effectiveness of the governance arrangements**

### **Observation**

There have been some high-profile Council company failures, with perhaps the most significant to date being Nottingham City Council's Robin Hood Energy which will cost the local taxpayers an estimated £38 million in losses.

Audit and governance issues should therefore be a priority to ensure the correct structure is in place. This review provides assurance around the governance. The audit framework should also be considered.

The company could present its governance arrangements to the Audit & Governance Committee annually so that the Committee, on behalf of the Council, could be assured that they are appropriate.

The direction of travel is for the companies' accounts to be consolidated within the Council's accounts from the 2020/21 financial year, with the materiality and disclosure increasing as the company grows.

**Recommendation 7 (R7)** annual presentation of governance arrangements to the Audit & Governance Committee.

## **7. Role of Overview and Scrutiny.**

### **Observations**

With the correct timing and allowing for commercial confidentiality, pre-decision scrutiny of the Business Plans of the companies could occur in advance of Cabinet approval. This would allow more democratic accountability of the companies. It would also be another check and balance to encourage commercial success.

This could be coupled with regular performance reporting against the Business Plans to either a Task Group or one of the Select Committees.

Any scrutiny of the companies needs to recognise the commercial separation of the Stone Circle companies and the difference between their interests the Council's interests.

See R2.

## **Conclusion**

The foundations for the newly formed Stone Circle companies are broadly sound. With the shift to a delivery phase from the set-up phase, now is an appropriate opportunity to amend representation and take other steps to ensure delivery of the bold and ambitious plans. More reporting of performance, greater scrutiny of the governance framework and a shift to professional employees should start to offer a step change in delivery.

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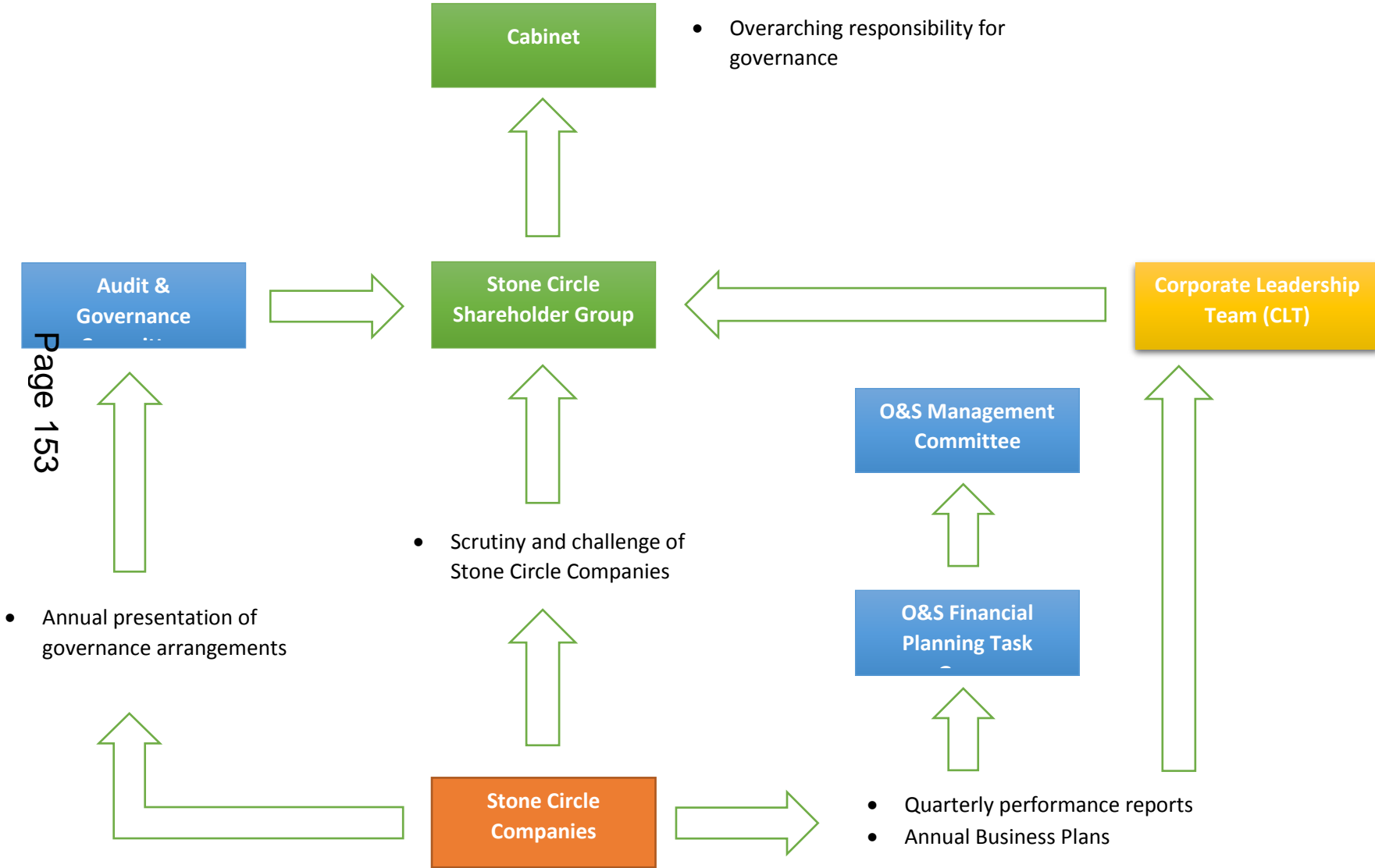
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# Stone Circle Governance Diagram



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# Treveth Group

Business Plan

2019-2020



**CORNWALL**  
**COUNCIL**  
*one and all • onen hag oll*



[www.cornwall.gov.uk](http://www.cornwall.gov.uk)



This is the first year of **Treveth's** operation since its incorporation in April 2019. Treveth is required to have a business plan setting out the entity's priorities. For the first year of operation this business plan represents a holding position to enable the Executives and Chair to be appointed and own the plan into the future.

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# Introduction

The Council has established an Investment Programme with the purpose of delivering profit and a return to the Council.

**This is a Business Plan for the whole of the Treveth Group.** During this first year the new board of Treveth will develop its Four Year Business Plan and One Year Business Plan for 2019-2020 and beyond.

It will look further ahead, whilst at the same time delivering the priorities set out in this plan. Treveth as a new entity will also need to continue to develop its setup arrangements in the first year of operation.

The creation of Treveth is key to the Council putting itself in a position where it has the right legal entity, the governance, capability and the capacity to undertake development at the scale and ambition set by the Council.

Treveth's purpose will be to deliver profit generating activity via a variety of means including delivery of private sector development on land which is either yet to be acquired, or has been

acquired for the purposes of development for the private sector.

The Council has established an Investment Programme with the purpose of delivering profit and a return to the Council. It is envisaged this new entity, with responsibility for the delivery of the Investment Programme, will take the Council's investment strategy to the next level.

Whilst it is recognised that the first year priorities focus on housing development and workspace, Treveth will need to consider the balance between different types of investment and development.


It will be important going forward that Treveth takes into account the different timescales, risk, return and characteristics of each class of investment and development, demonstrating how priorities in the future Four Year Business Plan get the right balance across the whole portfolio's shape.

## Context

The main government grant funding to local authorities will be removed for Cornwall from 2020/21. Councils in response are required to become more self-sufficient with the aim of becoming self financing to offset the government grant reduction. Capital programmes have become orientated to generating longer-term revenue returns to the Council.

 **52,500**  
new homes

The Cornwall Investment Programme will generate income back to the Council but importantly it will do this by supporting the delivery of the Council's Business Plan, Local Plan 2010-2030, Vision 30s economic route map, the Environmental Growth Strategy 2015-2065 and Connecting

 **74,000m<sup>2</sup>**  
of workspace

Cornwall through the delivery of the Local Transport Plan. In short, the Cornwall Investment Programme will support the Council to deliver **52,500 new homes, 74,000m<sup>2</sup> of workspace and 38,000 new jobs by 2030.**

The Council has initiated a

 **38,000**  
new jobs

number of priorities which are set out in this business plan to achieve this.

Going forward, Treveth Holdings will deliver these and lead on the identification and delivery of priorities to be brought forward for approval by the Council.



# Treveth Group

## Primary purpose

- To generate a return to the Council to supplement changes to income, whilst at the same time supporting the Council's economic development priorities of job creation, economic growth and improved housing.
- Estimated gross investment by the Council will be £600m by 2023, delivering a minimum net 3.5% return back to the Council across the portfolio.

## Secondary purpose

- To ring-fence the Council against third party risk.
- To provide Treveth with a sufficient degree of autonomy to enable it to act quickly and respond to market opportunities in ways which the Council cannot.
- To ensure there is the expertise and capability to deliver the priorities and flexibility to recruit and reward/retain appropriately skilled development and investment expertise.

# What will Treveth do?

## Treveth will undertake the following activities:

- **Acquisition of sites** and site assembly.
- **Strategic planning and a longer term investment strategy** which will set out the rules, behaviour and procedures to develop an investment portfolio across different markets.
- **Securing value through planning permissions and larger scale master planning** and design briefs to support site development.
- **Acting as the master developer** for large-scale development including but not limited to:
  - The acquisition of land
  - Investment in infrastructure
  - Securing planning permission
  - Undertaking master-planning
  - Retaining or selling packages of land for development by a wide range of providers
- **Acting as the holding vehicle** for a range of assets including Council owned assets.
- **Management of assets that the LLP holds** including the delivery of housing management, landlord responsibilities and fulfilling regulatory requirements.
- **Provide investment and development and consultancy services** to the Council and its direct delivery programme.
- **Developing the market conditions, procurement and contracting models** to drive value and support delivery.

**These activities will be undertaken in Cornwall for Cornwall. They will not extend beyond Cornwall.**







# Types of scheme Treveth will deliver

## Residential

Treveth will deliver a mix of tenure including:

- **Private rented**
- **Private market sale**
- **Section 106 affordable housing** in line with the planning requirements set out in the Local Plan
- **Shared ownership**, subject to schemes being mortgageable.

## Business and industrial

- **Business and industrial sites**
- **Workspace investment**

## Mixed use

- **Combination** of residential, business and industrial across single sites.

## Wider commercial opportunities

- This could include a range of investment propositions from a range of sectors including for example energy, materials, industrials and information technology.

## The Council's commercial property portfolio

- **Lead on the proposals and delivery of the transformation** of the commercial estate of the Council.

## What it will not deliver

- **Financial investments** - these will continue to be managed within the Council.
- **Infrastructure developments** such as roads, bridges and cycle paths.
- **Wider capital programme of the Council** which is not for a commercial purpose i.e. schools and social care.
- **Affordable Housing over and above the Section 106 requirements** in any private residential scheme.



# How will Treveth operate?



## Operations

Treveth Holdings is a Limited Liability Partnership (LLP). **This means that:**

- ⦿ **It allows the Council to lawfully participate in investing** in the development of private sector development.
- ⦿ **The Council may directly award work to Treveth Holdings without undertaking a procurement process** because it is a Teckal-compliant entity satisfying the requirements of Regulation 12 of the Public Contracts Regulations 2015.



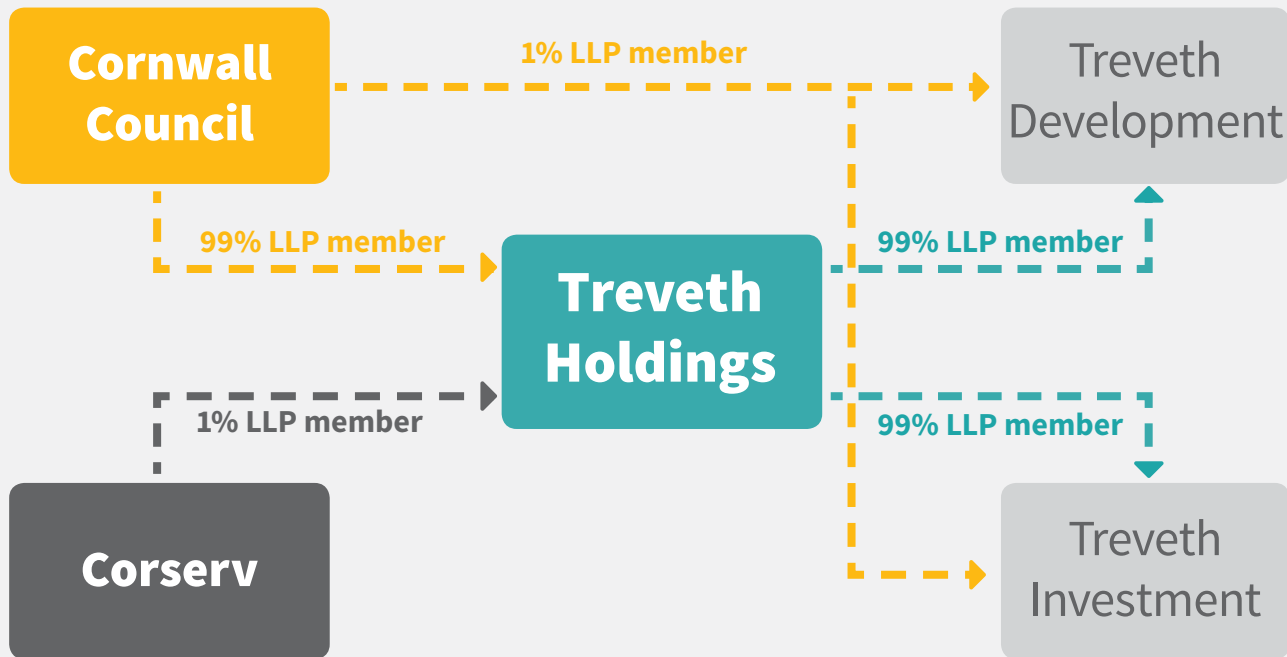
## Structure

- ⦿ **Treveth is structured as a group.** There is a parent LLP referred to as Treveth Holdings which sits between the Council and two subsidiary LLPs. These subsidiaries are referred to as Treveth Investment and Treveth Development. For these subordinate LLPs, the majority partner will be the holding LLP with the Council as minority partner.



