



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held at the Civic Offices, Shute End, Wokingham, RG40 1BN on **WEDNESDAY 8 FEBRUARY 2017 AT 7.00 PM**

A handwritten signature in black ink, appearing to read 'Andy Couldrick', written in a cursive style.

Andy Couldrick
Chief Executive
Published on 31 January 2017

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WOKINGHAM BOROUGH COUNCIL

Our Vision

A great place to live, an even better place to do business

Our Priorities

Improve educational attainment and focus on every child achieving their potential

Invest in regenerating towns and villages, support social and economic prosperity, whilst encouraging business growth

Ensure strong sustainable communities that are vibrant and supported by well designed development

Tackle traffic congestion in specific areas of the Borough

Improve the customer experience when accessing Council services

The Underpinning Principles

Offer excellent value for your Council Tax

Provide affordable homes

Look after the vulnerable

Improve health, wellbeing and quality of life

Maintain and improve the waste collection, recycling and fuel efficiency

Deliver quality in all that we do

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

David Lee (Chairman)	Norman Jorgensen (Vice-Chairman)	Prue Bray
David Chopping	Charles Margetts	Oliver Whittle

ITEM NO.	WARD	SUBJECT	PAGE NO.
46.		APOLOGIES To receive any apologies for absence	
47.		MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 5 December 2016.	5 - 12
48.		DECLARATION OF INTEREST To receive any declarations of interest	
49.		PUBLIC QUESTION TIME To answer any public questions A period of 30 minutes will be allowed for members of the public to ask questions submitted under notice. The Council welcomes questions from members of the public about the work of this committee. Subject to meeting certain timescales, questions can relate to general issues concerned with the work of the Committee or an item which is on the Agenda for this meeting. For full details of the procedure for submitting questions please contact the Democratic Services Section on the numbers given below or go to www.wokingham.gov.uk/publicquestions	
50.		MEMBER QUESTION TIME To answer any member questions	
51.	None Specific	EXTERNAL AUDIT PLAN 2016-17 To receive the External Audit Plan 2016-17.	13 - 30
52.	None Specific	CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT 2015/16 To receive the Certification of Claims and Returns - Annual Report 2015/16.	31 - 40
53.	None Specific	VALUE FOR MONEY PROFILES To receive a presentation on the Value for Money profiles.	41 - 60

54.	None Specific	CERTIFICATION OF CLAIMS AND RETURNS - CLAIMS AND RETURNS ORGANISED BY LOCAL AUTHORITIES To receive a report regarding Certification of Claims and Returns - Claims and Returns Organised by Local Authorities.	61 - 64
55.	None Specific	TREASURY MANAGEMENT STRATEGY 2017/18 To receive the Treasury Management Strategy 2017/18.	65 - 102
56.	None Specific	CORPORATE RISK REGISTER REFRESH To receive the Corporate Risk Register refresh – January 2017.	103 - 120
57.	None Specific	INTERNAL AUDIT AND INVESTIGATION Q3 PROGRESS REPORT 2016/17 To receive the Internal Audit and Investigation Q3 Progress Report 2016/17.	121 - 124
58.	None Specific	2017/18 INTERNAL AUDIT AND INVESTIGATION PLANS To receive the 2017/18 Internal Audit and Investigation Plans.	125 - 136

Any other items which the Chairman decides are urgent

A Supplementary Agenda will be issued by the Chief Executive if there are any other items to consider under this heading

CONTACT OFFICER

Madeleine Shopland
Tel
Email
Postal Address

Principal Democratic Services Officer
0118 974 6319
madeleine.shopland@wokingham.gov.uk
Civic Offices, Shute End, Wokingham, RG40 1BN

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 5 DECEMBER 2016 FROM 7.00 PM TO 8.30 PM**

Committee Members Present

Councillors: David Lee (Chairman), Norman Jorgensen (Vice-Chairman), Prue Bray, David Chopping and Oliver Whittle

Also Present

Madeleine Shopland, Principal Democratic Services Officer
Sheldon Hall, Senior Auditor
Catherine Hickman, Service Manager Shared Audit & Investigation Service
Martin Jones, Planning Accountant
Andrew Moulton, Head of Governance and Improvement Services
John Ogden, Head of Finance
Stuart Rowbotham, Director of Health and Wellbeing
Michael Bateman, Customer Relations Officer
Janet Day, Complaints Officer – Children’s Services

29. APOLOGIES

Apologies for absence were submitted from Councillor Charles Margetts, Adrian Balmer (Ernst & Young) and Helen Thompson (Ernst & Young).

30. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 28 September 2016 were confirmed as a correct record and signed by the Chairman.

The Head of Finance updated the Committee on retrospective orders. Retrospective purchase orders were at 7%.

Councillor Lee requested that the information provided regarding the retention and recruitment of social workers be resent to Committee members.

Councillor Lee queried whether the possible impact of Equity Release Schemes on the amount individuals could fund their care, had been considered. The Director of Health and Wellbeing commented that this was not likely to be a large issue in the Borough.

31. DECLARATION OF INTEREST

There were no declarations of interest submitted.

32. PUBLIC QUESTION TIME

There were no Public questions.

33. MEMBER QUESTION TIME

There were no Member questions.

34. EXTERNAL AUDIT ANNUAL AUDIT LETTER 2015/16

The Committee considered the External Audit Annual Audit Letter 2015/16.

It was noted that the deadline for preparing the financial statements in future would be moving forward. Audit Committee meetings would be scheduled around this change.

RESOLVED: That the External Audit Annual Audit Letter 2015/16 be noted.

35. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOKINGHAM BOROUGH COUNCIL

The Committee considered the Independent Auditor's Report to the Members of Wokingham Borough Council.

RESOLVED: That the Independent Auditor's Report to the Members of Wokingham Borough Council be noted.

36. LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

Members received the Local Government Audit Committee Briefing.

During the discussion of this item the following points were made:

- Councillor Whittle questioned when the clawback proposal for public sector payoffs would come into effect. The Director of Health and Wellbeing indicated that these provisions were being deferred.
- In response to a question regarding business rate collection, the Head of Finance commented that Wokingham had a higher than average collection rate.
- With regards to reporting on gender pay gap, the Service Manager Business Improvement would be asked to consider whether this needed to be included in the Corporate Risk Register
- It was suggested that the Leader and Chief Executive be sent copies of the Local Government Audit Committee briefings for information.

RESOLVED: That the Local Government Audit Committee Briefing be noted.

37. CORPORATE COMPLAINTS UPDATE

The Committee received the Corporate Complaints update.

During the discussion of this item the following points were made:

- Between Q1 and Q2 14 corporate complaints were resolved at early resolution. 39 Stage 1 corporate complaints had been received, of which 7 had been escalated to Stage 2. 18 Children's Services Social Care complaints had been received, 2 of which were out of scope. 8 complaints had been received via the Local Government Ombudsman (LGO) or the Housing Ombudsman (HO). The majority of the complaints escalated to the HO or the LGO related to school transport appeals.
- Environment and Health and Wellbeing had had the highest number of complaints.
- Processes and decisions were the most common cause of complaints.
- With regards to Children's Social Care complaints, the Complaints Officer – Children's Services explained that there were more stages in the complaints resolution process and that it was a statutory process. She took Members through a summary of complaints during Q1 and 2. No complaints had been escalated to Stages 2 or 3 in 2016.
- The Customer Relations Officer clarified that there had been amendments to the corporate complaints process that year by the introduction of an early resolution stage.

- The Complaints Officer – Children’s Services commented that there had been no overall increase in the number of Children’s Services Social Care complaints from the previous year.
- Councillor Bray questioned how persistent complainants were identified and dealt with. The Complaints Officer – Children’s Services stated that officers tried to work with people so that they did not become vexatious but that they may be informed that if the same complaint was raised again the correspondence would be acknowledged and filed but not responded to.
- When complaints related to staff conduct or a service which was not provided, Councillor Lee asked whether the relevant managers were informed so as to be able to help staff not repeat the mistake. He was notified that they were.
- There had been 73 formally received compliments, many of which related to the new grass cutting policy.
- Councillor Whittle asked how people could request for their complaint to be elevated if it was being dealt with at early resolution. The Complaints Officer - Children’s Services commented that the procedure was made clear when a response to a complaint was sent.

RESOLVED: That the Corporate Complaints update be noted.

38. GOVERNANCE ARRANGEMENTS FOR THE 21ST CENTURY COUNCIL PROGRAMME

The Committee received a report regarding the governance arrangements for the 21st Century Council programme.

During the discussion of this item the following points were made:

- Members were informed that the key features of the governance arrangements would be as follows:
 - Officer Programme Board chaired by the Chief Executive;
 - Member/Officer Management Group with sub groups focused on IT and Finance;
 - Existing decision making bodies such as the Executive, operated as per the Council’s Constitution;
 - A strong approach to risk management embedded in the programme at all levels.
- Councillor Bray asked why, now the business case had been approved, there was not an Opposition Member on the Member/Officer Management Group, as the 21st Century Council project was Council wide. She also expressed concern that the Sustainable Finance Group was one Member and other councillors as required, and commented that greater oversight was required. Councillor Lee agreed to feed back on this.
- The Head of Governance and Improvement Services explained that the Audit Committee would receive assurance on the governance arrangements and risk management.
- Members agreed that it was important that the Council’s IT system was successful and that Members were kept informed of any delays or issues with the implementation of the IT for the 21st century Council initiative.

RESOVLED: That the governance arrangements be noted.

39. CORPORATE RISK REGISTER REFRESH - NOVEMBER 2016

The Director of Health and Wellbeing presented the Corporate Risk Register Refresh – November 2016.

During the discussion of this item the following points were made:

- A number of changes had been made to the risk scores which were set out in the report.
- The Director of Health and Wellbeing explained the further actions to mitigate Risk 28 'Inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act' and agreed to make the wording clearer.
- Councillor Bray asked where the risk of IT failure sat within the Corporate Risk Register and was informed that it sat within Risk 20 'Risk that the Council, embarking on a major change programme, the 21st Century Council, fails to maintain service delivery standards, to deliver associated savings, or to effect the change, in structures and behaviours, to deliver the vision for the new Council's operating model' and also within the relevant departmental risk register.
- In response to a Member question the Head of Finance explained why Risk 14 'Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning' had been included on the Corporate Risk Register.
- Councillor Lee commented that he wanted to see areas which had been suggested for improvement. The Director of Health and Wellbeing commented that there was also a degree of self-monitoring.
- Councillor Bray asked that the colour code for the risk appetite column be amended so as to be easier to understand.
- Councillor Whittle asked why the issues around Southfield School were not included on the Corporate Risk Register and was informed that this was being managed at departmental level.