# Relationship between the minority and majority partners

The Council is the majority partner being a **99% shareholder** and controlling member. Corserv is the minority partner as a **1% shareholder** for Treveth Holdings.



The relationship between the partners are enshrined in an LLP Agreement which contains the respective **rights and obligations of the members of the LLP:**

- Each member shall use its best endeavours to **promote the business and interests** of the LLP.
- Each member shall **exercise its voting rights and powers of control** in relation to the LLP so as to give full effect in terms of the LLP Agreement.
- Each member shall **show the utmost good faith** to the LLP and to other members in all transactions in relation to the business and affairs of the LLP.

**Each member shall share the profits** in line with the agreed profit proportions. This means the Council will have 99% of the rights to the profits of the LLP and Corserv will have 1% of the rights to the profits of the LLP.

Conversely, if there are any losses these will sit with the Council. The Court has broadly the same powers over an LLP as over a limited company which means that an LLP member may become personally liable for the debts of the LLP.

The members (Council and Corserv) will be represented on the Project Committee. Most of the day-to-day

decisions will be made by the Project Committee. However, there will be matters (largely dictated by statute) that will need to be determined in a meeting of the designated members only.

In addition to this, **there will be a list of Reserved Matters that cannot be undertaken by the LLP without the express approval of Cornwall Council only.**

The members agree to keep the proprietary information of the LLP confidential. This is important if the minority partner were to decide to no longer be a member.

## Reserved Matters

Reserved Matters are those decisions which Treveth Holdings requires the Council to make. Treveth Holdings can recommend an approach, however, the Council is required to make the decision. Reserved Matters are defined in the Articles of Association and the LLP Member Agreement for Treveth Holdings.

The process for approving and recording decisions will be defined in the LLP Member Agreement between the Council and Treveth Holdings. All Reserved Matter requests will be directed to the Shareholder Support function of the Council and then directed to the right place within the Council.

**All Reserved Matter decisions are executive decisions of the Council** and therefore subject to the decision making process as described in the Council's Constitution.

Treveth will have internal Reserved Matters between the subordinates and parent LLP to ensure that decisions are taken in the right place across the group.



# Procurement

This section deals with Treveth's relationship with the supply chain it needs to deliver the objectives.

**Treveth will be responsible for strategically developing the supply chain to deliver the priorities.** It will need to do this in conjunction with the Council's capital programme to ensure that the impacts of the strategies are not negatively colliding.



As stated in the introduction, Treveth's purpose, Treveth is being set up to act in a commercial manner to deliver profit to its owners. It is not anticipated that it will be carrying out activities in the general interest and as such is not likely to

be considered to be a contracting authority for the purposes of the Public Contracts Regulations 2015.

This affects the requirements for Treveth to advertise works and services.

## Delivery methods

There are likely to be range of delivery methods available to the vehicle which could broadly include the following, and which will need to be developed over time.



### Supply Chain Contracting

- Utilising existing contractual frameworks
- New procurement activity for services not covered under existing arrangements
- New procurement activity for scheme/project specific



### Developing Joint Ventures

- Range of commercial models and options within this area



### Developer/Investor

- Financing companies for share returns or other benefits



### Straight Purchase

- Turnkey solutions
- Completed schemes



# Governance

## Relationship with the Council

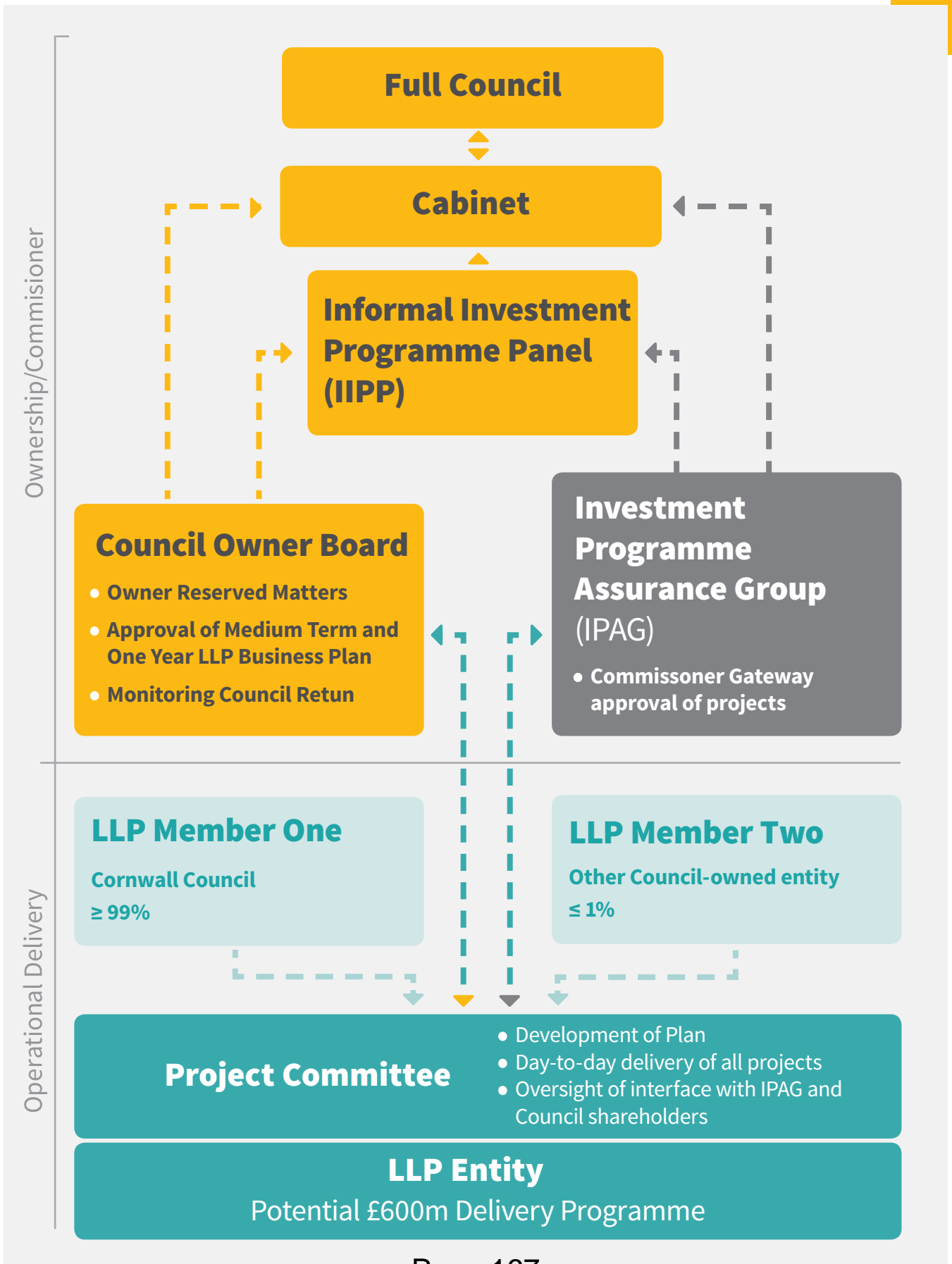
The Council will have a number of different roles with Treveth:

- It will **exert control over Treveth Holdings** as both **the owner** and **the client/commissioner**.
- It will have **enhanced voting rights** and **powers** and **a right to a predominant share** of all of the profits generated by Treveth Holdings (99%).
- It will **influence the strategic direction of Treveth** in a number of key ways:
  - Approving the LLP's Four Year Business Plan and One Year Business Plan
  - Approving the budget for the LLP
  - Making Reserved Matter decisions
  - Oversight and assurance of individual projects

## Principles of Governance

- **The relationship between the LLP members and Treveth Holdings is important.** See the diagram on the opposite page.
- **The governance needs to give expression** to the delivery of the different relationships the Council and Corserv have with Treveth Holdings.
- **Elected members will not be represented at the operational delivery level** in terms of the day to day activities of Treveth Holdings.
- **But they will be involved in the priority setting and oversight of the delivery** of Treveth Holdings through the Owners Board, Informal Investment Programme Panel and through Scrutiny, Cabinet and Full Council.
- **Officers of the Council and Corserv will be on the Project Committee for Treveth.** These representatives will report progress to the Owners Board.

# Governance arrangements





# Key meetings



## Key roles and responsibilities include:

- **Preparation of the LLP's business plan** (Four Year and One Year)
- Responsibility for **the achievement of budgets and operational plans**
- **Delivery of a cash return** to the Council
- Management and regular review of **operational and financial performance of the business**
- **Appraisal of project development** prior to submission to the Council
- **Market shaping and development**
- **Responsibility for compliance** with policies and relevant regulations
- Ownership for **the identification and management of risk across** the business
- **To manage** the internal control environment and **prepare regular reports for presentation** to the Audit and Risk Committee
- Responsibility for **the integrity of management information** and **financial reporting systems**
- **Development of policy guidelines**
- **Workforce mobilisation, planning** and **review of the legal structure** and to propose **recommendations to the Board**

## Project Committee of Treveth Holdings

- **The Project Committee will focus on operational delivery.** The subordinate LLPs will meet at the same time for expediency but will be clearly differentiated in their terms of reference
- **This is the equivalent of a company board** and will include a Chair, three Non Executive Directors, the Managing Director, and Commercial/Finance Director
- It will include **partner member representation from the Council and Corserv**
- **Meetings will be held regularly as determined.**



## Owner Board

- There will be an **Owners Board for Cornwall Council**. This is **the equivalent** of the Shareholder Board
- **The Owner Representative will be the Leader of the Council** unless formally delegated
- It will focus on **ownership interests only**
- **The Board will meet every 6 months**
- **Membership of the Board** will include:
  - Cabinet Member for Customers (Chair)
  - The Leader of the Council (Owners Representative)
  - Cabinet Member for Homes
  - Cabinet Member for Planning and Economy
  - Chair of the Investment Programme Assurance Group
  - Chief Executive of the Council
  - Section 151 Officer
- **Attendance** from the member representatives:
  - Strategic Director for Economic Growth and Development (representing the LLP)
  - Minority partner representative

### Key roles and responsibilities include:

- **Oversight of the strategic direction** of Treveth
- **Approval of the Business Plans** prior to key decision.
- **Approval of an Annual Report**
- **Oversight of the accounts**
- **Oversight of the cash return** to the Council

# Investment Programme and Assurance Group (IPAG)

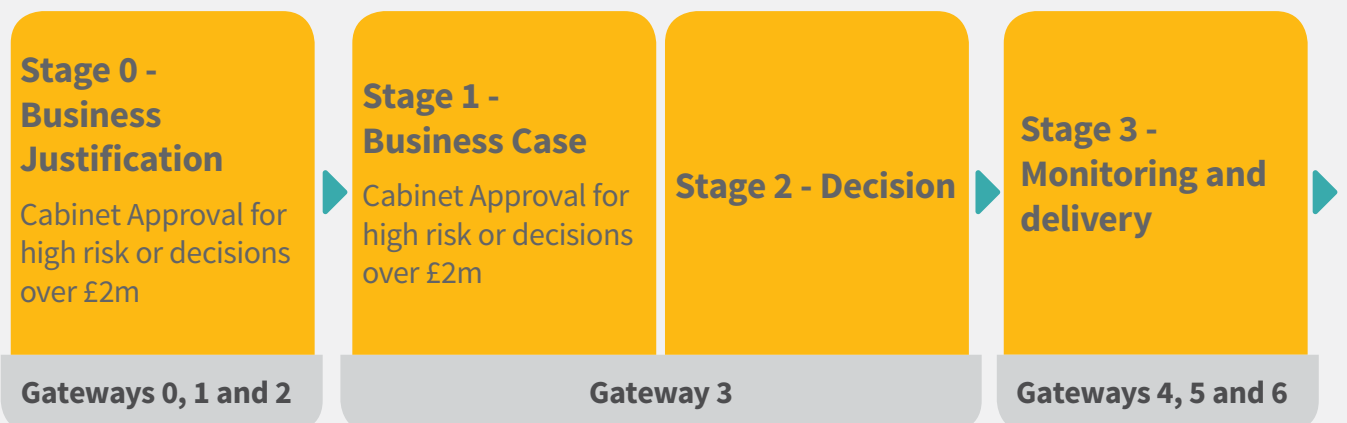
- **IPAG will focus on the oversight of the Investment Programme** and the approvals of commissioner gateways
- **This is an officer-level board and will provide technical oversight and assurance before decisions are presented to Cabinet and Council**
- **The IPAG Representatives will include** the Chief Executive of the Council, S.151 Officer, Service Director for Assurance, Service Director – Commercial Services, Strategic Director or Economic Growth and Development and Member Representative on the Project Committee for Treveth Holdings and the Strategic Commercial Advisor
- Representation will also be included from Treveth Holdings
- **IPAG will meet at least monthly**

## Key roles and responsibilities of IPAG include:

- **Critical appraisal** of the projects
- Oversight of the **gateway process**
- Management of the **portfolio and interdependencies**
- Oversight of **the financial models** at both project and portfolio level
- Interface with the **Council’s key decision making process**

## Project Assurance Process for IPAG

IPAG have a staged process for project assurance. Treveth Holdings will support this process.



## Informal Investment Programme Panel

- The Cornwall Informal Investment Programme Panel will provide comments on projects being progressed for Cabinet decision.
- It is not a decision-making panel, it is strictly an advisory body and has no executive powers.
- It will provide an independent viewpoint on the projects to ensure the Council remains focused on the financial return and delivery of the ambitions of Cornwall's Local Plan, Strategic Economic Plan and Cornwall's Environmental Growth Strategy.
- The panel will aim to ensure the best use of public funding to support the prosperity of Cornwall, ensuring robust and transparent appraisal processes and criteria are adhered to and report on progress to the Cabinet.

## Business Plan

Business planning provides a framework for the Council to ensure the priorities of Treveth are aligned to the Council's priorities.

There will be a **four year rolling business plan** setting out the priority areas for business growth and development. Annually there will be a detailed **One Year Plan**.

The approval of the business plan will be aligned to the budget. One of the priorities of year one of operation will be to develop a Four Year Business Plan.



# Finance

The Council and Treveth Holdings have agreed a financial model to support schemes and portfolio appraisals.

## Loan facilities are to be established of:

- **Term loan - £165m**
- **Working capital - £65m**
- Of which first year draw down estimated at **£43m to enable land acquisition, scheme design and start of on site construction**

Cornwall Council will provide the loan facilities to Treveth Holdings at a state aid compliant rate. Treveth Holdings will manage the cash flow between Development and Investment.

Loan repayment and interest will be returned to Cornwall Council, with distributions from profit shared between the LLP members in line with the LLP Members Agreement.

In line with the agreed outputs of the Investment Programme, a minimum 3.5% net return back to the Council is expected across the portfolio.



# Project priorities

The schemes here are the priorities for Treveth as part of its business plan and will be its priority.



The schemes are at different stages of development and approval.

Progress through the gateway process and stages will improve the confidence around the project parameters and viability.

It may also mean that some schemes do not meet the thresholds for approval once they have been developed. It is possible that by exception new schemes will be identified for future years' business plans during the year.

There will be two exception points where schemes can be brought forward for key decision. These will be in September and February, in line with Council's budget decisions.

## Approved mixed schemes for 2019/20

Project	Description	Start	End	Current gateway	Business Case submission
<b>Carlyon Workspace – land acquisition</b>	Investigating location to provide high quality, affordable workspace to support local industry and provide jobs.				
<b>Pydar Regeneration</b>	Mixed use redevelopment of a key strategic site in the centre of Truro, including demolition, site clearance and remediation.				Nov 2019
<b>Treliever Creative Village, Penryn (Phase 1) Land acquisition</b>	Urban extension to Penryn to support economic growth including the universities. The site will also deliver student accommodation and housing.				
<b>South Crofty</b>	Positive long term generation of the South Crofty mine. Purchase shares through the Opportunities Allocation £1m	Jan 2019	Jan 2019	02 - Feasibility	Dec 2018

# Approved residential schemes for 2019/2020

Project	Description	Start	First completed homes	End	Current gateway	Business Case submission
<b>Tolvaddon (HDP)</b>	Pilot residential development for 38 HDP homes	Mar 16	18/19	July 19	06 - Commissioning	Aug 16
<b>Bodmin Phase 1 (HDP)</b>	Pilot residential development for 75 HDP homes	Mar 16	18/19	Aug 19	06 - Commissioning	Aug 16
<b>Maudlin Farm, Liskeard (HDP)</b>	Lead on commissioning, securing Planning Permission and the delivery of 46 HDP homes	Oct 17	19/20	Feb 21	05 - Delivery	Aug 18
<b>Bodmin Phase 2 (HDP)</b>	Securing planning permission and commissioning to directly deliver c.100 HDP homes	Mar 16	20/21	Feb 22	04 - Procurement	Nov 18
<b>Tolgus, Redruth (HDP)</b>	Lead on securing planning permission and to directly deliver c.140 HDP homes	Jan 18	21/22	Mar 25	02 - Feasibility	Feb 20
<b>Trevithick Manor, Newquay (HDP)</b>	Securing planning permission and commissioning to deliver 150 HDP homes	Mar 18	21/22	Dec 24	02 - Feasibility	Feb 20
<b>Langarth, Truro (HDP)</b>	Delivery of c.154 HDP homes on strategic housing site in Cornwall		23/24	May 25	02 - Design	June 19
<b>Launceston</b>	Securing planning permission and commissioning to directly deliver c.140 HDP homes	Jan 2019	21/22	Sept 24	01 - Viability	Feb 20

## Approved business and industrial schemes for 2019/2020

Project	Description	Start	End	Current gateway	Business Case submission
<b>Agrifood Launceston</b>	Strategic A30 site for services, agribusiness hub and associated employment space	Sep 19	Mar 25	01 - Viability	July 20
<b>Hayle Marine Renewables Business Park</b>	Develop space on the current Renewable Business Park of 700m2 in tow industrial units/ warehouses.	Sep 19	Sept 21	01 - Viability	July 19
<b>Aerohub Phase 2</b>	Developing the plot and leasing to the business. Grow on space from Plot 2.	May 19	May 21	01 - Viability	Feb 19
<b>Carludon Tech Park</b>	Developing the plot and leasing to businesses. Grow on space from Plot 2.	Mar 20	Mar 20	01 - Viability	Dec 19
<b>Agrifood Business Park Bodmin</b>	Demolition of existing outdated buildings and creation of accelerator unit, small % office space, storage distribution hub targeted to food processing business on a CC site.	Mar 20	Mar 2022	01 - Viability	Dec 19
<b>Liskeard Cattle Market employment space</b>	800m2 developed on former cattle market space.	Mar 20	Mar 22	01 - Viability	Dec 19
<b>Falmouth Offices</b>	To redevelop a vacant plot at the Falmouth Business Park to provide 1500m2 of office with a pre let.	May 19	Mar 21	01 - Viability	Feb 19

# Non-project priorities for year one

- Finalisation of structure and recruitment to capacity.
- Governance in place and fully operational both within the LLP and between Treveth Holdings and the Council.
- Four Year Business Plan developed including a broadening and balancing of the portfolio.
- Approval of a balanced scorecard and benchmarking KPIs.
- Development of a supply chain to support the delivery of the priorities.
- Exploring opportunities for Treveth to support the improved commercialisation across the wider estate.
- Development of a model for shared ownership and affordable housing.
- Development of a Pattern Book for housing and workspace.
- Asset management strategy, to include valuation policy, acquisitions and sales.

## Performance - KPIs

### Development

- Home/investment units completions per year
- Tenure types completed per year
- Build cost per unit and per square metre
- Land as a percentage of average selling price on approval
- Average selling price per completion
- Average square footage per completion
- Reservation rates per completion
- Length of sale/ let from completion
- Customer satisfaction on sale
- Use of renewable energy/ carbon footprint
- Order Book for future years (volume and value)
- Build quality for key stages of build

### Investment

- Repair spend on let units
- Average letting price
- Average length of tenancies
- Average length of empty homes
- Tenant satisfaction

### Financial Health – by scheme and portfolio

- Financial return to the Council
- Total operating income
- Total operating costs
- Total operating surplus
- Cash flow forecast

### Commercial - by scheme

- Teckal Compliance
- State Aid Compliance
- Public Procurement Regulations





# The team

Staff will be employed or engaged by Treveth Holdings.

## Treveth Holdings LLP project committee

Majority  
Partner  
Member

Minority  
Partner  
Member

Chair

Three Non-  
Executive  
Directors

Managing  
Director

Director of  
Finance and  
Commercial

The team structure will be partly capitalised and partly funded through a fixed overhead.



The Commercial  
Division

**The Commercial Division** will be responsible for the financial, economic and commercial activities of the relevant LLP. It will be responsible for the commissioning of support services, project and performance management of services delivered to the Council. It will be responsible for the development of the Business and One year plan and ensuring that there are the right company structures to support the business.



The Development/  
Investment Division

**The Development/Investment Division** will be responsible for the creation of a portfolio of investment/development opportunities; acquiring sites; obtaining planning permissions; bringing forward development and disposal of assets; ensuring the sites are investment ready; developing the right strategic and commercial relationships to deliver the schemes and bringing forward schemes through the appropriate approval processes.



Operational Division

**The Operational Division** will be responsible for managing the assets in the relevant LLP to maximise value. This includes fulfilling landlord, housing management fulfilment of regulatory responsibilities and rent collection. There will not be sufficient assets in any LLP to warrant a dedicated director therefore there will be an Operational Manager overseeing the responsibilities reporting in to the Commercial Director. However as each LLP grows the capacity will be reviewed.

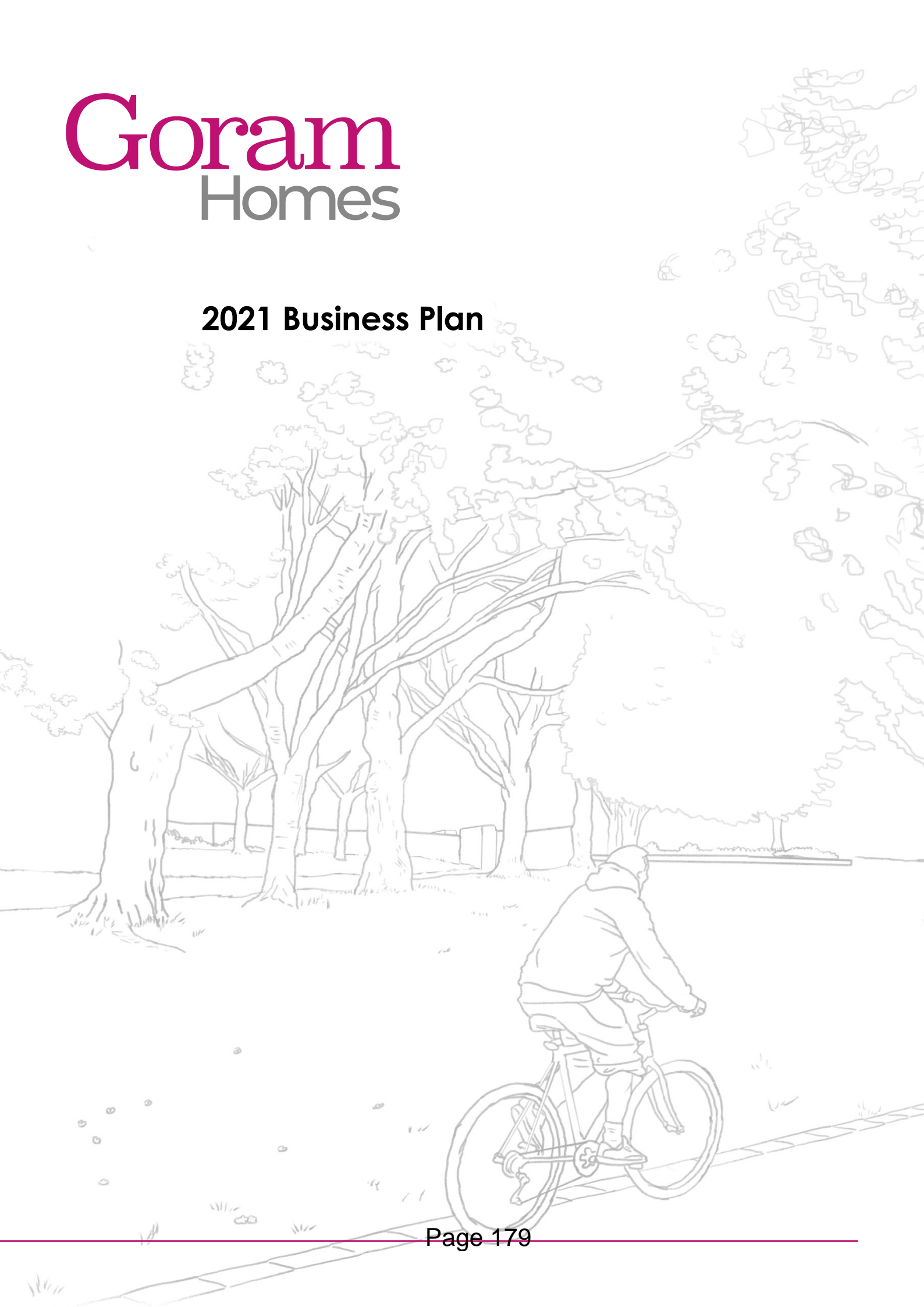
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# Goram Homes

## 2021 Business Plan



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# Introduction

## Chairman's Review & Forecast

Goram Homes is uniquely positioned as a leading local housing developer with a strong land supply that can really deliver for Bristol and our shareholders.