RESOLVED: That the Corporate Risk Register Refresh – November be noted.

40. RISK MANAGEMENT POLICY AND GUIDANCE

The Risk Management Policy and Guidance was considered.

During the discussion of this item the following points were made:

- The Policy and Guidance had been subject to a high level review and no changes were proposed following this review.
- In order to reduce the workloads of the Audit Committee and the Executive when there were no changes to review, it was proposed that the terms of reference of the Audit Committee be amended to read 'To review, revise as necessary and recommend adoption of the Risk Management Policy and Strategy to Executive when changes occur.'

RESOLVED: That

1) the Enterprise Risk Management Policy and Guidance be considered.

2) it be recommended to the Constitution Review Working Group that the terms of reference of the Audit Committee be amended as set out in the report.

41. TREASURY MANAGEMENT MID-YEAR REPORT 2016/17

Members received the Treasury Management Mid-Year report 2016-17 which summarised Treasury Management operations during the first six months of 2016/17.

During the discussion of this item the following points were made:

- As the capital programme had reduced so had the Council's need to borrow externally.
- In the first six months external debt did not increase as the Council had taken the opportunity to use internal funds and other sources to fund the capital programme.
- With regards to the Council's investment portfolio Members questioned how the councils the Council invested with were assessed. It was explained that officers worked with Capita and received daily credit ratings. The Council did not invest with organisations outside the country which were rated less than AAA. The Planning Accountant commented that rates had dropped since Brexit.
- In response to a Member question regarding money from Commuted Sums, the Planning Accountant indicated that this information was contained in a separate document. The Capital Strategy would be presented at the Committee's February meeting.
- With regards to the Housing Revenue Fund loan portfolio, Members questioned why some loans were until 2077. The Head of Finance commented that the Council tried to match the loan to the lifespan of the asset where necessary. Also, a phased return on investments was preferred. The Planning Accountant informed Members that Capita and officers assessed whether taking out a new loan would give a greater return.

RESOLVED: That

- 1) the Treasury Management Mid-Year Report 2016-17 be noted.
- 2) the actual prudential indicators within the report be noted.
- 3) the report be recommended to Council for approval.

42. INTERNAL AUDIT AND INVESTIGATION Q2 PROGRESS REPORT

The Committee received the Internal Audit and Investigation Q2 Progress Report which detailed work from 1 April 2016 to 30 September 2016.

During the discussion of this item the following points were made:

- The content of the Internal Audit Plan had been revised in light of the 21st century Council initiative. Five audits had been deferred.
- There had been no audit reviews which had received the third audit opinion category "Range of Risk Mitigation Controls is incomplete and risks are not effectively Mitigated" or the fourth audit opinion category "There is no effective risk management process in place" that had been completed to Final Report stage during quarter 2.
- Councillor Whittle questioned why the Housing Rents audit was still in draft and was informed that a target date for a counter measure was still awaited but that the audit was near completion.

- The Investigations Team performance up to the end of September 2016 was comprised of £17,177 actual overpayments that were potentially recoverable and £20,500 of notional savings which were the value placed on the fraud by the “Fighting Fraud and Corruption Locally” publication issued by the CIPFA Counter Fraud Centre and “Protecting the Public Purse.”

RESOLVED: That the Internal Audit and Investigation Progress report as set out in Appendix A to the report be noted.

43. 2016/17 REVISED INTERNAL AUDIT PLAN

Members received the 2016/17 revised Internal Audit Plan.

During the discussion of this item the following points were made:

- Members were informed that the content of the 2016/17 Internal Audit Plan had been reviewed in light of work being undertaken in respect of the Council’s 21st Century Council initiative and the impact it would have on the originally agreed 2016/17 Internal Audit Plan.
- It was also noted that audit resource had been seconded to the 21st Century Council programme which would have some impact on the delivery of the Internal Audit Plan.
- Members noted audits which had been removed from the original plan and also where the number of audit days had increased or decreased.
- Councillor Bray asked what the audit of the 21st Century Council initiative would include and was informed that it was likely to cover aspects such as governance, financial status and risk management.

RESOLVED: That the amendments to the 2016/17 Internal Audit Plan in the light of 21st Century Council developments and discussions at CLT on 13 September 2016, be approved.

44. AUDITOR APPOINTMENT 2018/19

The Committee received a report regarding the Auditor Appointment 2018/19.

During the discussion of this item the following points were made:

- The report set out the pros and cons of the two options for appointing the Council’s auditors for the five years commencing for the audit of the authority’s 2018/19 annual accounts.
- Option A proposed that the Council opt into the Public Sector Audit Appointments (PSAA) process. Under Option B if the Council did not opt into the PSAA process an independent auditor panel would need to be established either independently or in conjunction with other authorities.
- It was noted that some of the other Berkshire authorities such as Slough had already opted into the PSAA process.
- Members agreed that Option A was the preferred option.

RESOLVED: That it be recommended to Council that Option A, as set out in the report, be approved i.e. opting into the Public Sector Audit Appointment process.

45. FORWARD PROGRAMME 2016-17

The Committee considered the Forward Programme for the remainder of the municipal year.

During the discussion of this item the following points were made:

- Members requested that Ernst & Young provide a report on the Value for Money profiles at the Committee's February meeting.
- Councillor Whittle had previously expressed concern regarding procurement. It was noted that the Community and Corporate Overview and Scrutiny Committee would be reviewing the impact of the new procurement regulations at a future meeting. It was suggested that Audit Committee members be invited to this meeting.
- Councillor Lee requested that it be made clear in the risk register which officers would be reviewing each risk and when.

RESOLVED: That the Forward Programme 2016-17 be noted.

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Wokingham Borough Council

Year ending 31 March 2017

Audit Plan

08 February 2017

Ernst & Young LLP



Councillor David Lee
Audit Committee Chairman
Wokingham Borough Council
Civic Offices
Shute End
Wokingham
RG40 1BN

08 February 2017

Dear Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 8 February 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson
For and behalf of Ernst & Young LLP
Enc

Contents

1. Overview	1
2. Financial statement risks	2
3. Value for money risks	5
4. Our audit process and strategy.....	6
5. Independence.....	10
Appendix A Fees.....	12
Appendix B UK required communications with those charged with governance	13

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ our audit opinion on whether the financial statements of Wokingham Borough Council give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2017.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias, ▶ evaluating the business rationale for significant unusual transactions; and ▶ reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Other risks

Financial statements presentation – expenditure and funding analysis and comprehensive income and expenditure	
<p>Amendments have been made to the <i>Code of Practice on Local Authority Accounting in the United Kingdom 2016/17</i> (the Code) this year changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p> <p>The Code no longer requires statements or notes to be prepared in accordance with the Service Reporting Code of Practice (SeRCOP). Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis. This change in the Code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code. ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported. ▶ Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

Private Finance Initiative (PFI) – Accounting Models Review

The PFI Accounting Models produce a number of material balances within the financial statements.

We plan to undertake a number of specific procedures to provide assurance that the accounting models produce materially correct information in the Council's accounts.

We will:

- ▶ Use one of EY's PFI experts to review the accounting model on which entries in the financial statements are based.
- ▶ Review the accounting entries in the financial statements to ensure they agree to the accounting model.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and
- ▶ performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources.

For 2016/17 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At this stage, we have not identified any significant risks which we view as relevant to our value for money conclusion. We will keep this under review and report any changes to our risk assessment to the Audit Committee.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ financial statements; and
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Our audit involves:

- ▶ assessing the key internal controls and testing the operation of controls where relevant;
- ▶ reliance on the work of experts on pensions and valuations; and
- ▶ substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the Council has identified the following key process where we will seek to test key controls:

- ▶ housing benefits

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit reporting where we raise issues that could have an impact on the year-end financial statements. We do not intend placing direct reliance on the work of internal audit for the testing of controls.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, Plant and Equipment	EY property valuations team Management specialist – Internal Valuer
Pensions	EY pensions team PWC review of Local Government Actuaries Third party management specialist – Barnett Waddingham
Business Rates Provision	Analyse Local
Treasury Management Fair Values	CAPITA

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ assess the reasonableness of the assumptions and methods used;
- ▶ consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements' of the Council is £6.5 million based on 2% of gross revenue expenditure of £323 million. We will communicate uncorrected audit misstatements greater than £323,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Wokingham Borough Council is £105,617.

4.6 Your audit team

The engagement team is led by Helen Thompson, who has experience on Wokingham Borough Council. Helen is supported by Adrian Balmer who is responsible for the day-to-day direction of audit work and is the key point of contact for the Head of Finance.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	November 2016 - December 2017	February 2017	Audit Plan
Risk assessment and setting of scopes	November-December 2017	February 2017	Audit Plan
Testing routine processes and controls	January-March 2017	June 2017	Progress Report
Year-end audit	July-August 2017		
Completion of audit	August 2017	September 2017	Report to those charged with governance via the Audit Results Report Audit report including our opinion on the financial statements and overall value for money conclusion. Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	September 2017	September 2017	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us. ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review. ▶ The overall assessment of threats and safeguards. ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed. ▶ Details of non-audit services provided and the fees charged in relation thereto. ▶ Written confirmation that we are independent. ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy. ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed; analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Helen Thompson, the audit engagement partner and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £	Explanation
Opinion Audit and VFM Conclusion	105,617	105,617	105,617	
Certification of claims and returns ¹	11,787	11,787	TBC*	
Total Audit Fee – Code work	117,404	117,404	TBC*	

All fees exclude VAT.

* In line with standard practice the PSAA set a scale fee which is based on the amount of work completed in this area 2 years previous. We are currently assessing the amount of work required to certify the claim in 2015/16. Should this assessment result in additional fee we will discuss this with officers and seek agreement from the PSAA.

The agreed fee presented above is based on the following assumptions:

- ▶ officers meet the agreed timetable of deliverables;
- ▶ our accounts opinion and value for money conclusion are unqualified;
- ▶ appropriate quality of documentation is provided by the Council; and
- ▶ the Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balances on initial audits [delete if not an initial audit] 	▶ Audit Results Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Audit Results Report
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Audit Results Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Audit Results Report
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	▶ Audit Results Report

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report ▶ Annual Audit Letter if considered necessary
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken where relevant 	<ul style="list-style-type: none"> ▶ Certification Report ▶ Annual Audit Letter if considered necessary

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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Certification of claims and returns annual report 2015-16

Wokingham Borough Council

December 2016

Ernst & Young LLP



Audit Committee
Wokingham Borough Council
Civic Offices
Shute End
Wokingham
RG40 1BN

2 December 2016
Ref: HB1

Direct line: 07974 007332
Email: HThompson2@uk.ey.com

Dear Committee Members,

Certification of claims and returns annual report 2015-16 Wokingham Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Wokingham Borough Council's 2015-16 claim.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Public Sector Audit Appointments Ltd (PSAA) made arrangements for certifying claims and returns in respect of the 2015-16 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Statement of responsibilities

The 'Statement of responsibilities of grant-paying bodies, authorities, Public Sector Audit Appointments and appointed auditors in relation to claims and returns', issued by PSAA, serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

Summary

We checked and certified the housing benefits subsidy claim with a total value of £23,825,777. We met the submission deadline.