Our business model and partnership approach, which brings together Council land with private sector investment, represents minimal financial risk and high return for the City of Bristol – both economically and socially.

We are committed to being a company that Bristol can be proud of – one that balances our profit and purpose and adds value to our City. This is why we are working towards gaining the **B Corp certification** as a way of measuring and sharing how we are meeting the highest standards of social and environmental performance.

Goram Homes plans to build over 1700 new homes, of which more than 600 will be affordable. Through our partnerships we will spend in excess of £250 million redeveloping sites with an aim of 75% of this going to local businesses. Our developments will create twelve new communities and, wherever possible, bring new public spaces and ecologically friendly features to local areas.

We have a robust balance sheet, and the majority of financial risk is contained within site-specific Limited Liability Partnerships. In addition, a share of the profit will be invested back into the city via Bristol City Council - value that other housing companies and developers haven't delivered before.

I am proud that, despite unprecedented global events, under the leadership of our Managing Director, Stephen Baker, the new team have made significant progress.

In September 2020, working closely with Bristol Holding & Bristol City Council, we signed contracts on our first project to deliver 268 new, high quality homes in Lockleaze at Romney House. We responded rapidly to COVID-19 with the safety, health and wellbeing of our employees, customers, suppliers, and partners as our top priority.

An existing agile IT set up allowed our team to transfer to remote working very quickly. The team have continued to work throughout the pandemic, and it was not necessary for Goram Homes to access either of the Government's tax deferral or job retention schemes.

### Current trading and outlook

The market has made a strong start to the second half of the year supported by positive market trends. Our partners on the Romney House project, Vistry Group, reported that their sales rate, since July 1st, was up by 20% on the previous year at 0.73 (2019: 0.61). This is reflected by others operating in the Bristol region. Our market insight reports that pricing remains firm and we see minimal cost inflation.

Goram Homes is well positioned to capitalise on these opportunities, and we are on track to deliver a strong performance in the second half of the year.

By the end of 2020/21 we will have:

- Entered into our first joint venture contract
- Established a full development programme of over 1700 homes
- Established a repeatable legal joint venture template
- Established a fully operational business

## Goram Homes' Mission & Values

Goram Homes works in partnership to build quality homes that create communities which are environmentally, socially and economically sustainable. Our values, reflect who we are and who we want to be:

- We are passionate about what we do
- We build partnerships with purpose
- We innovate to succeed

**For our people:** This means we employ people who share our values – they are committed to working in partnership and passionate about building communities that are celebrated for their design and sustainability credentials.

**For our partners:** We are adaptable, fleet of foot, we will work collaboratively and consider different approaches to achieve our goals.

**For our communities:** We work in partnership with our communities to build homes where they want to live, that respect the environment, contribute to the economy and are sustainable.

**Goram Homes has three primary objectives, to:**

Objectives	Targets
<p><b>Objective 1:</b>  <b>Increase the supply of new homes built each year across Bristol</b></p>	<ul style="list-style-type: none"> <li>■ By March 2025, to have delivered at least 500 new homes and to have an identified pipeline of projects which, in total, will deliver a further 2,000 homes.</li> </ul>
<p><b>Objective 2:</b>  <b>Build good quality homes and create communities where people wish to live</b></p>	<ul style="list-style-type: none"> <li>■ For all projects to meet at least 10 out of 12 on the <i>Building for Life</i> (BfL12) score.</li> <li>■ To achieve and maintain a 90% customer satisfaction score.</li> </ul>
<p><b>Objective 3:</b>  <b>Operate commercially and provide financial returns to Goram Homes' sole shareholder – Bristol City Council</b></p>	<ul style="list-style-type: none"> <li>■ Deliver a programme level 15% profit on Gross Development Value.</li> <li>■ Operating costs delivered in line with forecast income to achieve profit targets.</li> </ul>

## Summary of Financial Projections

In this section we have set out the forecast financial returns of Goram Homes and the cash payments made to Bristol City Council for land sold into Goram Homes up to 2026.

In 2020 we created our first joint venture to start development at Romney House and we will soon enter our second agreement for a development at Baltic Wharf. By the end of 2026 we plan to have generated £14m of profit after tax and paid £27m of cash to Bristol City Council in relation to land purchase loans created on acquisition of land from Bristol City Council.

The table below shows an extract of our financial activity from 2020 to 2026 (although developments will remain in progress beyond the timeline of the Business Plan). The projections we make in this section will continue to change each year as details of our development schemes evolve. This reflects the development process being a long-term cycle where it can take up to four years from the start of a project to all homes being sold.

Financial extracts £'000	2020	2021	2022	2023	2024	2025	2026
Cumulative Retained Profit/(Loss) after Tax	(820)	(1,956)	(3,283)	(2,743)	1,491	8,741	13,935
Cumulative Realisation of land value paid to BCC	-	2,820	8,148	12,513	13,802	18,292	27,184

## Location & Operational Area

Goram Homes functions from its office base in Bristol and our primary focus will be to operate within Bristol, particularly as our first developments will be on land provided by Bristol City Council.

However, as the business grows and becomes more established in the marketplace, development opportunities will arise which span a wider geographical area.

## Branding & Communications

Goram Homes has a distinct model which blends a high quality, commercial offer with our commitment to delivering added social value - remaining true to our origins. Goram Homes' branding and communications reflect the values and ambitions in the business plan and are designed to build understanding and engagement with our shareholders, partners, and the communities we work with.

### We will deliver:

- A brand strategy aligned to business objectives; future-proofed and flexible enough to allow us work with partners beyond Bristol
- A digital-first approach; innovative use of technology wherever possible to widen our reach, respond to consumer and stakeholder behaviour and ensure we are as accessible as possible
- Mission and values which articulate our distinct business model and social value simply and clearly
- Narrative and messaging which tells our story, reflecting both our origins and our business ambitions and industry expertise
- A visual identity and logo that is clean, fresh, commercial, and appealing. A brand that looks at home next to competitors and partners
- A language and tone of voice that is human, inclusive, and jargon-free
- Community engagement that is open and transparent – tailored, interactive, accessible
- Content that celebrates our partners and our city and champions innovation and local talent
- Partnerships and collaboration with like-minded businesses, influencers and industry leaders who are committed to investing in people, quality, and innovation



Artistic impression of the new neighbourhood at Romney House – HTA Design





Artistic impression of the new neighbourhood at Baltic Wharf

## B Corp

Goram Homes is a commercially run business with social values at its heart. Delivering homes that Bristol is proud of, in developments that build real communities and are celebrated for their design and sustainability credentials is what drives us. This is why, over the coming year, Goram Homes will be working towards gaining **Certified B Corporation status**.

Certified B Corporations are businesses that meet the highest standards of social and environmental performance, public transparency, and legal accountability to balance profit and purpose. B Corp Certification is the only certification that measures a company's entire social and environmental performance.

B Corp Certification offers Goram Homes an evidence-based approach that proves to our partners and stakeholders that our business is meeting the highest standards of performance.

An additional benefit is the link to **Bristol City Council's One City plan**. This plan brings together a wide range of public, private, and third sector partners within Bristol with the shared goal of making Bristol a fair, healthy and sustainable city. Both B Corp and the One City plan are based on the UN's Sustainable Development Goals and so, by gaining certification, we will align our business with the One City Plan's ambitions.

# Social Value

As well as acting commercially, contributing positively to society and acting as a catalyst for long-term change in the places we work is a priority for Goram Homes.

We will generate social value through the delivery of new homes and developments which transform buildings, environments, and communities. In partnership with communities in which we operate, we will identify and deliver engagements that address their specific needs and enable better business and community wellbeing. By working collaboratively with our stakeholders, we aim to create the maximum economic, social, and environmental impact in all that we do.

We will record and measure our social value using the **National Themes Outcomes and Measures (TOMs) Framework**. Goram Homes' TOMs, developed with the Social Value Portal, are aligned to Bristol City Council's TOMs, but focused on our activity and the National Real Estate TOM's. Using this framework, we have challenged our partners to combine high- quality urban design with a community investment strategy that addresses local priorities, fosters social innovation, and supports economic growth. Each of the projects we work on will be measured on an annual basis and validated by the Social Value Portal.

## We will focus on four key themes:

- 1. Innovation: Promoting Social Innovation**  
Investing in diverse and inclusive community networks and leveraging our skills and expertise to address local issues and facilitate social innovation.
- 2. Jobs: Promote Local Skills and Employment**  
Contributing to local economic growth by supporting local businesses, investing in infrastructure and improving employment prospects for local people e.g. by working with the South Bristol Skills academy.
- 3. Social: Healthier, Safer, and more Resilient Communities**  
To have a positive impact on our residents and employees' mental and physical health and reduce inequalities.
- 4. Environment: Decarbonising and Safeguarding our World**  
Build a resilient community that unlocks growth in the green economy, regenerates ecosystems and enables people to interact with the natural world.

## The assessments for our first two projects are:


Project	Quantified Social Value Generated
Romney House	£14.2m
Baltic Wharf	£10.6m
	<b>£24.8m in Total</b>

# Environmental


In 2018 Bristol declared an environment and climate emergency. Goram Homes believe that the climate emergency demands urgent action and leadership across the construction industry. We must act now, ensuring that new and retrofit buildings deliver as close to net zero whole life carbon in advance of any future regulation. We know that net zero operational carbon is possible, and we are committed to extending good practice to all our future work and leading the way. For this reason, sustainability underpins our approach to operations and business planning.

To ensure that our words are matched by actions, Goram Homes will adopt the **RIBA 2030 Climate Challenge Targets** for operational energy use, embodied carbon and water use reduction. The targets are progressive yet realistic and a vital first step to ensure the construction industry has delivered significant reductions by 2030. Our project teams will aim for a percentage reduction of the current environmental baselines for future projects (after Romney House and Baltic Wharf) by using the targets set out in the detailed tables below.

## RIBA 2030 Climate Challenge target metrics for domestic buildings

RIBA Sustainable Outcome Metrics	Current Benchmarks	2020 Targets	2025 Targets	2030 Targets	Notes
Operational Energy kWh/m <sup>2</sup> /y 	146 kWh/m <sup>2</sup> /y (Ofgem benchmark)	< 105 kWh/m <sup>2</sup> /y	< 70 kWh/m <sup>2</sup> /y	< 0 to 35 kWh/m <sup>2</sup> /y	UKGBC Net Zero Framework 1. Fabric First 2. Efficient services, and low-carbon heat 3. Maximise onsite renewables 4. Minimum offsetting using UK schemes (CCC)
Embodied Carbon kgCO <sub>2</sub> e/m <sup>2</sup> 	1000 kgCO <sub>2</sub> e/m <sup>2</sup> (M4i benchmark)	< 600 kgCO <sub>2</sub> e/m <sup>2</sup>	< 450 kgCO <sub>2</sub> e/m <sup>2</sup>	< 300 kgCO <sub>2</sub> e/m <sup>2</sup>	RICS Whole Life Carbon (A-C) 1. Whole Life Carbon Analysis 2. Using circular economy Strategies 3. Minimum offsetting using UK schemes (CCC)
Potable Water Use Litres/person/day 	125 l/p/day (Building Regulations England and Wales)	< 110 l/p/day	< 95 l/p/day	< 75 l/p/day	CIBSE Guide G

## RIBA 2030 Climate Challenge target metrics for all buildings

Best Practice Health Metrics 		References
Overheating	25-28 °C maximum for 1% of occupied hours	CIBSE TM52, CIBSE TM59
Daylighting	> 2% av. daylight factor, 0.4 uniformity	CIBSE LG10
CO <sub>2</sub> levels	< 900 ppm	CIBSE TM40
Total VOCs	< 0.3 mg/m <sup>3</sup>	Approved Document F
Formaldehyde	< 0.1 mg/m <sup>3</sup>	BREEAM

In line with Bristol City Council's One City Climate Strategy and Ecological Emergency Strategy, Goram Homes is committed to delivering increased biodiversity and carbon neutral housing. How we achieve this will vary from site to site but will result in additional costs ranging between 8% and 11% of existing project costs. This would lower the price payable to the Council for the land and mean we would need to obtain additional borrowing from either the Council or a third party lender.

We will also adopt the **Building with Nature Standards** - a framework of standards for good green infrastructure which encourages developers to create places that really deliver for people and wildlife.

# Innovation

Established in Bristol, for the people of Bristol, Goram Homes is dedicated to exploring new ways of working that will benefit our city and deliver our developments most effectively. Whether that is working with Bristol Housing Festival on Modern Methods of Construction or using new technologies to engage the public in the consultation process, we are open to adopting new tools and emerging solutions. As a small, agile company that collaborates with a range of creative businesses, we are perfectly placed to embrace innovation and embed it into our practices.

Future Cities Catapult have identified nine housing innovation concepts they believe can help solve many of the challenges facing the housing industry. Goram Homes will focus on five of these areas where we can integrate best practice into our business and our innovation action plan, created with Bristol Housing Festival. For the full action plan see [Appendix C](#).

## Connected Homes

- The number of connected devices in homes is predicted to grow rapidly from the current level of 10–20 to more than 35 by 2020, according to Intel
- With more connected devices in homes, a more integrated and efficient approach is required to help manage all devices and relevant apps from a variety of suppliers
- The advancements in wireless network and automation technology are enabling home-used devices to be better connected and controlled smartly

## Low Carbon Houses

- Greenhouse Gas Emissions (GHF) are not falling at the rate required to meet the UK's 2050 carbon targets
- Domestic energy use contributes to about 30% of the UK's total energy budget and 20% of UK's GHG emissions, representing a key area for decarbonisation, according to the Institution of engineering and technology
- A large percentage of preventable winter deaths are attributed to living in a cold home, according to the thinktank, E3G

## Assisted Living

- The UK population is getting older, with 18% aged 65 and over, of which 32% are living alone, according to Office of National Statistics (ONS)

- Nearly one in eight older people now live with some level of unmet need that would limit their ability to carry out vital everyday tasks, according to Age UK
- Almost one-fifth of the UK population are disabled, and over a quarter of those experience some form of limitation of choice or control over their daily lives, according to ONS

## Modern Construction Methods

- Productivity growth in the construction sector has been low and lagged behind the UK economy since 1995, which has limited the sector's ability to deliver more and better homes
- By 2026, the construction industry could see a 20-25% decline in the workforce, according to Homes England
- 10% of the UK's carbon emissions are directly associated with construction, according to UK Green Building Council

## Innovative Financing

- To meet the UK's 2020 housebuilding objectives or retrofit existing housing stocks to meet the 2050 carbon targets, the public funds available fall far short of what is required
- Smaller house builders were usually disadvantaged in accessing private finance
- For home buyers and buy-to-let investors, finding the best mortgage deals has never been easy

# Building for Bristol

Bristol's best interests are our first priority, and that commitment is built into our governance structure with Bristol City Council as our ultimate shareholder and Council representation on our Board.

Open and honest communication is the key to effective engagement, and this will be at the heart of our approach to consultation.

We know that local residents often have an intimate knowledge of a location we are redeveloping and their insight can help us deliver

high-quality, mixed tenure, new homes for Bristol. We will be creating as many opportunities as possible to engage directly with Bristol residents and reflect their voices and needs in our work.

We want to reach underrepresented groups and the often-silent majority to ensure that as many people as possible have a chance to contribute. To do this, we will work with specialists and our partners to identify the biggest barriers to engagement, find the most effective solutions and, where appropriate, employ new

methods and technologies, to ensure our consultations are as representative of the community as possible.

Building homes that create strong communities is part of our commitment to investing in Bristol. Our 2021 Business Plan will include recommendations on how we could retain an interest in the management and maintenance of all schemes we deliver, to empower residents and reassure them that we will be alongside them when they buy a home from Goram Homes.



*Artistic impression of the new neighbourhood at Romney House – HTA Design*

# Market Analysis

Goram Homes have worked with **BuiltPlace** who provides independent data-led research, analysis, and reporting on the UK housing market to complete a review of both the UK housing market and the local Bristol market.

## UK Housing Market

2020 was an incredibly volatile year for the UK's housing market with massive uncertainty about the current, let alone future, state of the economy and housing market. There are clearly some big changes underway in terms of how we live and work, but it is not yet clear whether they are temporary adjustments to the pandemic or the start of longer-term trends. That volatility and uncertainty looks set to continue into 2021 with the added disruption of Brexit. However, there are hopeful signs that some of the short-term challenges will disappear with the UK's vaccination programme well underway.

Last year started with some signs that the housing market was bouncing back following a couple of years of lower house price growth and subdued transactions. The General Election result suggested an end of the Brexit uncertainty was in sight. Activity levels including mortgage approvals for house purchase increased and Nationwide reported higher rates of house price growth. But then the pandemic and lockdown hit.

For perhaps the first time in recent history, the housing market was not directly responsible for or implicated in the economic crash.

House prices, although unaffordable to many, were at the levels you would expect given earnings and mortgage rates. New mortgage borrowers were perhaps the least risky they have ever been given the hurdles they needed to pass. Meanwhile, government and mortgage lender support have helped many households get through the lockdowns. Thanks to all these factors, and despite the collapse in the economy and transactions, there was no immediate crash in house prices.

The housing market reopening in England caught many by surprise but it quickly became apparent that there would be a summer boom. Interest and activity data showed there were large numbers of people financially unaffected by the recession. Some of those were keen to get on with their delayed move. Others had reassessed what they wanted from their home during lockdown and decided to move. To top it off, the government launched a stamp duty holiday, and the summer boom was set. Many of the sales agreed over the summer only started to complete at the end of 2020 and high activity levels should continue through to the end of the stamp duty holiday, currently due to end on the 31st of March 2021.

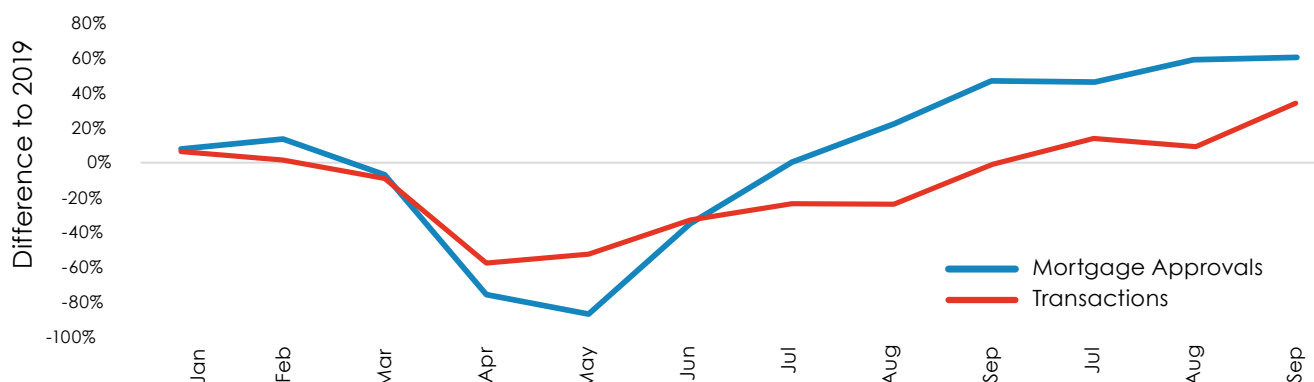


Figure 1 – Housing Market Activity Source: Zoopla, Bank of England, HMRC

The housing market avoided a crash during 2020 but the prospects for 2021 are far less certain. There are already signs that the boom is slowing with lower price growth reported in January 2021. However, the end of the stamp duty holiday in March will create a spike in transactions as buyers rush to beat the deadline. Many of those buyers would have bought in following months but chose to bring their purchase forward. That suggests turnover will be much lower in the following months if the holiday is not extended.

Unfortunately, low turnover increases the risk that a relatively low number of forced sales, whose impact might normally be contained, could have a bigger negative impact on the wider market. The approach of mortgage lenders will be essential in keeping forced sales to a minimum and they will be under considerable pressure to do so. Their return to lending at higher loan-to-value ratios could also help first-time buyers return to the market during this period. However, even with a successful vaccine programme, there will still be some parts of the housing market at risk from rising unemployment, falling incomes, and falling rents in 2021.

Separating the impact of Brexit on the economy from the pandemic is difficult but there are some early signs it is having a negative impact on some parts of the economy. It is increasingly clear that any benefits will be realised over the longer term but some costs are immediate and significant. Therefore, it is still far from certain what impact Brexit will have on the housing market. This is yet another large uncertainty that makes predicting the future particularly difficult if not near impossible at the current time.

There are a range of different outcomes for the UK's housing market this year and, unfortunately, all are currently possible. There remains the significant risk of a crash though we could instead see stagnation with low sales and static house prices. Alternatively, there might be a boom driven by home movers continuing to trade location for space or an economic recovery thanks to the vaccines. Whatever happens, volatility and uncertainty look set to continue.

## Bristol Housing Market

Bristol's housing market has been popular during recent housing booms with house prices rising faster than the national average during periods of higher demand. Emerging data from ONS suggests that this trend is continuing with Bristol house

prices rising 8.4% in the year to November 2020 compared to 7.6% across England & Wales. House price growth is likely to continue through the first quarter of 2021 as the bulk of sales agreed since the 2020 summer boom finally reach completion.

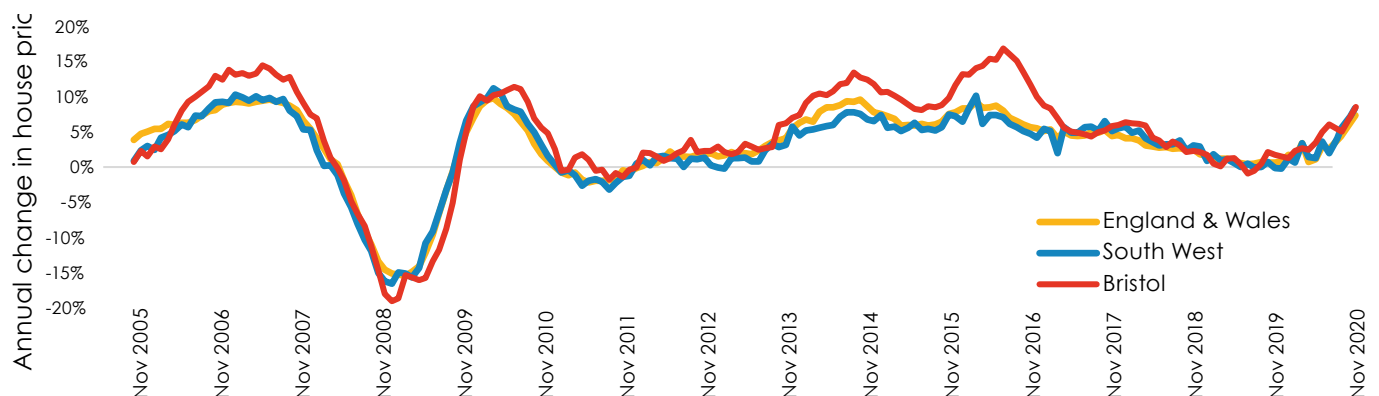


Figure 2 – Annual Change in House Prices Source: ONS UK HPI

Much of the local market evidence on the trends emerging post lockdown is based on anecdote or limited data. Therefore, it is still not clear which are temporary changes and which are permanent. Despite this uncertainty, there appears a broad national trend in stronger demand from wealthier buyers for larger homes. Particularly those in more desirable locations. Those locations may not exactly match with popular areas prior to the pandemic given commuting is less of a constraint but there will be some continuation in terms of school catchments, local amenities, and other attractive features. While this trend does not cover every buyer, there does appear to be, for those that can afford it, a shift away from city centre living to less dense locations.

The shift towards less dense living is a challenge for a city like Bristol. Analysis of Energy Performance Certificates, a useful leading indicator for total new housing supply, shows that around 70% of Bristol's new homes have been flats in recent years. This reflects the type of housing development in the city with most lower density development occurring in surrounding districts. It also

reflects the large contribution to net housing supply made by changes in use of exiting non-residential properties. The latest MHCLG data reiterates this issue, with Bristol adding 19% fewer net additional dwellings in 2019-20 than the year before. This was largely due to 80% fall in the number of new homes delivered under Permitted Development Rights. The Energy Performance Certificate data also provides a guide to the impact of the lockdown on the Bristol new build market with 50% fewer certificates lodged during the second quarter of 2020 when compared to the same quarter in 2019.

While the need to build more homes remains high, the country faces unique challenges in coming months and years. Bristol is no different. Cities are under threat from changes in housing demand with inner London providing the starkest warning. An ongoing rental demand shock due to fewer workers, tourists, temporary residents, and students is leading to a collapse in rents. While other cities such as Bristol should not be as exposed to all these factors as the capital, it is a clear warning of the threats they face in these volatile and uncertain times.