Fees for certification work are summarised in section 2. The fees for 2015-16 are available on the PSAA website (www.psaa.co.uk).



Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Tel: + 44 2380 382 100
Fax: + 44 2380 382 001
ey.com

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 8 February 2017.

Yours faithfully

Helen Thompson
Executive Director
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim.....	1
2. 2015-16 certification fees.....	3
3. Looking forward.....	4

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£23,825,777
Amended/Not amended	Amended – minor amendments made to the claim to adjust for errors identified. Cell 012 reduced by £58, and cell 026 increased by the same amount. The amendment resulted in no impact on subsidy claimed.
Qualification letter	Yes
Fee – 2015-16	£7,183
Fee – 2014-15	£12,140

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

Our testing identified several errors in the calculation and classification of benefits awarded to claimant during the year, as presented in the subsidy claim, the findings are summarised below.

Rent Allowances

Testing of the initial rent allowances sample identified one case where the Authority had underpaid benefit due to contributory job seekers allowance not being removed from the claim for a specific period. As there is no eligibility to subsidy for benefit which has not been paid, the error identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.

Non HRA Rent Rebates

Testing of the initial non HRA rent rebate sample identified three cases which had small differences due to incorrect capital income. However, these had no impact on subsidy as they were significantly below the capital limit of £6000 therefore no 40+ testing was carried out. We understand that in line with DWP and supporting legislation the Council will ignore all capital income under £6,000 for the purposes of assessing a claim. They do however record an approximate figure for capital income to assist officers when the claim may be re-assessed in the future. In this situation, we concluded that these were not errors in line with the guidance and we did not need to undertake any extended testing.

One case had a failure due to incorrect applicable amounts and earned income which resulted in an overpayment, and further testing was carried out. We tested 100% of non-HRA cases with the errors identified, and the claim was amended.

Rent Rebates

Three errors were identified as follows:

- ▶ Testing of the initial HRA rent rebate sample identified one case where the Authority had underpaid benefit due to the incorrect figure for state retirement pension being used. As there is no eligibility to subsidy for benefit which has not been paid, the error identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.

- ▶ One case was identified where the Authority had underpaid benefit due to the dependent applicable amount not being entered onto Northgate. As there is no eligibility to subsidy for benefit which has not been paid, the error identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes. Because these errors will always result in an underpayment of benefit, additional testing has not been undertaken

- ▶ One case had a failure due to incorrect earned income which resulted in no impact on subsidy. However, as this had the potential to cause an overpayment of benefits, 40+ extended testing was carried out over earned income cases within cell 55. The additional testing identified four further errors. Three errors led to an overpayment of benefit, and were therefore included in an extrapolation table within our qualification letter. One error led to an underpayment of benefit which does not affect subsidy and was not classified as an error for subsidy purposes.

We have reported these observations to the DWP in a qualification letter.

2. 2015-16 certification fees

Public Sector Audit Appointments (PSAA) determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the PSAA in April 2015 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2014-15	2015-16	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	12,140	7,183	7,183

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to PSAA by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £11,787. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2016-17.

Details of individual indicative fees are available at the following web address:
<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Finance and Resources before seeking any such variation.

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Value for Money Profiles

Wokingham Council

08 February 2017

41



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working world

Agenda Item 53.

Agenda

1. What are the Value for Money (VFM) Profiles?
 - Definition;
 - Purpose and Use;
2. What do the VFM Profiles say about Wokingham Borough Council?
3. Questions

VFM Profiles

The current VFM Profiles are published by the PSAA.

<http://vfm.psaa.co.uk/NativeViewer.aspx?Report=/profiles/VFM>

The VFM Profiles bring together data about the costs, performance and activity of local councils and fire and rescue services.

43 The data is displayed under different sections that give an overview of the chosen organisation and the services it delivers.

Using the profiles you can see:

- how an organisation is spending its resources, and how well services perform;
- how the costs and performance of an organisation compare to others;
- latest planned budgets; and
- outlier reporting.

VFM Profiles & the Comprehensive Spending Review

Councils currently face a number of challenges not least:

- managing the implications of the economic climate
- significant reductions in central government funding

To respond to this councils are looking at all aspects of their remit to ensure that they are well placed to cope with these challenges. It is argued that councils that have proper arrangements for securing economy, efficiency and effectiveness are more financially resilient.

The VFM profiles provide a detailed data profile covering the following areas:

- financial resilience; and
- service delivery

VFM Profiles – Key Comparators

A key feature of the VFM Profiles is the ability to benchmark a selected council against a comparator group. This helps councils and external organisations (such as external audit) benchmark performance and outcomes.

45 The key comparator groups are:

- statistical nearest neighbour/s
- similar type of organisation e.g. unitary council versus all other unitary councils

NB – For the purposes of this presentation we will present data for Unitary Councils only.

VFM Profiles and External Audit

As external auditors we are required to consider whether the Council has put in place proper arrangements to secure 'economy, efficiency and effectiveness in its use of resources'.

Proper arrangements are defined by statutory guidance issued by the NAO as:

- taking informed decisions;
- 46 - deploying resources in a sustainable manner; and
- working with partners and other third parties.

EY will use the VFM profiles to assist with their work and risk assessment on the value for money conclusion.

VFM profiles may indicate a significant VFM risk or a particular area of focus.

VFM Profiles – Key Areas

The following are some of the key areas for which VFM profiles can be obtained:

- financial resilience;
- service expenditure and performance per service e.g. adult social care; children & young people; and environmental services;
- 47 - planned budget;
- outliers reporting i.e. where Wokingham performs at the upper/lower quartile in relation to the comparator group.

We will now take a look at some areas which are likely to be of significance to the Audit Committee.

Points to remember when using VFM profiles



1. The VFM profiles don't always provide an answer but may indicate a particular area of focus for improvement, further efficiency or lobbying;
2. The VFM profiles are compiled using data submitted by the Council or from readily available Council published data
3. The VFM profiles show performance relative to the comparator group and can include:
 - direction of travel;
 - relative performance e.g. best 5% or worst 5%
 - % year on year change

48

Key VFM Profile Results – Wokingham Borough Council

Area of Focus = Planned Budget (vs comparator group all unitary councils)

1. Planned Funding from Central Government for 2016/17:

Indicator	Period	Value	% change	DoT	Rank (Percentile)	Average
49 Planned funding from central government (adjusted) per head of population	2016/17	£222 per head	-10%		 In the lowest 5%	£445 per head

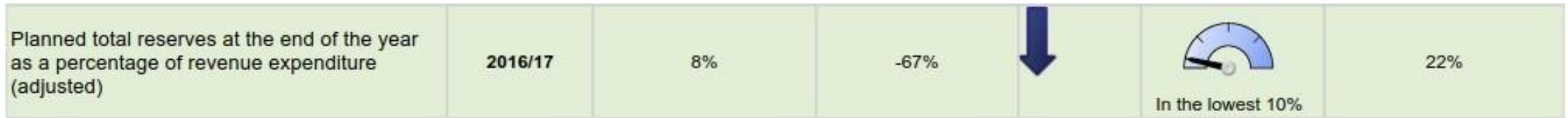
Rank Percentile = Lowest 5%

Value = £222/head vs £445 average

% Change = 10% decrease and the Direction of Travel shows a decline

Key VFM Profile Results – Wokingham Borough Council

2. Planned Total Reserves at the End of Year as a % of Revenue Expenditure:



50

Rank Percentile = Lowest 10%

Value = 8% vs 22% average

% Change = 67% decrease and the Direction of Travel shows a decline

Key VFM Profile Results – Wokingham Borough Council

Area of Focus = Financial Resilience (vs comparator group all unitary councils)

1. Spend on back office services as a proportion of total service spend:

51	Spend on management and support (back office) services as a proportion of total service spend	2014/15	8.1%	-12%		 In the lowest third	10.3%

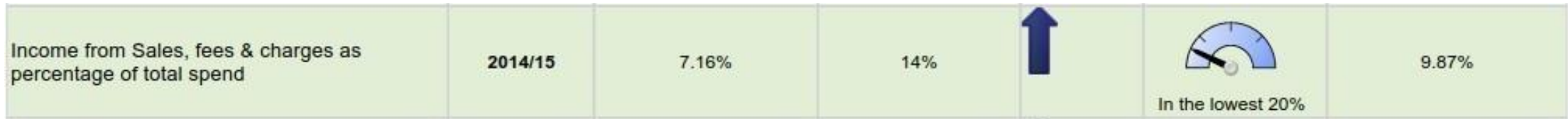
Rank Percentile = Lowest third

Value = 8.1 % vs 10.3% average

% Change = 12% reduction and Direction of Travel shows a decline

Key VFM Profile Results – Wokingham Borough Council

2. Income from Sales, Fees and Charges as a % of total spend:



Rank Percentile = Lowest 20%

Value = 7.16 % vs 9.87% average

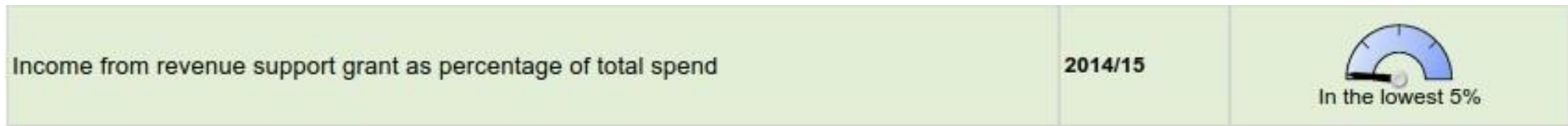
% Change = 14% increase and Direction of Travel shows an increase in this area

Key VFM Profile Results – Wokingham Borough Council

Area of Focus = Outliers Reporting (vs comparator group all unitary councils)

1. Income from Revenue Support Grant as a % of total spend:


53



Rank = lowest 5 %

Key VFM Profile Results – Wokingham Borough Council

2. Planned Council Tax requirement per head in 2016/17:

Planned council tax requirement per head	2016/17	 In the highest 5%
--	---------	--

Rank = highest 5%

54

Key VFM Profile Results – Wokingham Borough Council

3. % of initial assessments for children's social care carried out within 10 days of referral:

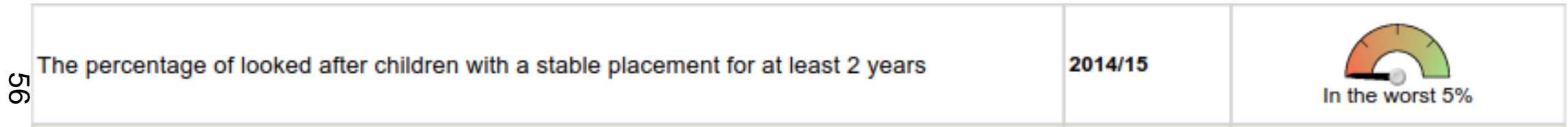


Rank = in the best 5%

Key VFM Profile Results – Wokingham Borough Council

Area of Focus = Outliers Reporting (vs comparator group all unitary councils)

4. The % of looked after children with a stable placement for at least 2 years:



Rank = in the worst 5%

Key VFM Profile Results – Wokingham Borough Council

5. Corporate and democratic core costs as a proportion of net spend:

57

Corporate and democratic core costs as a proportion of net spend	2014/15	 In the highest 5%
--	---------	--

Rank = in the highest 5%

Key VFM Profile Results – Wokingham Borough Council

6. % of pupils with stated special education needs achieving 5/more GCSE's A-C

Percentage of pupils with statements of special educational needs achieving 5 or more A*-C GCSEs including English & Maths

Sep 2014 to
Aug 2015



Rank = in the best 5%

58

Questions?

59

Thank you

09

EY

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Agenda Item 54.

TITLE	Certification of Claims and Returns – Claims and Returns Organised by Local Authorities
FOR CONSIDERATION BY	Audit Committee on 8 February 2017
WARD	None specific
DIRECTOR	Graham Ebers, Director of Corporate Services

OUTCOME/BENEFITS TO THE COMMUNITY

The report provides the Audit Committee with information on the various claims and returns for which local authorities are required to make their own audit arrangements.

RECOMMENDATION

That the Audit Committee notes the Audit Certification Reports 2015/16 for the Teachers' Pension Return ; the Pooling of Housing Capital Receipts Return, and the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA).

SUMMARY OF REPORT

Since 2013/14 the Teachers' Pension return is no longer included in the overall audit of the Council's Statements of Accounts by the Council's auditors Ernst and Young. Local education authorities have therefore had to make their own audit arrangements for this return since 2013/14.

A further change made during 2014/15, requiring relevant local authorities to make their own audit arrangements for the annual Housing Pooled Capital Receipts return.

In addition to the above changes, the Skills Funding Agency (SFA), a Government agency, required that all local authorities which use sub-contractors for SFA functions such as adult learning with an overall annual value of over £100k are to have an annual audit of the relevant sub-contracting arrangements.

The arrangements for each of these audits, together with the key outcomes, are set out below.

The cost of the 2016/17 audits of these three claims is expected to be similar to the costs incurred in the audit of the 2015/16 figures which are reported below.

Background

Local authorities are required under legislation to make appropriate arrangements for certain grant claims and government returns to be audited.

Analysis of Issues in Individual Claims

1. Teachers Pensions Return (EOYCa)

This is an annual return required by the Department of Education by 30th November each year which covers the teachers pension contributions to the Teachers Pensions

Scheme. The cost for the audit of the 2015/16 Teachers Pensions return by the Wokingham firm, Rice Associates, was £900 the same as for 2014/15 (and less than the £2,760 in 2012/13 when it was undertaken by Ernst and Young) . The cost has been met from the 2016/17 budget.

The auditor confirmed that *‘we conclude that, the attached form EOYCa for the year ended 31 March 2016 has been prepared, in all material respects (materiality level of £75,000 used) in accordance with the Regulations underpinning the Teachers’ Pension Scheme’*. The auditor also confirmed that there were no other exceptions or matters that should be reported.

The auditor approved the Council’s return within the deadline.

2. Pooling of Housing Capital Receipts Return

This is an annual return required by the Department of Communities and Local Government (DCLG) by the 30th November which sets out details of sale of council houses and flats under Right to Buy legislation by local authorities with a Housing Revenue Account (HRA). The return sets out the number of properties sold, the cash received less admin fee, the amount which must be paid to the Government, and the amount to be reinvested in social housing. In 2015/16 eight Right to Buy (RTB) and one non RTB properties were sold for a total of £1.288m, of which £297k had to be repaid to DCLG, with most of the remainder required for reinvestment in social housing in the borough.

A local auditor, Choice Accountants carried out the audit of the 2015/16 return at a cost of £1,425, which compared to a cost of £1,500 incurred for the audit of the 2014/15 return. The auditor confirmed that the return was correct and certified using the DCLG’s internet returns portal.

3. Providing External Assurance on Sub-Contracting Controls

The Government’s Skills Funding Agency (SFA) uses local authorities to manage contracts to deliver adult learning services, which are generally with third party providers such as colleges, charities or businesses. The SFA includes a clause in its funding arrangements whereby bodies in receipt of SFA funding have to provide an annual subcontracting assurance if £100,000 or more is subcontracted in the year. This is required so that councils or other bodies in receipt of SFA funds ensure that any colleges or other providers meet the SFA’s requirements i.e. the provision of high quality services with remedial action taken where services do not meet the required quality levels. The audit was introduced to ensure that councils have sufficient procedures and mechanisms to check whether providers are delivering the high quality services as set out in the respective contracts, and to ensure that providers take the corrective action required as necessary.

The audit was largely operational, not financial, in nature and of a very specialist nature. A company which specializes in SFA audits, *Per4mance Solutions*, was selected at a cost of £1,550. The audit was completed on 13th January 2017 and the council’s SFA funded adult learning services passed the audit requirements without qualifications. The required certificate has been issued and will be supplied to the SFA by the 30th January 2017 deadline. It was noted that all recommended actions from the previous report had been completed.

Although the audit was unqualified there were a few minor recommendations – listed below - which the auditors required the service to include in an Implementation Plan.

1. Wokingham Council to consider the development of an independent check on the following requirements to ensure that:
 - a. Ofsted has not rated the leadership & management of the provider as inadequate;
 - b. A provider does meet minimum standards;
 - c. Financial health assessments carried out by the SFA do not rate the provider as inadequate.
2. Wokingham Council ensures it signs all contracts with subcontractors prior to activity commencing.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Within existing budgets	Yes	Revenue
Next Financial Year (Year 2)	Within existing budgets	Yes	Revenue
Following Financial Year (Year 3)	Within existing budgets	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

Included in 2016/17 budget and 2017/18 draft budget.

Cross-Council Implications

N/A

List of Background Papers

Teachers Pensions Return EOYCa Report

Contact Jonathan Ross	Service Finance and Resources
Telephone No 0118 974 6560	Email Jonathan.ross@wokingham.gov.uk
Date 20 January 2017	Version No. 1

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TITLE	Treasury Management Strategy 2017/18
FOR CONSIDERATION BY	Audit Committee on 8 February 2017
WARD	None specific
DIRECTOR	Graham Ebers, Director of Corporate Services

OUTCOME / BENEFITS TO THE COMMUNITY

Effective and safe use of our resources to deliver service improvements and service continuity through the management of the council's cash flow and investments while funding the capital programme.

RECOMMENDATION

The Audit committee is asked to recommend to the Council for approval the following:

- 1) Capital Prudential indicators, 2017/18;
- 2) Borrowing strategy 2017/18;
- 3) Annual Investment Strategy 2017/18;
- 4) Flexible use of capital receipts strategy;
- 5) MRP policy; and
- 6) Treasury Indicators: limits to borrowing activity 2017/18.

SUMMARY OF REPORT

This report outlines the expected treasury activity for the forthcoming year and includes prudential indicators relating specifically to Treasury Management for the next three years. Further reports are produced; a mid-year monitoring report and an outturn report after the year-end on actual activity. A key requirement of this report is to explain both the risks and the management of the risks associated with the treasury service. This strategy covers:

- The Council's debt and investment projections;
- The expected movement in interest rates;
- The Council's borrowing strategy;
- The Council's investment strategy;
- Treasury Management prudential indicators and limits on activity;
- Local Treasury issues
- A minimum revenue provision (MRP) policy. This represents the principal element of outstanding loans which must be charged to revenue each year.
- Flexible use of capital receipts strategy – As part of the Local government settlement 2016/17 the use of capital receipts on revenue items was relaxed for savings generating projects. This comprises which if any the revenue projects will use to capital receipts as funding.

The report also gives an overview of the UK and world economic outlook

Background

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasion, debt previously drawn may be restructured to meet Council risk or cost objectives.

Analysis of Issues

External Debt

For 2017/18 external debt is estimated to increase by £53mk to £159.6m.