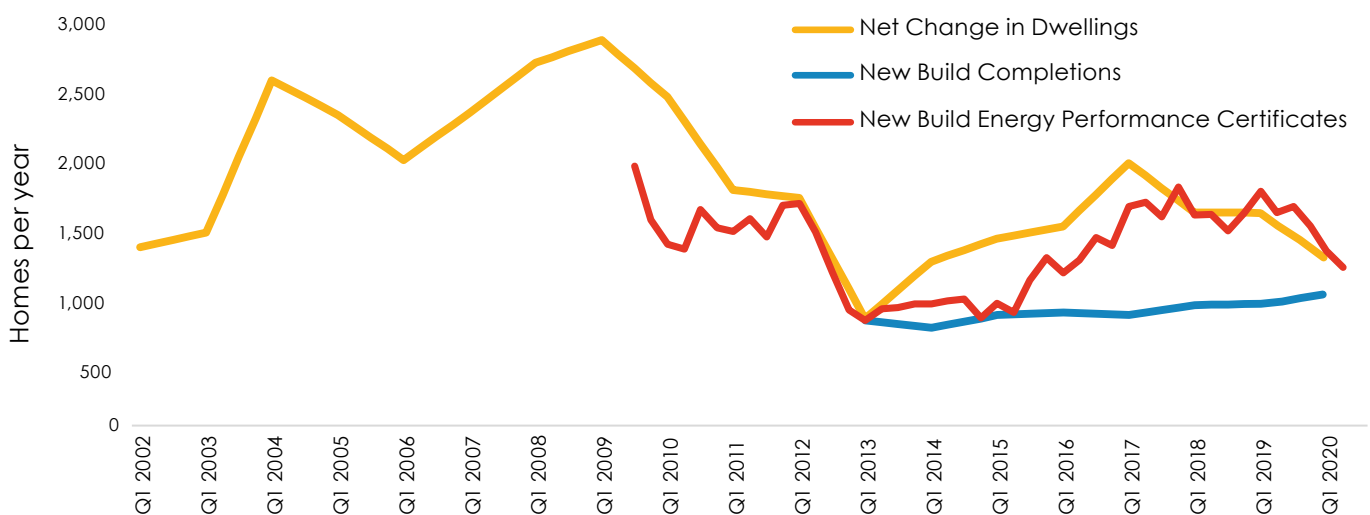


Figure 3 – New Housing Supply, Bristol Source: MHCLG



# Development Activity

## Site identification process

Our primary source of sites is Bristol City Council. Goram Homes is one of the Council's key delivery vehicles in the fight against the housing crisis - especially for larger market facing and mixed tenure projects. Therefore, it is critical that land flows from the Council to Goram Homes at a scale and pace that is required to meet the operational cost commitments set out in our Business Plan.

The specific arrangements for the transfer of land is set out on a site by site basis and dependent on the condition and planning status of the land/property. Initially, any new potential sites identified will be assessed by the Goram Homes team.

If the site is viable and deliverable it will be presented to the Board for early consideration (strategic fit, social and financial returns, risks, chances of success, etc) and to gain approval to actively pursue the site, within an agreed budget.

The land purchase price is then agreed with the Council at a fair market value reflecting the fact the site will be unencumbered. The affordable housing will be purchased at a market value by either a housing association or the Council, to be agreed on a project-by-project basis.

## Procurement

Goram Homes has been established as a body with a commercial character, not meeting needs in the general interest. As we do not fall within the definition of a body governed by public law under the Public Contracts Regulation 2015 we do not have to adopt the procedures set out in the Public Procurement Regulations in respect of any transactions we undertake. This means we are able to enter into contracts for goods, services and supplies with the most appropriate contractors for each site or project, giving us a considerable commercial advantage over the Councils' procurement options.

The variety in size and complexity of the Goram Homes development programme means that not all projects will be delivered as a Joint Venture within a formal LLP contract. We will review how best to deliver smaller projects on a site by site basis and may group smaller sites together.

To maintain value for money within a less restricted procurement environment we have set out our procurement principles in our procurement policy.

We will:

- Ensure that Goram Homes obtains Value for Money whilst appointing contractors and consultants who can demonstrate the ability to deliver our demanding standards of quality and service
- Prevent corruption or the suspicion of it
- Ensure fairness and equality of treatment of all suppliers, avoidance of bias, favouritism and that fairness can be demonstrated through an audit trail; and
- Promote social value, including the local economy and environmental sustainability, to the extent that it is legally permitted
- Make best use of the Goram procurement status to enable the contracting work to deliver projects that include Extra Care housing or provision of a new energy centre alongside a Goram project.

## Design and Quality standards

Goram Homes wants to deliver developments that provide a great place to live in for those who buy and rent the new homes on offer. As well as placemaking of the highest order we want to achieve schemes that are robust and look fantastic for many years to come. This will be achieved through a combination of good design and the use of low maintenance details and materials.

We aim to achieve compliance with council policy wherever practicable. It is hard wired in our company to achieve appropriate levels of affordable housing and respond positively to the climate and biodiversity emergencies.

The Board of Goram Homes has agreed that it will not set generic design and quality standards which apply to all of its projects. They recognise that each of its projects will be unique and sit within differing local communities and, therefore, a 'one size fits all' approach would not be appropriate. We will assess every project individually to ensure the design is aligned to our values and ethos.

We will however be mindful of important standards such as **Nationally Described Space Standards (NDSS)**. Goram Homes will always deliver tenure blind housing where both the affordable and market element provides new homes with a generous living space, suitable private amenity space and good quality design. Wheelchair units will, as a minimum, comply with **Part M of the Building Regulations** and all projects will achieve **Secure by Design**.

We are open to considering modern methods of construction (MMC) on our schemes. This will range from simple panelised systems through to volumetric pre-assembled structures. Any solution would be assessed on its suitability to the proposed site. As a result, every project will be individually appraised by the team prior to board approval, at mid-development point and at the end of the development using the quality criteria in our policies.



## Development Programme

Goram Home's development programme is our main activity. We have a strong working relationship with Bristol City Council's Housing Delivery team and together we have established a process to release land for sale to Goram Homes as quickly as possible. There is currently a positive land supply available.

The pipeline of sites for delivery by Goram Homes has been indicatively split into Phase 2 and Phase 3. This represents the current status of these projects and the likely timeline to delivery. This indicative phasing should not be a barrier to delivery, and it is agreed that jointly Goram Homes and the Council can move projects between these phases.

Scheme	Potential Units	No of AH Units	% as AH	Start on site	Handover years
<b>Complete</b>	<b>0</b>				
<b>Contracted</b>	<b>268</b>	<b>147</b>			
Romney House, Lockleaze	268	147	55%	2021	2022 - 2024
<b>Committed</b>	<b>166</b>	<b>66</b>			
Baltic Wharf	166	66	40%	2022	2024 - 2026
<b>Pipeline*</b>	<b>1,332</b>	<b>475</b>			
<b>Phase 2</b>					
Novers Hill, Ph 1 Knowle West	50	15	30%	2022	2023
Dovercourt Road, Lockleaze	120	60	50%	2022	2023 - 2024
Part of Knowle West Health Park	50	15	30%	2023	2024
Castle Park, Harbourside	50	20	40%	2023	2024 - 2025
New Fosseway, Hengrove	170	51	30%	2023	2024 - 2025
St Ursula's, Henleaze	40	16	40%	2023	2025
Novers Hill, Ph 2 Knowle West	310	93	30%	2023	2024 - 2030
<b>Phase 3</b>					
Spring Street, Victoria Gardens	125	38	30%	2023	2024 - 2026
SS Gt Britain Car Park, Spike Island	115	46	40%	2023	2025 - 2026
Portwall Lane, Redcliffe	110	44	40%	2024	2026 - 2027
A Bond, Spike Island	96	38	40%	2025	2027 - 2028
B Bond, Spike Island	96	38	40%	2026	2028 - 2029
<b>Total Programme</b>	<b>1,766</b>	<b>688</b>	<b>39%</b>		

\*pipeline projects are all pre-planning and liable to change. Timing and financial impact will be adjusted as schemes become firmer.

We have taken our programme and produced a graph to show how homes will start on site and complete, below, in figures 1 and 2.

Figure 1: Number of homes – start on site

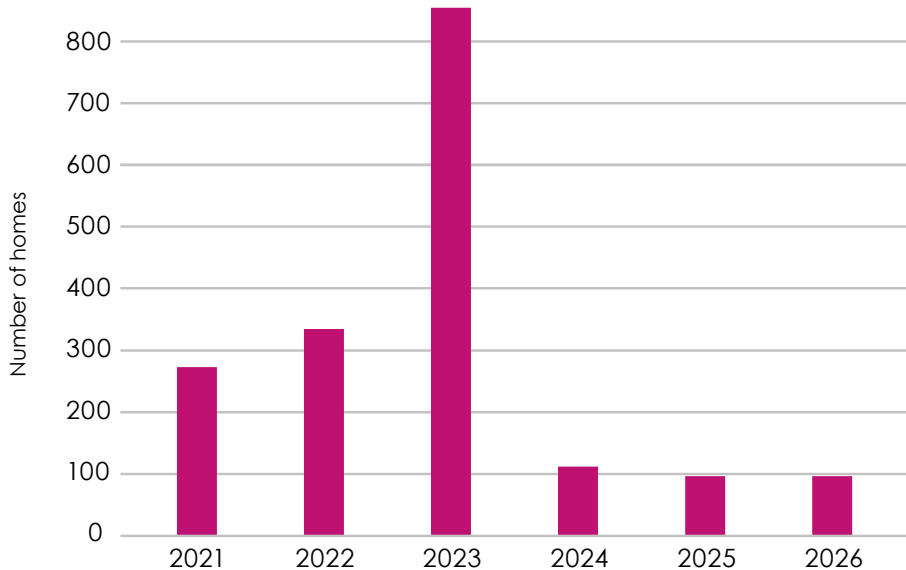
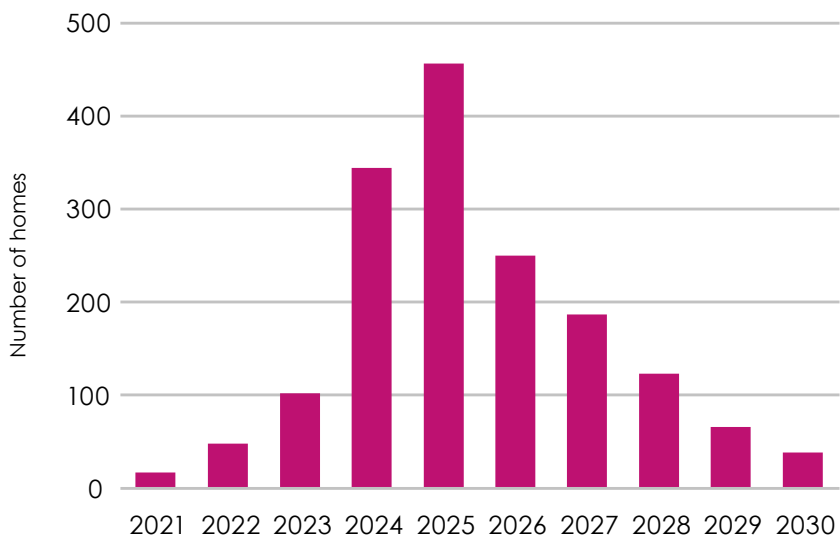


Figure 2: Estimated Completions by Year



Artistic impression of the new neighbourhood at Romney House – HTA Design

# Financial Projections and Risk Management

This Business Plan establishes our capacity to deliver the projects set out in the development pipeline. Our projects will be, in the main, joint ventures with the value of the land forming a large proportion of the initial investment by Goram Homes.

The agreed pipeline of sites feeds into the company's financial planning process to make projections as to the levels of planned investments, expenditures and returns. Each element of the overall financial projection is summarised in the detail below.

Funding for this business plan is covered by an existing facility for the first two projects (Romney House and Baltic Wharf). Then a second £10m cash facility has been made available to fund Pipeline Phase 2. This facility will be used to cover all operating costs and project investment as required by the business plan.

## **Project approval**

Given the evolving status of projects, they will be approved by the Council on a case-by-case basis at key trigger points. These trigger points will be when the partnership deal is structured, at land loan note issuance and any cash investment requests.

Once sites are agreed for development by Goram Homes and Bristol City Council, we will acquire them, from the Council, at a fair market rate, using the most suitable funding mechanism for the site.

## **Project funding**

All borrowing will be site/project specific and subject to an individual loan agreement. Revenue for each scheme takes the form of sales receipts from private housing, affordable homes, and any commercial property. In general, the profit margin hurdle for developments is approximately 15% profit on Gross Development Value for the scheme.

Some schemes such as a flatted scheme will require considerable investment before sales revenue is received, often resulting in the partnership requiring funding in excess of the initial partner contributions. Where this occurs it is assumed to be provided through third party funding, though the LLP partners have an option to invest if there are advantages to do so.

Third party funders operate lending parameters which may in exceptional circumstances require the partners to top up their investment to facilitate the raising of third party financing. This event, should it arise, would form part of the project appraisal presented to the Council for approval and would be funded from within the existing £10m facility for the Pipeline Phase 2.

## Performance management

Goram Homes develops sites which have been selected by Bristol City Council for development as new housing. We work closely with the Housing Delivery team to understand the constraints of each project before they are allocated to Goram Homes. The timeline for this transfer is set out in our Business Plan and is key to delivering profits to support the overhead cost of operating Goram Homes.

Goram Homes leads the selection of the partners to deliver the sites, ensuring that we meet the objectives set by the Council to deliver a commercial return, additional homes, and great places to live. We work hand in hand with the Council to develop the design and then the partnership submits a planning application on each of the sites. The Council then scrutinise the proposal and determine if planning permission will be granted.

Projects are often delivered via Limited Liability Partnerships (LLP) in which Goram Homes has a 50% shareholding. Two directors are appointed to the LLP by Goram Homes and two from our partner. The Board of the LLP then oversees the operational & financial activity of the development. The performance of all of the LLP's are reported to Goram Homes where its Board oversees performance against the business plan estimations and the detailed financial appraisals which are embodied into the Partnership Member Agreements.

Performance of each joint venture will be overseen at a programme level by the Board of Goram Homes, actions being taken to mitigate any joint ventures that are underperforming. Reporting of performance is then provided to the Council's strategic client and Bristol Holding, who in turn advise the shareholder.