	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
General Fund	76,350*	132,448	164,436
Housing Revenue Account (HRA)	83,250	80,152	78,164
Total	159,600	212,600	242,600

Note* This includes private finance initiative debt

Although borrowing (internal & external) for the general fund is to increase by the following:

General fund borrowing	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000	Total
External borrowing				
Borrowing - In line with MRP	4,850	3,400	3,700	11,950
Borrowing - Forward Funded	13,901	7,145	25,358	46,404
Borrowing - Invest to Save	10,564	8,914	7,507	26,985
Borrowing – Wokingham Housing Limited (WHL)	17,640	6,000	7,590	31,230
Borrowing – Wokingham Town Regeneration (WTCR)	35,572	15,152	23,493	74,217
Total	82,527	40,611	67,648	190,786

This will be fully funded by the following resources :

	Total
Minimum Revenue Provision (MRP) Annual prescribed minimum repayment	(11,950)

Invest to save targets top sliced to fund borrowing	(26,985)
Developer contributions (CIL & S106)	(46,404)
WHL (Interest charge to Company)	(31,230)
WTCR (Income from Schemes)	(74,217)
Total	(190,786)

Capital Expenditure

For 2017/18 capital expenditure is estimated to increase by £54m from the 2016/17 estimated outturn to £152.8m

	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Chief Executive	35,572	18,952	27,493
Children's Services	23,930	11,175	13,076
Environment	39,742	30,219	44,130
Finance & Resources	17,512	9,204	19,256
Health & Wellbeing	27,019	16,843	16,916
Sub Total	143,775	86,393	120,871
Housing Revenue Account (HRA)	9,074	5,900	8,100
Total	152,849	92,293	128,971

Investment forecast year end outturn

For 2017/18 the estimated returns on investments (external and internal companies) to increase from 2016/17 estimated outturn by £0.2m to £1.9m

	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Investments	425	425	425
Internal companies	1,449	1,449	1,449
Total	1,874	1,874	1,874

Appendices

- Prudential and Treasury indicators Appendix B
- Interest rate forecasts 2017 – 2020 Appendix C
- Treasury Management Practice (TMP1)
Credit and Counterparty Risk Management Appendix D
- Approved Counter parties Appendix E
- Treasury management scheme of delegation Appendix F
- The treasury management role of the section 151 officer Appendix F
- Glossary of Terms Appendix G

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£152m Capital Expenditure £1.9m Return on Investments	Yes	Capital Revenue
Next Financial Year (Year 2)	£92.3m Capital Expenditure £1.9m Return on investments. Year 2 figures are Provisional and will be updated in future years.	Yes	Capital Revenue
Following Financial Year (Year 3)	£129m Capital Expenditure £1.9m Return on investments. Year 3 figures are Provisional and will be updated in future years.	Yes	

Other financial information relevant to the Recommendation/Decision

None

Cross-Council Implications

Budgets and strategies are clearly monitored and do not impact on other Council services and priorities

List of Background Papers

Appendix A – G

Contact Martin Jones	Service Finance & Resources
Telephone No 0118 9746877	Email martin.jones@wokingham.gov.uk
Date 25 th January 2017	Version No. 2

WOKINGHAM BOROUGH COUNCIL



WOKINGHAM BOROUGH COUNCIL

Treasury Management

Treasury Management Strategy Report 2017-18

Contents

1. Introduction.....	3
2. The Economy and Interest Rates forecast	3
3. The Council’s Capital Expenditure and Financing 2017/18	6
6. External borrowing and compliance with treasury limits	9
7. Compliance with treasury limits and prudential indicators for investments	9
10. Conclusion	16

Appendices

Prudential and Treasury indicators	Appendix B
Interest rate forecasts 2017 – 2020	Appendix C
Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management	Appendix D
Approved Counter parties	Appendix E
Treasury management scheme of delegation	Appendix F
The treasury management role of the section 151 officer	Appendix F
Glossary of Terms	Appendix G

1. Introduction

This report presents the Council treasury strategy for 2017-18 in accordance with the Council's treasury management practices.

The Council is required to receive and approve three main reports each year, which incorporate a variety of policies, estimates and actuals. These are the Treasury Management Strategy (this report), the Treasury Management mid-year report and finally the Annual outturn Treasury report:

Treasury management strategy:

The first and most important report covers:

- The Treasury management strategy ***-How the investments and borrowings are to be organised*** including Treasury indicators
- An investment strategy ***-The criteria on how investments are to be managed and the limitations***
- The capital plans (including Prudential Indicators)
- A minimum revenue provision (MRP) policy ***-How outstanding borrowing in respect of capital expenditure is repaid by charges to revenue over time***

Treasury management mid-year report

This Report updates members with the progress of the capital position, amending prudential indicators as necessary, and confirming whether the Treasury strategy is being complied with or whether any policies require revision.

Annual Treasury report

This report, which is produced following the year-end provides details of a selection of actual Prudential and Treasury indicators and actual Treasury operations compared with the estimates within the strategy.

2. The Economy and Interest Rates forecast

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut in the near future, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of

what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
 - Italian constitutional referendum 4.12.16 resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
 - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
 - Dutch general election 15.3.17;
 - French presidential election April/May 2017;
 - French National Assembly election June 2017;
 - German Federal election August – October 2017.

- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

3. The Council's Capital Expenditure and Financing 2017/18

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed in year, immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need or;
- funded by borrowing (internal or external).

Capital Expenditure and funding

Table 1: Capital financing requirement: General Fund	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Opening balance (estimated)	118,580	119,013	197,975	235,021
Capital expenditure funded by Borrowing	3,672	82,527	40,611	67,648
Sub Total	122,252	201,540	238,586	302,669
Less Minimum Revenue Provision				
MRP Charge	(3,024)	(3,350)	(3,350)	(3,350)
PFI Principal Charge	(215)	(215)	(215)	(215)
Sub Total	(3,239)	(3,565)	(3,565)	(3,565)
Closing Balance	119,013	197,975	235,021	299,104
Movement	433	78,962	37,046	64,083

Table 2: Capital financing requirement: HRA	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Opening balance (estimated)	93,876	90,400	88,650	85,552
Capital expenditure funded by Borrowing	0	0	0	0
Sub Total	93,876	90,400	88,650	85,552
Less Minimum Revenue Provision				
MRP Charge/ Principle repayment	(3,476)	(1,750)	(3,098)	(1,988)
PFI Principal Charge	-	-	-	-
Sub Total	(3,476)	(1,750)	(3,098)	(1,988)
Closing Balance	90,400	88,650	85,552	83,564
Movement	(3,476)	(1,750)	(3,098)	(1,988)

The table above shows the Housing Revenue account (HRA) with no capital expenditure funded by borrowing. The capital expenditure of £9,074k is funded by the major repairs reserve and HRA revenue contribution.

Table 3: Capital financing requirement: General fund & HRA	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Opening balance (estimated)	212,456	209,413	286,625	320,573
Capital expenditure funded by Borrowing	3,672	82,527	40,611	67,648
Sub Total	216,128	291,940	327,236	388,221
Less Minimum Revenue Provision				
MRP Charge/ Principle repayment	(6,500)	(5,100)	(6,448)	(5,338)
PFI Principal Charge	(215)	(215)	(215)	(215)
Sub Total	(6,715)	(5,315)	(6,663)	(5,553)
Closing Balance	209,413	286,625	320,573	382,668
Movement	(3,043)	77,212	33,948	62,095

The in-year increase in the borrowing requirement is due to a large increase in the capital programme for schemes such as the town centre regeneration and loans to group companies and will reduce again when capital receipts are recovered or loans repaid. It has also increased as a result of the forward funded schemes. These will decrease again as developer contributions are received.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. The Council does not borrow all of this money externally but uses some of its internal cash reserves to fund this expenditure. This is referred to as "internal borrowing". This means that the Council's capital financing requirement is higher than its external borrowing figures. External borrowing may be sourced from bodies such as the Public Works Loan Board [PWL] or the money markets.

4. Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement (CFR) through a revenue charge (the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP). Department for Communities and Local Government (DCLG) regulations have been issued which require the full Council to approve a MRP Statement in advance of each financial year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008, the MRP policy will be:

- MRP will be based on the CFR (option 2);
- These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all borrowing (including PFI and finance leases) the MRP policy will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need over approximately the asset's life. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual PFI or finance leases are applied as MRP

5. External borrowing and compliance with treasury limits and Prudential Indicators for debt

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators found in table 4. Further detail on each of these indicators is included in Appendix B.

	2016/17 Estimated Outturn	2017/18 Budget	2018/19 Budget	2019/20 Budget
Table 4: Prudential Indicator – Debt				
Authorised limit £,000	243,238	264,800	293,500	349,800
Gross external borrowing £,000	158,712	211,800	234,800	279,800
HRA debt limit £,000	90,400	102,000	102,000	102,000
HRA debt per dwelling £	35	35	34	33
Incremental impact of capital investment decisions on council tax £*	39.80	(3.44)	(3.95)	(4.80)
% of internal borrowing to CFR	24.21%	26.11%	26.76%	26.88%
Maturity structure of borrowing	See Appendix B			
Operational boundary for external debt £'000	205,200	222,400	246,600	293,800
Ratio of financing costs to net revenue stream*	2.90%	3.38%	3.43%	3.53%
Upper limits on interest rate exposure£,000	100	172	214	294

*Note: The large decrease from 16/17 to 17/18 is due to investments and savings created from the capital programme which are now being achieved in these years.

**Note: The increase from 2.9% in 2016/17 to 3.38% in 2017/18 is a full year effect of an £18,000k loan estimated to be taken out in March 2017.

6. External borrowing and compliance with treasury limits

Table 5, below, demonstrates the current and forecast for 2017/18 external borrowing.

	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Market	24,000	24,000	24,000	24,000
PWLB	125,482	178,570	201,570	246,570
Local Enterprise Partnership	630	630	0	0
Total borrowing	150,112	203,200	225,570	270,570

Included in the total borrowing is an estimated £18m loan to be taken out prior to 31 March 2018. This will be at a special rate of 40 bases points lower than the PWLB rate. (Local Enterprise Partnership Agreement).

In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (plus the estimates of any additional capital financing requirement for the current and next two financial years). This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs.

7. Compliance with treasury limits and prudential indicators for investments

The treasury management team ensure the cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return. The return on investments contributes to the Council's budget for both the general fund and housing revenue account.

Table 6, below, shows the counterparties where estimated cash deposits are for 2017/18 to 2019/20.

	2016/17 Estimated Outturn £'000	2017/18 Estimated Outturn £'000	2018/19 Estimated Outturn £'000	2019/20 Estimated Outturn £'000
Local Authorities	37,000	22,341	31,192	18,796
Fund Mangers	18,000	10,880	15,200	9,160
Internal Companies investments	15,150	13,150	14,300	16,550
Total	70,150	46,371	60,692	44,506

8.1 Investment policy

The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, and then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

Continuing regulatory changes in the banking sector are designed to see greater stability, lower risk and the removal of expectations of Government financial support should an institution fail. This withdrawal of implied sovereign support is anticipated to have an effect on ratings applied to institutions. This will result in the key ratings used to monitor counterparties being the Short Term and Long Term ratings only.

As with previous practice, ratings will not be the sole determinant of the quality of an institution and it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentrated risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in appendix D under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices.

8.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections ; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Finance and Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, and then the institution will fall outside the lending criteria. Credit rating information is supplied by Capita Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions. The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Council will only use banks which:
 - i. are UK banks; and/or
 - ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA (in house team only)
 - iii and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
 - I. Short term – AA (Fitch), Aa2 (Moody's), AA (Standard and Poor's)
 - ii. Long term – AA (Fitch), Aa2 (Moody's) , AA (Standard and Poor's)

- Banks 2 – Part nationalised UK banks – . This bank can be included if it continues to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The Council's own banker (Nat West) for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Building societies. The Council will only use Societies which are eligible to use the Bank of England's Credit Guarantee Scheme, subject to a minimum asset size of £5bn and meeting a minimum credit rating of A- (where rated).
- UK Government: including Money market funds – the Council and its Fund Managers will use AAA rated funds. The Director of Finance and Resources will keep under review the Money Market Funds used and will amend as necessary.
- Gilts and the Debt Management Account Deposit Facility (DMADF)
- Local authorities, parish councils etc.
- Supranational institutions – multilateral investment organisations such as the World Bank or European Investment Bank (sometimes used by the Fund Managers)
- In the event of an emergency, to allow an unlimited amount to be invested in the RBS Money Market Fund. This would be done in the event of an extreme IT failure of the Council's computer systems. This fund is an AAA rated investment and would be a less risky option than leaving the funds in the NatWest accounts.
- Group Limits – For each banking group the following limits will apply, dependent on the rating of the Parent Bank
 - i. AAA : £7m with a maximum average duration of 1 year
 - ii. AA- :£5m with a maximum average duration of 6 months

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

8.3 Time and monetary limits applying to investments

The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

	Fitch Long term Rating	Moody's	Standard & Poors	Money Limit	Time Limit
Banks 1 higher quality	<i>F1+/AAA</i>	<i>P-1Aaa</i>	<i>A-1+/AAA</i>	£5m	364 days
Banks 1 medium quality	<i>F1+/AA-</i>	<i>P-1Aa3</i>	<i>A-1+/AAA</i>	£3m	364 days
Building Societies				£2m	6 Months
Debt Management Office Account (DMADF)	-	-	-	£20m	3 Months
Guaranteed Organisations	-	-	-	£2m	3 Months
Other Institution Limits (other local authorities, Money Market Funds, Gilts and Supranational investments)	-	-	-	£5m	364 days
Other named Banks (those subject to HM Treasury Credit Guarantee Scheme) Other named Banks (those subject to HM Treasury Credit Guarantee Scheme)	-	-	-	£3m	6 Months

8.4 Country limits

The Council has determined that it will only use approve counterparties from countries with a minimum sovereign credit rating of AAA. The exception will be the UK, which currently has an AA+ sovereign rating.

A Non UK counterparty will need to meet all above mentioned criteria in 4.2 & 4.3 and have a sovereign rating AAA as a minimum. Countries with a sovereign rating of AAA (based on lowest available rating @ Jan 2017) are shown in the table below:

	S&P	Moody's	Fitch
Australia	AAA	Aaa	AAA
Cada	AAA	Aaa	AAA
Denmark	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
Luxembourg	AAA	Aaa	AAA
Netherlands	AAA	Aaa	AAA
Norway	AAA	Aaa	AAA
Singapore	AAA	Aaa	AAA
Sweden	AAA	Aaa	AAA
Switzerland	AAA	Aaa	AAA

8.5 Investment strategy

Investment returns expectations. The Bank Rate is forecast to remain unchanged at 0.25% before starting to rise from quarter 4 of 2016. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate occurs later) if economic growth weakens. However, should the pace of growth quicken, there could be an upside risk.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%
- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.50%
- 2023/24 1.75%
- Later years 2.75%

Investment treasury indicator and limit

This is the amount invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Principal sums invested > 364 Days	2016/17 Estimated £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
In house	0	0	0	0
Fund managers	10,000	10,000	10,000	10,000

Review of investment strategy

As part of continued improvement the treasury function will review the latest information and tools that are available to ensure the strength of the council's investment strategy. The council has adapted a risk adverse approach to investment following the collapse of Icelandic banks. This has resulted in a low level of investment returns. In general the safer the investment the lower the interest rate paid.

A review of the economic situation and the council approach to risk and returns is being undertaken to enable executive to consider it counterparty parameters.

8.6 Investment risk benchmarking

These benchmarks are simple guides to maximum risk, so they may be breached on occasion, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.01% historic risk of default when compared to the whole portfolio.

Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £5m available with a week's notice.
- Weighted average life benchmark is expected to be 0.25 years, with a maximum of 0.5 years.

Yield - local measures of yield benchmarks is:

- Investments – internal returns above the 7 day LIBID rate

8.7 External fund managers

It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories and are contractually committed to keep to the Council's investment strategy. The performance of each manager is reviewed at least quarterly by the Director of Finance and Resources.

9. Flexible use of Capital Receipts

Since December 2015, the Government has provided local authorities with the flexibility of utilising Capital Receipts for qualifying expenditure. This is to enable authorities to fund transformation and cost reduction programmes from capital receipts rather than revenue expenditure.

The guidance recommends that a strategy should be prepared that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full council.

10. Conclusion

The Director of Finance and Resources confirms that the treasury team will abide by the strategy set out within this document and will report to the Audit Committee December 2017 as part of the mid-year report, any breaches to limits and prudential indicators.

Prudential and treasury indicators forecast 2017-2020

General Fund

Table 1: Capital Expenditure and funding

	Year 1 2017/18 £'000	Year 2 2018/19 £'000	Year 3 2019/20 £'000
WBC Capital budget	152,849	92,293	128,971
Funded by			
Section 106/ Community infrastructure levy	44,448	32,146	37,468
Grants & Contributions	19,784	13,786	15,705
Reserves & Capital Receipts	6,090	5,750	8,150
Borrowing	82,527	40,611	67,648
Total	152,849	92,293	128,971

Table 2: Capital financing requirement: General Fund	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Opening balance (estimated)	118,580	119,013	197,975	235,021
Capital expenditure funded by Borrowing	3,672	82,527	40,611	67,648
Sub Total	122,252	201,540	238,586	302,669
Less Minimum Revenue Provision				
MRP Charge	(3,024)	(3,350)	(3,350)	(3,350)
PFI Principal Charge	(215)	(215)	(215)	(215)
Sub Total	(3,239)	(3,565)	(3,565)	(3,565)
Closing Balance	119,013	197,975	235,021	299,104
Movement	433	78,962	37,046	64,083

Table 3: % Ratio of financing costs to net revenue stream	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Financing Costs (including MRP & interest costs)	4,365	4,387	4,431
Divide By			
Net Revenue Stream	129,176	127,833	125,490
Ratio of Financing Costs to Net Revenue Stream	3.38%	3.43%	3.53%

The percentage of the revenue budget set aside each year to service debt financing costs is shown above.

Table 4: Incremental impact of capital investment decisions on council tax	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Council tax - band D	N/A	(3.44)	(3.95)	(4.80)

HRA

Table 5: Capital financing requirement: HRA	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Opening balance (estimated)	93,876	90,400	88,650	85,552
Capital expenditure funded by Borrowing	0	0	0	0
Sub Total	93,876	90,400	88,650	85,552
Less Minimum Revenue Provision				
MRP Charge/ Principle repayment	(3,476)	(1,750)	(3,098)	(1,988)
PFI Principal Charge	-	-	-	-
Sub Total	(3,476)	(1,750)	(3,098)	(1,988)
Closing Balance	90,400	88,650	85,552	83,564
Movement	(3,476)	(1,750)	(3,098)	(1,988)

Table 6: % Ratio of financing costs to net revenue stream	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Financing Costs (including MRP & interest costs)	2,851	2,840	2,840
Divide By			
Net Revenue Stream	15,658	14,908	15,399
Ratio of Financing Costs to Net Revenue Stream	18.21%	19.05%	18.44%

The percentage of the revenue budget set aside each year to service debt financing costs.

Table 7: HRA debt per dwelling	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
HRA Debt	90,400	88,650	85,552	83,564
Number of dwellings	2,565	2,553	2,541	2,529
Debt per dwellings	35	35	34	33

General Fund & HRA

Table 8: Capital financing requirement: General fund & HRA	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Opening balance (estimated)	212,456	209,413	286,625	320,573
Capital expenditure funded by Borrowing	3,672	82,527	40,611	67,648
Sub Total	216,128	291,940	327,236	388,221
Less Minimum Revenue Provision				
MRP Charge/ Principle repayment	(6,500)	(5,100)	(6,448)	(5,338)
PFI Principal Charge	(215)	(215)	(215)	(215)
Sub Total	(6,715)	(5,315)	(6,663)	(5,553)
Closing Balance	209,413	286,625	320,573	382,668
Movement	(3,043)	77,212	33,948	62,095

Table 9: Internal Borrowing	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
CFR (Year end position)	209,413	286,625	320,573	382,668
Less External borrowing	150,112	203,200	226,200	271,200
Less other long term liabilities	8,600	8,600	8,600	8,600
Internal borrowing	50,701	74,825	85,773	102,868
Movement	(19,901)	24,124	10,948	17,095
% of internal borrowing to CFR	24.21%	26.11%	25.83%	26.88%

Note:* This will be reviewed on a regular basis to make sure we are getting best value for money. The Council is currently using its own cash flow (as rates of return are low), if rates start to increase a new external loan may need to be taken out.

Table: 10 Limits on interest rate exposure	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Fixed Rates				
Principal sums outstanding in respect of borrowing at fixed rates	125,842	251,500	293,800	373,900
Principal sums outstanding in respect of investments that are fixed rate investments	(58,150)	(80,000)	(80,000)	(80,000)
Upper Limit	67,692	171,500	213,800	293,900
Variable Rate				
Principal sums outstanding in respect of borrowing at variable rates	24,000	40,000	40,000	40,000
Principal sums outstanding in respect of investments that are variable rate investments	(12,000)	(40,000)	(40,000)	(40,000)
Upper Limit	12,000	0	0	0

Table 11 : Investment Type	2016/17 Estimated Year end Balances £'000	2017/18 Estimated Year end Balances £'000	2018/19 Estimated Year end Balances £'000	2019/20 Estimated Year end Balances £'000
Local Authorities	37,000	22,341	31,192	18,796
Fund Mangers	18,000	10,880	15,200	9,160
Internal Companies investments	15,150	13,150	14,300	16,550
Total	70,150	46,371	60,692	44,506

Table: 12 Interest Received from investments	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
HRA Internal loan from The General fund	(399)	(399)	(399)	(399)
Wokingham Housing	(933)	(1,050)	(1,050)	(1,050)
External investments	(295)	(425)	(425)	(425)
	(1,627)	(1,874)	(1,874)	(1,874)

Capita Services Interest rate review

Capita Asset Services Interest Rate View													
	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
Capital Economics	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
Capital Economics	2.95%	3.05%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%
50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Capital Economics	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%

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Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS:

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is very low. These would include sterling investments with:

- The UK Government (such as the Debt Management Office, UK Treasury Bills or a gilt with less than one year to maturity).
- Supranational bonds with less than one year to maturity.
- A local authority, parish council or community council.
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This covers a money market fund rated AAA by Standard and Poor's, Moody's or Fitch rating agencies
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society) this covers bodies with a minimum short term rating of F1+ (or equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