## Operating risk environment

Housing market price movements are one of the most common risk factors to impact on organisations such as Goram Homes. The resulting risks of a Housing Market price movement are contained within the Business Plan risk assessment.

The traditionally cyclical housing market see's prices increasing and declining over a period of years, these changes are often linked to economic shocks or improvements in the wider economy. Goram Homes's organisational structure has sought to contain risks events, such as house price movement or project level cost increase.

Each project is often established as a separate LLP. This LLP does not call on guarantees from the parent and is therefore separate and independent in its operation, cost and revenue risks are contained at the LLP level when they occur. Land, the largest investment made by the Council, into Goram Homes, is protected via the legal structures used. The legal structures allow this asset to be retained by the Council in the event of an LLP collapsing.

The financing of developments will regularly use third part funding. This is money invested by a financial institution, such as a bank will be secured on the land asset during the development period. The money is lent to the LLP, not the Council and no guarantees are given against these loans by the Council.

Health & Safety risks will not always be contained within these LLP's and could escalate to the Council. Therefore, Goram Homes operates a zero-tolerance stance on poor H&S practice and this is reflected in our performance management targets and partner selection.

## Risk management

Effective risk management is critical to the success of Goram Homes, so we have put in place a robust risk management and audit system across the business. We operate a risk register which identifies key risks, giving each risk an inherent score without mitigating controls. Mitigations are then applied to this risk score giving the current risk score. To provide enhanced assurance these mitigations are covered in the assurance section of the risk register.

The management team review the risk register and the top risks are reviewed by the Goram Homes Board at our regular meetings. Risk materialisation is reported to the Board

when it occurs on an “as required” basis so we can appropriately manage risks should they occur outside of the Board cycle.

The assessment of Risk in the Goram Homes Business Plan was assessed by the Goram Homes Board in February 2021. The assessment of risk has materially reduced from previous versions of the Business Plan due to adjustments being made to the development profile and the confirmation of a pipeline of schemes.

For our assessment of key Business Plan risks see [Appendix B](#)



Artistic impression of the new neighbourhood at Romney House – HTA Design

## Building the Financial Plan

The forward Financial Plan of Goram Homes has been based on the programme activity outlined in our development programme. Each project in this programme has either a latest 'Financial Model' (if an agreed partnership) or an estimated Development Cash Flow (if a pipeline site or pre-partnership formation).

Our Financial Plan demonstrates the anticipated outturn of our activities through to 2026. [Appendix D](#) shows the flows of funding between the Council and Goram Homes for the period of the plan.

All sites have been prepared as cash flows reflecting the anticipated Partnership arrangements of a 50% share of both capital (value in the lease being the majority of

the contribution made by Goram Homes) and profits. Where significant additional cash investment is required, this has been assumed to be through third party provision.

A set of additional headline assumptions have been made that:

- a) The land cost is inclusive of 'capital and interest', until negotiated specifically
- b) The lease sales value to the partnerships is inclusive of 'capital and interest', until negotiated specifically
- c) Goram Homes is able to recover VAT on its purchases that incur VAT
- d) All cash generated from profits will be retained within Goram Homes pending decisions by the Council as to its use

## Land purchase funding

The Land transaction is facilitated by the provision of a loan note to Goram Homes from Bristol City Council. After the land sale the Council no longer holds the land asset but holds a debtor asset being the loan note with Goram Homes.

The table below shows a forecast of the outstanding value of land purchase loan notes through the period of the Business Plan. The peak land loan note balance

owing to Bristol City Council is forecast to be £24m, should all of the developments proceed as programmed in this plan.

The total estimated value of land purchased by Goram Homes from Bristol City Council, and hence Loan Notes taken over the period of the Business Plan is forecast to total £43m. Over the same period, we are forecasting to repay £27m of the Loan Notes taken.

£'000	2020	2021	2022	2023	2024	2025	2026
Land Loan Notes added in year	-	(13,011)	-	(23,113)	-	(4,805)	(2,355)
Land Loan Note repayments in year	-	2,820	5,328	4,365	1,289	4,490	8,892
Net Land Loan Note balance	-	(10,191)	(4,863)	(23,611)	(22,322)	(22,637)	(16,100)



## Profit & Loss

The trading performance of Goram Homes is assessed by considering our annual running costs and our share of profit earned by the LLPs each year, interest receivable and payable on various loan note instruments and working capital financing from the Council.

We have forecast the profit earned by each development and recognised profit at point of sale of the properties.

The majority of our trading activity is conducted within the joint venture Limited

Liability Partnerships rather than by Goram Homes directly.

As shown below losses are incurred in the first three years with profits being generated from 2023 onwards.

Whilst the Business Plan reporting period is to 2026, several of the developments entered into during the period of the plan will be delivering homes and financial returns beyond this timeframe.

Profit & Loss Account £'000	2020	2021	2022	2023	2024	2025	2026
<b>LLP Participation</b>							
Share of LLPs Profit / (loss) before Tax	-	(122)	(137)	1,808	5,798	10,244	7,783
<b>Land Asset management</b>							
Purchase of land	-	(13,011)	-	(23,113)	-	(4,805)	(2,355)
Sale of Build Leases	-	13,011	-	23,113	-	4,805	2,355
Sale of freehold	-	-	-	-	-	-	-
<b>Contract Business</b>							
Revenues - Energy Centre	-	-	4,600	-	-	-	-
Costs - Energy Centre	-	-	(4,600)	-	-	-	-
<b>Operating Costs (£'000)</b>	(794)	(906)	(998)	(1,005)	(1,023)	(1,041)	(1,059)
<b>Profit before Interest &amp; Tax (EBIT)</b>	(794)	(1,028)	(1,135)	803	4,775	9,203	6,724
LLP Loan Account interest receipts (signed LLPs)	-	-	441	207	-	-	-
BCC Land Loan interest payments (signed LLPs)	-	-	(441)	(207)	-	-	-
WCF Interest charges	(26)	(108)	(192)	(264)	(192)	(252)	(312)
<b>Profit before Tax</b>	(820)	(1,136)	(1,327)	539	4,583	8,951	6,412
Corporation Tax		-	-	-	(349)	(1,701)	(1,218)
<b>Profit After Tax</b>	(820)	(1,136)	(1,327)	539	4,234	7,250	5,194
<b>Cumulative Profit &amp; Loss Reserves</b>	(820)	(1,956)	(3,283)	(2,743)	1,491	8,741	13,935

## Operating Costs

Operating costs have been contained to approximately £1m p.a. for the Business Plan period. These costs incorporate all the costs of delivering Partnership formation for each development site in our programme. The costs shown in 2020, 2021 were incurred to set up and deliver two development projects (Romney House and Baltic Wharf). The estimated operating

costs from 2022 forward cover the agreed pipeline of a further 12 development projects, along with ongoing management of our interest in the increasing number of partnerships during their delivery phase.

Operating costs and potential management charges to the LLP's will be reviewed each year as the pipeline details become known.

Operating Costs	2020	2021	2022	2023	2024	2025	2026
People costs	453	471	561	572	584	596	608
Recruitment fees	64	10	15	5	5	5	5
Meals, Travel & Accommodation	3	10	10	10	11	11	11
IT Support	20	20	20	21	21	22	22
Office Expenses	15	17	27	28	28	29	29
Professional Services	155	168	172	175	179	182	185
PR & Advertising	2	40	20	20	21	21	22
Bristol Holding Ltd Management Fees	80	105	105	105	105	105	105
Contingency/Misc.	2	65	66	68	69	71	72
<b>Operating costs (£'000)</b>	<b>794</b>	<b>906</b>	<b>998</b>	<b>1,005</b>	<b>1,023</b>	<b>1,041</b>	<b>1,059</b>

## Cash Flow

The Business Plan shows a closing cash balance in 2026 of £17.9m. Any distribution of profits will be decided by Bristol City Council.

Cash Flow (£'000)	2020	2021	2022	2023	2024	2025	2026
<b>Opening Cash Balance / (Overdraft)</b>		50	118	142	140	3,538	13,075
<b>Inflow</b>	844	1,000	6,441	1,407	6,889	11,124	7,802
Working Capital funding received	799	1,000	1,400	1,200	1,000	1,000	1,000
Decrease in non-cash current assets	45	-	-	-	-	-	-
Interest received on Loan Notes (signed LLPs)	-	-	441	207	-	-	-
LLP distribution	-	-	-	-	5,889	10,124	6,802
Contracting business	-	-	4,600	-	-	-	-
<b>Outflows</b>	(794)	(932)	(6,417)	(1,409)	(3,491)	(1,587)	(3,018)
Operating costs of Goram (EBIT)	(794)	(906)	(998)	(1,005)	(1,023)	(1,041)	(1,059)
Interest paid on working capital funding	-	(26)	(108)	(192)	(264)	(192)	(252)
Interest paid on Loan Notes (signed LLPs)	-	-	(441)	(207)	-	-	-
Corporation Tax paid	-	-	-	-	-	(349)	(1,701)
Repay working capital funding	-	-	-	-	(2,199)	-	-
Increase in non-cash current assets	-	-	(270)	(5)	(6)	(6)	(6)
Contracting business	-	-	(4,600)	-	-	-	-
Dividend Distribution	-	-	-	-	-	-	-
<b>Operating flows</b>	50	68	24	(2)	3,397	9,537	4,784
Lease Receipts	-	2,820	5,328	4,365	1,289	4,490	8,892
BCC land loan repayments	-	(2,820)	(5,328)	(4,365)	(1,289)	(4,490)	(8,892)
<b>Closing Cash Balance / (Overdraft)</b>	<b>50</b>	<b>118</b>	<b>142</b>	<b>140</b>	<b>3,538</b>	<b>13,075</b>	<b>17,859</b>

## Balance Sheet

The Balance sheet below shows Retained Reserves at the end of 2026 of £13.9m.

This Business Plan is subject to further refinement when a more detailed assessment of the development pipeline evolves, and projects move forward.

Balance Sheet (£'000)	2020	2021	2022	2023	2024	2025	2026
<b>Fixed Assets</b>	-	-	-	-	-	-	-
<b>Current Assets</b>	189	10,187	5,016	25,575	27,599	37,577	36,810
Debtors	139	-	-	-	-	-	-
Capitalised Pre LLP costs	-	-	270	275	281	287	292
LLP Leases	-	10,191	4,863	23,611	22,322	22,637	16,100
Share of LLP Retained Reserves	-	(122)	(259)	1,549	1,459	1,578	2,560
Bank & Cash	50	118	142	140	3,538	13,075	17,859
<b>Liabilities</b>	(1,009)	(12,143)	(8,299)	(28,319)	(26,108)	(28,835)	(22,875)
Corporation Tax	-	-	-	-	(349)	(1,701)	(1,218)
Creditors & Accruals	(184)	(45)	(45)	(45)	(45)	(45)	(45)
Working Capital Funding Obligation	(799)	(1,799)	(3,199)	(4,399)	(3,200)	(4,200)	(5,200)
Working Capital Funding interest	(26)	(108)	(192)	(264)	(192)	(252)	(312)
BCC Land Loan Notes	-	(10,191)	(4,863)	(23,611)	(22,322)	(22,637)	(16,100)
<b>Net Assets</b>	(820)	(1,956)	(3,283)	(2,743)	1,491	8,741	13,935
<b>Retained Profits</b>	<b>(820)</b>	<b>(1,956)</b>	<b>(3,283)</b>	<b>(2,743)</b>	<b>1,491</b>	<b>8,741</b>	<b>13,935</b>

## Stress Testing

The financial plan has been modelled with cost and house price inflation excluded. The nature of Goram Homes' business model is that variations in unit cost or sales value will only have an equivalent impact on forecast results where we are in a partnership contract, satisfactory planning has been granted and the land value has been fixed.

Out of our plan of 14 developments through partnerships, only Romney House is likely to be in the contract status referred to above by the end of March 2021.

Our major sensitivity therefore is to a delay in achieving 'start on site' dates assumed in the plan for the pipeline. Baltic Wharf development already incorporates a cautious view of timing into the plan.

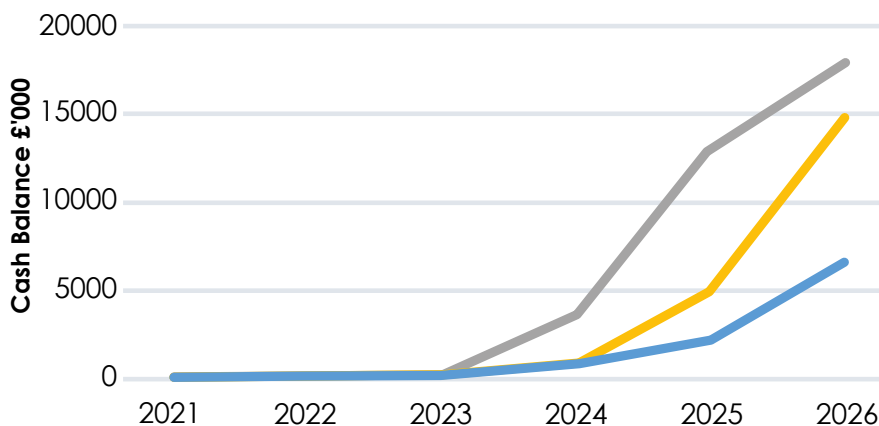
When we stress test the financial plan for one and two year delays we are assuming an event occurs, but all the pipeline continues as currently profiled and no changes are

made to project assumptions. As with all stress testing, interventions would be made before any of the scenarios were realised in full.