NON-SPECIFIED INVESTMENTS:

Non-specified investments are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

a.	Supranational Bonds greater than 1 year to maturity (a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.). (b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
b.	Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
c.	Building societies which are eligible to use the Bank of England's Credit

	Guarantee Scheme, subject to a minimum asset size of £5billion and meeting a minimum credit rating of A- (where rated). These investments will be restricted to a maximum period of 6 months and £2m per institution.
d.	NatWest Bank for the provision of Banking Services. The Council is limited to daylight exposure only (i.e. the flow of funds in and out during the day), with a maximum limit of 1 working day.
e.	A body which has been provided with a government issued guarantee for wholesale deposits within specific timeframes. Where these guarantees are in place and the government has a AAA sovereign long term rating these institutions will be included within the Council's criteria, temporarily until such time as the ratings improve or the guarantees are withdrawn. Monies will only be deposited within the timeframe of the guarantee. In addition to this, a maximum limit of £2m with a maximum duration of 3 months is also set.
f.	Eligible Institutions for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary ratings required. These institutions have been subject to suitability checks before inclusion and have access to HM Treasury liquidity if needed.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	* Minimum credit criteria / colour band	Money Limit	Max. maturity period
DMADF – UK Government	N/A	£20M	3 months
UK Government gilts	UK sovereign rating	£5m	1 year
UK Government Treasury bills	UK sovereign rating	£5m	1 year
Money market funds	AAA	£5m	Liquid
Local authorities	N/A	£5m	1 year

Term deposits with banks and building societies	AA	£5m	Liquid
CDs or corporate bonds with banks and building societies	AA	£5m	Liquid
Corporate bond funds	AA	£5m	3 Years

Accounting treatment of investments.

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken

The monitoring of investment counterparties

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Capita as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded after an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Corporate Services, and if required new counterparties which meet the criteria will be added to the list.

Use of external fund managers

It is the Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories and are contractually committed to keep to the Council's investment strategy, which will be defined in an updated Treasury Management Strategy post fund manager's appointment. The performance of each manager is reviewed at least quarterly by the Director of Finance & Resources.

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Wokingham Borough Council's approved counter parties

Banks and Building Societys

Counterparties	Counter party type	Country	Individual Limit £'000
Australia and New Zealand Banking Group	Bank	Australia	3,000,000
Bank Nederlandse Gemeenten N.V.	Bank	Netherlands	3,000,000
Bank of Scotland	Bank	United Kingdom	3,000,000
Barclays Bank	Bank	United Kingdom	3,000,000
Commonwealth bank of Australia	Bank	Australia	3,000,000
DBS Bank Ltd	Bank	Singapore	3,000,000
DZ BANK AG Deutsche Zentral-Genossenschaftsbank S	Bank	Germany	3,000,000
European Investment bank	Bank	Luxxemborg	5,000,000
HSBC Bank PLC	Bank	United Kingdom	3,000,000
Landesbank Berlin AG	Bank	Germany	5,000,000
Landwirtschaftliche Rentenbank	Bank	Germany	3,000,000
Lloyds banking group	Bank	United Kingdom	3,000,000
National Australia Bank Limited	Bank	Australia	3,000,000
Nederlandse Waterschapsbank N.V.	Bank	Netherlands	5,000,000
Nordea Bank AB	Bank	Sweden	3,000,000
NRW Bank	Bank	Germany	3,000,000
Oversea-Chinese Banking Group	Bank	Singapore	3,000,000
Royal Bank of Canada	Bank	Canada	5,000,000
Svenska Handelsbanken	Bank	Sweden	3,000,000
Toronto-Dominon Bank	Bank	Canada	5,000,000
United Overseas Bank limited	Bank	Singapore	3,000,000
Westpac Banking Corporation	Bank	Australia	3,000,000
Coventry BS	Building Society	United Kingdom	2,000,000
Leeds BS	Building Society	United Kingdom	2,000,000
Nationwide BS	Building Society	United Kingdom	2,000,000
Yorkshire BS	Building Society	United Kingdom	2,000,000

Monkey Market

Counterparties	Counter party type	Country	Individual Limit £'000
Deutsche Global (Henderson)	Money Market Fund	Ireland	5,000,000
Goldman Sachs	Money Market Fund	United Kingdom	5,000,000
Goldman Sachs Govt	Money Market Fund	United Kingdom	5,000,000
Invesco	Money Market Fund	United Kingdom	5,000,000

Government Bodies & Local Authorities

Counterparties	Counter party type	Country	Individual Limit £'000
Debt Management Office (DMO)	Government	United Kingdom	20,000,000
Barnsley BC	Local Authority	United Kingdom	5,000,000
Birmingham CC	Local Authority	United Kingdom	5,000,000
Blackpool BC	Local Authority	United Kingdom	5,000,000
Blaenau Gwent County Borough Council	Local Authority	United Kingdom	5,000,000
Conwy County Borough Council	Local Authority	United Kingdom	5,000,000
Corby Borough Council	Local Authority	United Kingdom	5,000,000
Dudley MBC	Local Authority	United Kingdom	5,000,000
Dundee	Local Authority	United Kingdom	5,000,000
Eastleigh BC	Local Authority	United Kingdom	5,000,000
Edinburgh City Council	Local Authority	United Kingdom	5,000,000
Fife Council	Local Authority	United Kingdom	5,000,000
Glasgow City Council	Local Authority	United Kingdom	5,000,000
Greater Manchester Combined Authority	Local Authority	United Kingdom	5,000,000
Gwynedd Council	Local Authority	United Kingdom	5,000,000
Lancashire CC	Local Authority	United Kingdom	5,000,000
Leeds CC	Local Authority	United Kingdom	5,000,000
Lincolnshire County Council	Local Authority	United Kingdom	5,000,000
London Borough of Enfield	Local Authority	United Kingdom	5,000,000
Manchester City Council	Local Authority	United Kingdom	5,000,000
Middlesbrough BC	Local Authority	United Kingdom	5,000,000
Monmouthshire Council	Local Authority	United Kingdom	5,000,000
Newcastle CC	Local Authority	United Kingdom	5,000,000
North Ayrshire Council	Local Authority	United Kingdom	5,000,000
Rhondda Taff Council	Local Authority	United Kingdom	5,000,000
Royal Borough of Kensington	Local Authority	United Kingdom	5,000,000
Salford CC	Local Authority	United Kingdom	5,000,000
South Lanarkshire Council	Local Authority	United Kingdom	5,000,000
Stirling Council	Local Authority	United Kingdom	5,000,000
Suffolk County Council	Local Authority	United Kingdom	5,000,000
Wakefield Council	Local Authority	United Kingdom	5,000,000
West Dunbartonshire Council	Local Authority	United Kingdom	5,000,000
West Lothian Council	Local Authority	United Kingdom	5,000,000
Woking Borough Council	Local Authority	United Kingdom	5,000,000
Wolverhampton Council	Local Authority	United Kingdom	5,000,000

Note: The above list is off local authorities we have used in the past all the United Kingdom local authorities are available to use.

TREASURY MANAGEMENT SCHEME OF DELEGATION

- Audit and Executive recommend approval of treasury management strategy and policies to Council.
- Executive consider Budget and recommends its approval to Council
- Audit monitors treasury management decisions to ensure compliance with approved Treasury Management Strategy

THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers

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Glossary of terms

Authorised Limit – Represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desirable, could be afforded in the short term, but is not sustainable in the longer term.

Boundary Limit – Is an estimate of the authorised limit but reflects an estimate of the most likely, prudent, but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements.

Capitalisation direction – This permits local authorities to fund expenditure by borrowing or capital receipts, which would under normal accounting rules, need to be funded from revenue resources.

CFR - Capital Financing Requirement- reflects the Council's underlying need to borrow for a capital purpose. It shows the total estimated capital expenditure that has not been resourced from capital or revenue sources. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision mechanism.

CIPFA Prudential Code - is a professional code of practice to support local authorities in taking capital investment decisions. Local authorities determine their own programmes for capital investment in fixed assets that are central to the delivery of quality local public services in accordance with the Prudential Code.

Consumer price index (CPI) - measures changes in the price level of a market basket of consumer goods and services purchased by households.

Cost of carry - Costs incurred as a result of an investment position. These costs can include financial costs, such as the interest costs on borrowing in advance of the expenditure.

Department for Communities and Local Government (DCLG) - Is a ministerial department, supported by 12 agencies and public bodies. They are working to move decision-making power from central government to local councils. This helps put communities in charge of planning, increases accountability and helps citizens to see how their money is being spent.

ECB - European Central Bank.

FED - The Federal Reserve System (also known as the Federal Reserve, and informally as the Fed) is the central banking system of the United States.

Fair value - Is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at

an appropriate price, with no other motive in their negotiations other than to secure a fair price

Financing Cost to Net Revenue Stream-The percentage of the revenue budget set aside each year to service debt financing costs.

FLS - Funding for Lending Scheme (FLS) was launched by the Bank and HM Treasury on 13 July 2012. The FLS is designed to incentivise banks and building societies to boost their lending to the UK real economy.

Gilt - is a UK Government liability in sterling, issued by HM Treasury and listed on the London Stock exchange.

Gross domestic product (GDP) - is the market value of all officially recognized final goods and services produced within a country in a given period of time (usually the fiscal year).

Local enterprise partnerships - Are partnerships between local authorities and businesses. They decide what the priorities should be for investment in roads, buildings and facilities in the area.

London Interbank Bid Rate - the rate at which banks will bid to take deposits in Eurocurrency from each other. The deposits are for terms from overnight up to five years.

MPC - Monetary Policy Committee Interest rates are set by the Bank's Monetary Policy Committee. The MPC sets an interest rate it judges will enable the inflation target to be achieved.

MRP - Minimum Revenue Provision- Is a provision the council has set a method of revenue to repay loans arising from capital expenditure financed by Borrowing.

Private Finance Initiative (PFI) - This is funding public infrastructure projects with private capital.

PWLB - Public Works Loan Board

- is a statutory body operating within the Debt Management Office, an Executive Agency of HM Treasury.

PWLB certainty rate - A reduced interest rate from PWLB to principal local authorities, which provided required information to government on their plans for long-term borrowing and associated capital spending.

Quantitative easing (QE) -A government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. Quantitative easing increases the money supply by flooding financial institutions with capital, in an effort to promote increased lending and liquidity.

Voluntary Revenue Provision (VRP) – This a discretionary provision to reduce the unfinanced capital expenditure (Borrowing) by additional loan repayments.

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Agenda Item 56.