The business model of Goram Homes is very resilient to change and stresses. During the first few years the only significant exposure is delay or non-delivery of developments, meaning the overheads at £1m pa being carried at risk. It should be noted that costs are only placed at risk when detailed agreement has been reached with the Council on each development site being a suitable location. If there is a conscious decision to delay commencement of our development activity, then some of the professional costs within the £1m pa would also be deferred.

The increased pipeline creates opportunity to mitigate risks of delay. The Romney House project alone provides us a significant amount of resilience as we are forecasting by 2025 to receive £4m. This compares to forecast spend of £4.7m.

## Cash Balance - impact of delaying entire pipeline



	2021	2022	2023	2024	2025	2026
On time	118	142	140	3,538	13,075	17,859
1 year delay	118	142	140	768	4,970	14,744
2 year delay	118	142	140	768	2,198	6,639

# Appendix A

## Strategic Business Plan level KPI's

KPI Code	KPI Group	Criteria	Units	Quarterly					Cumulative				
				Previous Year	Target	Actual	ACT/PY %	Act/Trgt %	Previous Year	Target	Actual	ACT/PY %	Act/Trgt %
<b>People</b>													
1	People	Turn over	%		<20					<20			
2	People	Days of Absence	units		5					25			
<b>Projects</b>													
3	Projects	BCC site release on time	%		90					90			
4	Projects	Projects in contract on time	%		90					90			
5	Projects	H&S – Number of RIDDOR incidents	units		0					0			
<b>Finance</b>													
6	Finance	Project Profits to Business plan	%		90%					90%			
7	Finance	Goram Homes results to BP variance	%		10%					10%			
<b>Environmental</b>													
8	Environmental	Carbon Reduced (Goram Homes)	units		1000g					1000g			
<b>Social Value</b>													
9	Social Value	Local contracts awarded	%		75%					75%			

# Appendix B

## Assessment of Key Risks

Risk No.	Risk	Current Assessment		Target Scores		Comment
2	Failure to deliver growth / profit targets in line with Business Plan assumptions	Prob.	3	Prob.	3	Market failures (e.g. house prices drop, construction costs increase, market sales rate drops) Production rates reduce, delays in planning permission, interest rates rise, insufficient land available.
		Impact	4	Impact	4	
		<b>Total</b>	<b>12</b>	<b>Total</b>	<b>12</b>	
4	Failure of board to give capable leadership, control, and strategic direction and/or inappropriate governance arrangements and structures	Prob.	3	Prob.	2	Lack of sufficient skills, knowledge and experience on Board or SLT. Poor leadership or confused governance arrangements.
		Impact	4	Impact	4	
		<b>Total</b>	<b>12</b>	<b>Total</b>	<b>8</b>	
38	Loss of demand for property sales	Prob.	3	Prob.	2	Reduced access to (affordable) mortgage finance. Wider societal and cultural change to the way people want to live. Lack of suitable of properties developed for market demand.
		Impact	4	Impact	4	
		<b>Total</b>	<b>12</b>	<b>Total</b>	<b>8</b>	
40	Inability to establish sufficient development opportunities	Prob.	2	Prob.	2	Uncertainty around housing policy. Sites need to be transferred to Goram Homes from the Council to match the business plan profile. Delays will impact on Goram Homes financial performance. Restrictions on opportunities to comply with development strategy e.g. mix of tenure.
		Impact	5	Impact	5	
		<b>Total</b>	<b>10</b>	<b>Total</b>	<b>10</b>	
43	Negative impact of spread of coronavirus (COVID-19) on delivery of Business Plan and viability	Prob.	2	Prob.	2	Uncontrollable spread of COVID-19 virus without vaccine, reducing staffing resource and impacting the housing market.
		Impact	5	Impact	5	
		<b>Total</b>	<b>10</b>	<b>Total</b>	<b>10</b>	
25	Failure of projects / Joint Ventures or programme of corporate projects to deliver expected benefits within planned costs and timescales	Prob.	4	Prob.	2	Projects poorly initiated or implemented. Benefits of anticipated outcomes will not be realised either in part or full.
		Impact	2	Impact	2	
		<b>Total</b>	<b>8</b>	<b>Total</b>	<b>4</b>	
44	Failure to maintain a strong and positive relationship with key stakeholders, including local government and MPs	Prob.	2	Prob.	2	Negative PR impacts are greater than if the risk was properly managed, lack of support for development schemes and new initiatives, lack of support on the outcome of complaints
		Impact	3	Impact	3	
		<b>Total</b>	<b>6</b>	<b>Total</b>	<b>6</b>	

# Appendix C

## Goram Innovation Action Plan

All the themes are connected to the ambition that our homes will be an enabler for improving the health and wellbeing of the residents of Bristol. Underpinning all of the below is the recognition that its necessary to find new ways of doing community consultation and engagement that is open, transparent and inclusive.

### Connected Homes

According to the **BRE**, poor quality housing costs the NHS £1.4bn per year due to building related hazards.

#### What we will do:

1. Build a data framework to support the Internet of Things. Working with **HACT** and/or other partners to develop and contribute to the UK Housing Data Standards to ensure that the right data measures and data collection is considered and captured – to support the health and independence of residents and ongoing maintenance and performance of homes.
2. To ensure that fibre connectivity (building in fibre ducting as standard) is built in and ready to enable the Internet of Things (not least supporting better independent living)
3. To align projects with research and evaluation projects partnering with Bristol University and UWE around improved health and wellbeing and energy efficiency (built around better understanding of user experience – data and connectivity).

### Low Carbon Houses

In June 2019, the UK became the first major economy in the world to pass laws to end its contribution to global warming by 2050. **The target will require the UK** to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least 80% reduction from 1990 levels.

#### What we will do:

1. Developing a JV partner selection methodology around low carbon/ zero carbon housing (**Bristol City Council commitment to be carbon neutral city by 2030**) so that all future projects are future proofed and low carbon is not considered a 'nice to have' but a core delivery commitment.
2. To explore lifetime costs (not just capex) as a validation for investment in homes and to consider how **BCC's Social Value Policy** – whilst not directly relevant – can suggest a methodology to consider and value wider scheme benefits.

### Assisted Living

Disabled people were less likely to own their own home than non-disabled people, with 42.4% of disabled people owning their own home compared with **53.2% of non-disabled people**. However, a substantial segment of homeowners and a customer group who's needs are not ready met by standard homes built in the UK.

#### What we will do:

1. Good design and well-proportioned homes work well for both assisted living and family life. By way of example, wider doors for wheelchairs also serve young families with buggies. Goram Homes will consult **Bristol Disability Equality Forum** on all its schemes to consider what proportion for accessible housing but also to explore how good design improves the accessibility of all housing and the community and



to engage with **Better Lives at Home**. This to complement the Connected Homes - digital to support independent living.

2. To explore developing inter-generational homes on our schemes to address assisted living in the context of that wider community and address the loneliness epidemic.  
[www.gov.uk/government/news/pm-launches-governments-first-loneliness-strategy](http://www.gov.uk/government/news/pm-launches-governments-first-loneliness-strategy)

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## Modern Construction Methods

Based purely on existing workforce age and current levels of new entrant attraction, we could see a **20-25% decline** in the available labour force within a decade.

### What we will do:

1. To support the regional/strategic opportunity to enable the WECA region, and the South West in general, to become the UK's leading region in the technology and deployment of zero carbon, quality and affordable homes delivered at pace. The hypothesis to this is that MMC is part of the solution to create a new supply chain for affordable housing. Housing as part of a Local Industrial Strategy.
2. To commit an identified site to develop its first cat 1 (volumetric/3D) or cat 2 (penalised/2D) MMC housing partnership (part or full site).
3. To explore a possible partnership with Bristol Housing Festival and YTKO as the third commercial partner for '**Constructing Modern Methods**' – a digital optioneering tool that is being developed as part of an Innovate UK project.

## Innovative Financing

**More than 8million people in England – around 1 in 7** – are living in an unaffordable, insecure, or unsuitable home. According to National Housing Federation research there are 3.6m people living in overcrowded homes, 2.5m people can't afford their rent or mortgage and 2.5m adults are living with parents, with an ex-partner, or with friends because they can't afford to move out.

### What we will do:

1. In partnership with others to explore new tenure models that address the land cost issue as the key affordability challenge (to partner with organisations such as Future Cities Catapult who are developing those models but need to test them in the real world).
2. To explore new funding opportunities to create more affordability and generate more capital investment where the asset is retained by a third party at low rates for 40 years and then reverts for social housing or other needs (see pension funding and other social impact funds/ green funds/pension funds who are looking for long term investment often aligned to MMC due to its manufacturing process and several funds now in partnership with specific MMC suppliers).

# Appendix D

## Funding forecast between Goram Homes & the Council

Overall Funding relationship with BCC	2020	2021	2022	2023	2024	2025	2026
<b>Cash Flows</b>							
Loan Note repayments to BCC	-	2,820	5,328	4,365	1,289	4,490	8,892
Working Capital Funding (WCF) from BCC	(799)	(1,000)	(1,400)	(1,200)	(1,000)	(1,000)	(1,000)
WCF repayment to BCC	-	-	-	-	2,199		-
Interest paid to BCC on Land Loan Notes (signed LLPs)	-	-	441	207	-	-	-
Interest paid to BCC on WCF Loan	-	26	108	192	264	192	252
<b>Net cash paid to / (borrowed from) BCC</b>	(799)	1,846	4,477	3,564	2,752	3,682	8,144
<b>Cumulative net cash payments to BCC</b>	(799)	1,047	5,524	9,088	11,840	15,521	23,666
<b>Net funding</b>							
Net Land Loan Note balance (BCC)	-	(10,191)	(4,863)	(23,611)	(22,322)	(22,637)	(16,100)
WCF balance (BCC)	(799)	(1,799)	(3,199)	(4,399)	(3,200)	(4,200)	(5,200)
Retained cash	50	118	142	140	3,538	13,075	17,859
<b>Total</b>	(749)	(11,872)	(7,920)	(27,870)	(21,984)	(13,762)	(3,441)



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**Audit and Governance Committee**  
**Proposed Forward Work Plan 2021/2022**

<b>Meeting Date</b>	<b>Item</b>	<b>Responsible Officer</b>	<b>Draft Report to CLT</b>	<b>Publication Deadline</b>
<b>24 NOV 2021</b>	Statement of Accounts 2019/20 To approve the SoA 2019/20 including: Report to those Charged with Governance (ISA 260) 2020/2021 An update on the resolution and qualification issues from the 2018/19 accounts and assurance from the Pension Committee 2 Letters of representation, AGS, statements – all separate approvals	Lizzie Watkin/ Andy Brown/ Deloitte	10 Nov 2021	16 Nov 2021
	Q2 IA Report 2020/2021 and consolidated IA outstanding management actions report	SWAP/Andy Brown		
	Reconsideration of Independent members on Audit & Governance	Perry Holmes		
	Redmond Review - TBC	Lizzie Watkin		
	Cyber Security	Ian Robinson		
	School Governance Report	Helean Hughes		
	Corporate Risk	Toby Eliot		
	Private Meeting with External Auditors	Deloitte/Tara Shannon		

**Audit and Governance Committee**  
**Proposed Forward Work Plan 2021/2022**

<b>Meeting Date</b>	<b>Item</b>	<b>Responsible Officer</b>	<b>Draft Report to CLT</b>	<b>Publication Deadline</b>
<b>9 FEB 2022</b>	Statement of Accounts 2020/2021 To approve the SoA 2020/2021 including: Report to those Charged with Governance (ISA 260) 2020/2021 To include an update on the resolution and qualification issues from the 2018/19 accounts and assurance from the Pension Committee 2 Letters of representation, AGS, statements – all separate approvals	Lizzie Watkin/ Andy Brown/ Deloitte	26 Jan 2022	1 Feb 2022
	Q3 IA Report 2020/2021 and consolidated IA outstanding management actions report	SWAP		
	Governance Update on AGS	Perry Holmes/Maria Doherty		
	Internal Audit Plan 2022/23	SWAP		
	Corporate Risk	Toby Eliot		
	SWLEP - the Committee's role in relation to Swindon and Wiltshire Local Enterprise Partnership (SWLEP).	Andy Brown/LEP?		
	Private Meeting with SWAP	SWAP/Tara Shannon		

**Audit and Governance Committee**  
**Proposed Forward Work Plan 2021/2022**

<b>Meeting Date</b>	<b>Item</b>	<b>Responsible Officer</b>	<b>Draft Report to CLT</b>	<b>Publication Deadline</b>
<b>27 April 2022</b>	External Audit Plan 2021/22	Deloitte	13 Apr 2022	19 Apr 2022
	Accounting Policies 2021/22	Lizzie Watkin		
	Q4 IA Report 2020/2021 and consolidated IA outstanding management actions report	SWAP/ Andy Brown		
	Internal Audit Plan 2022/23	SWAP		
	Governance Update on AGS Or take the AGS 2021/22, TBC	Perry Holmes/Maria Doherty		

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