TITLE	Corporate Risk Register refresh – January 2017
FOR CONSIDERATION BY	Audit Committee on 8 February 2017
WARD	None Specific
DIRECTOR	Andy Couldrick, Chief Executive

OUTCOME / BENEFITS TO THE COMMUNITY

Enterprise Risk Management (ERM) provides for robust and transparent decision making. Effective ERM is therefore an integral part of the council's control environment and helps demonstrate the effective use of resources and sound governance. The council's Corporate Risk Register (CRR) demonstrates that the council is pro-actively identifying and managing its significant business risks.

RECOMMENDATION

Given the changing operating environment for the Council Audit Committee should consider whether the risk appetite for each risk remains reflective of current conditions.

SUMMARY OF REPORT

As part of the Corporate Risk Register (CRR) refresh services have reviewed and updated the risk register. As a result an update has been obtained over the control of each risk since the last refresh. This report summarises those changes and the refreshed CRR is presented to Audit Committee for your consideration and comment. The updated CRR is attached to this report (Appendix A).

Background

The roles and responsibilities of Members and Officers with respect to Risk Management are detailed in the Council's Enterprise Risk Management Policy (ERMP) which was approved by the Audit Committee. The ERMP states that Corporate Leadership Team (CLT) is responsible for identifying and managing the Council's risks and opportunities, and for setting an example to staff. CLT is also responsible for identifying, analysing and profiling high-level strategic and cross-cutting risks on a regular basis.

The Audit Committee is required to seek confirmation that the Council's strategic risks are being proactively managed. Strategic risks are essentially those risks that might occur and could prevent the Council from achieving its objectives as detailed in its Vision, Priorities and Corporate Plan.

Analysis of Issues

There have been no major changes to the risk register as part of this update.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	N/A	N/A
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

Other financial information relevant to the Recommendation/Decision

There are no financial implications to be noted as a result of this refresh. However there are risks within the register that should they materialise, would have a significant financial impact on the authority.

Cross-Council Implications

A risk is an unexpected event or action that can adversely affect the Council's ability to

achieve its objectives and successfully execute its strategies. Risk Management is about managing opportunities and threats to objectives. Therefore good risk management will assist the Council in delivering its services and achieving its priorities.

Reasons for considering the report in Part 2

N/A

List of Background Papers

Previous Corporate Risk Register papers to Audit Committee
Enterprise Risk Management Strategy and Policy

Contact Julie Holland	Service Governance and Improvement Services
Telephone No 0118 974 6630	Email Julie.Holland@wokingham.gov.uk
Date 30 January 2017	Version No. V1

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Corporate Risk Register
 Summary Page
 Updated 30/01/17

APPENDIX A

Key

Current Score:	VH = Very High	H = High	M = Medium	L = Low
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Risk Matrix

		2	4	6	8
LIKELIHOOD	6				
	5				
	4			28	12
	3			27	7,8,14,23
	2			18,20	2,29
	1				
		2	4	6	8
		<u>IMPACT</u>			

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target
2	<p>Risk of inability to match supply and demand for school places</p> <p>Factors behind rising primary rolls include migration into the borough reflecting the active housing market and associated high rates of house building on both SDL and other sites. This is despite a reducing birth rate from 2012 to 2015 (the last reported statistics). Secondary place sufficiency is not considered a risk at least in the short term because of the opening of new schools in Wokingham (Bohunt) and Reading (Maiden Erlegh in Reading).</p> <p>Migration means that families with children move into the borough and require school places. This makes it challenging to predict and meet demand and leads to geographically localised pressure (Earley and Shinfield) and pressure in particular year groups (Years 2 and 4).</p>	<ul style="list-style-type: none"> • Insufficient places • Reputation damage • Quality of education affected • Resources lost to council due to development of free schools /academies • Impact on family stress if children not educated locally/split siblings. • Impact on road congestion • Infrastructure affected • Perceived as less attractive place • Increased demand for transport and associated cost pressures 	<ul style="list-style-type: none"> • Schools subject to conditions survey / annual survey of sufficiency vs projected need • Local Core Strategy approved by Executive • Annual capital programme signed off • 2013 agreed action plan implemented as part of the approved Primary Provision Strategy • Liaison with other LAs for constant learning about funding regimes for academies and free schools • High profile project plans • Secondary school provision strategy implemented • New Arborfield secondary school opened September 2016 • Primary school provision strategy 2015 to 2018 agreed • Primary School implementation plan phase 1 agreed • Two school expansions implemented • New school in Wokingham Town opened Sep 16 • 135 additional Reception places in the pipeline for September 2017. • Additional primary school in Shinfield planned for September 2017 	<p>Active delivery of Primary School implementation plan phase 1 Judith Ramsden Review date April 2018</p> <p>Refresh Secondary School strategy Judith Ramsden Review date December 2016</p>	JR	CHT	8	2	M	L

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
	<p>Thereafter, there are three significant risks:</p> <ul style="list-style-type: none"> • That meeting the revenue start-up costs of new schools will result in cuts in school and central services provision to the detriment of standards. • That rising capital costs will lead to resources being diverted to school projects to the detriment of other WBC capital projects. • That new sites will not be available in a timely fashion to meet local need. • That new sites will not be available in a timely fashion to meet local need. • That revenue costs of new provision lead to diversion of resources from established schools to the detriment of standards. • Risk of inadequate infrastructure and capacity, along with the associated effect on learning and achievement. 										
7	<p>Risk of serious or significant harm to a vulnerable child or young person with whom the council is working</p> <p>WBC has a duty to care for the needs of, and to provide safeguarding services for the</p>	<ul style="list-style-type: none"> • Avoidable harm to a vulnerable child 	<ul style="list-style-type: none"> • Policies and Procedures • Practice Framework implementation • Quality Assurance System. Monthly themed case audits established with Service Managers held responsible 	<p>Ongoing improvements to internal quality assurance activity. Judith Ramsden Review date 31/03/17</p> <p>LGA peer review by April 2017</p>	JR	CHT	8	3	H	L	

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
110	<p>most vulnerable children and young people in the Borough.</p> <p>A failure to follow procedures, equip the workforce with the right skills and training, or to deliver appropriate resources or services in a timely way raises a risk of serious or significant harm to a vulnerable child or young person with whom the council is working.</p>	<ul style="list-style-type: none"> • Damage to reputation • Litigation • Low staff morale - loss of staff, unstable workforce - poor outcome for children, unmanageable budget. • Recruitment and retention problems • Removal of senior managers and impact on continuity of delivery for children and families • Impact of being judged inadequate by Ofsted could lead to statutory/government intervention. 	<p>for outcomes</p> <ul style="list-style-type: none"> • Case Supervision also subject to regular audit and new process in place in line with the Practice framework. • Training and CPD • Recruitment and retention strategy embedded • Strengthened LSCB support • Implementation of agreed recommendations from Children's Services Safeguarding internal audit and quality assurance reports • MASH has been in place since April 2016. 	<p>Assurance of impact and embedding of our Practice Framework Judith Ramsden Review date 31/03/17</p> <p>Funding issues to be addressed with school forum regarding contribution to education focussed safeguarding leadership. Judith Ramsden Review date September 2017</p>							
	8	<p>Risk of avoidable serious harm or death of a vulnerable adult for whom the council has a responsibility.</p> <p>WBC has a statutory duty to meet the care needs of, and safeguard the most vulnerable adults in the Borough. It is vital to ensure continued focus on Safeguarding systems and procedures.</p> <p>The ongoing public sector finance constraints when set</p>	<ul style="list-style-type: none"> • Damage to reputation and public confidence in services • Possible external intervention from statutory agencies such as DH, CQC or Police) • Disruption of service provision • Litigation • Impact on staff morale 	<ul style="list-style-type: none"> • Policies and Procedures (multi-agency) in place • Referral system and assessment processes • Management and supervision of staff • Staff Training and awareness • Duty response • Good recruitment and retention of social care professionals • Interagency working • Berkshire West Safeguarding Board operating effectively • Dedicated Safeguarding Manager 	<p>Policy and Procedures review March 2017</p> <p>Audit and review of most vulnerable carers (following Community Safety Partnership domestic homicide review) - current Judith Ramsden to review the report by February 2017</p> <p>Safeguarding Peer Review Action Plan being implemented – to April 2017 Judith Ramsden – Review February 2017</p>	JR	JMS	8	3	H	L

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target
111	<p>against continued demographic pressures requires careful judgement to ensure essential services remain sustainable - continued pressure to hold fees may result in workforce recruitment problems and/or provider failure.</p> <p>There is a risk of failure to safeguard vulnerable adults, either through systemic failure, or an individual failure, leading to the serious harm or death of a vulnerable adult.</p>	<ul style="list-style-type: none"> Recruitment and retention problems Removal and replacement of senior managers 	<p>Safeguarding Team and & Safeguarding Prevention posts</p> <ul style="list-style-type: none"> Ongoing widely accessible Safeguarding Training programme and events Widely publicised Safeguarding Protocol and procedures Clear lines of accountability for safeguarding adults Regular safeguarding reports to HWLT Audit (Internal and External Inspections) Support with confidence programme for accrediting small providers Optalis contract as emergency provider in case of external provider failure Care Governance Quality Assurance system for providers Market Failure Protocol in place Ongoing review of financial pressures on providers including decisions on fee increases and impact of National Living Wage. Ongoing dialogue with providers about service provision Continued monitoring of Safeguarding and wider service provision by Senior management Continued monitoring of the Service's capacity to meet 							

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
			statutory duties within budgetary constraints								
12	Risk that essential transport infrastructure suffers from lack of investment and/or inadequate management of major highways projects leading to an unsafe and/or congested highway network		<ul style="list-style-type: none"> Highways Alliance Partnership working Wokingham Highways Alliance Risk Register in place H&S system in place and maintained for all Alliance staff and appropriate controls for consultants and contractors Formal inspection and reporting regime of all critical infrastructure Use of professional consultants Infrastructure upkeep investment funds set out in MTFP Updating and improving the transport asset management in line with effective highways asset management Plan to inform necessary investment Financial checks on main contractors and consultants Compliant procurement and contract management Maximising opportunities for capital and grant funding Communication of highway projects and initiatives 	<p>Enhanced Highways Alliance partnership to ensure service delivery, efficiency and innovation Alex Deans Review date 31/03/17</p> <p>Highways & Transport Service Review and new major contracts operating from April 2019 Alex Deans Review date 31/03/17</p> <p>Highways Asset Management aligned with adopted strategy & policy including formalised program of highways inspections reviewed and modernised with "risk based" approach as required by DfT by November 2018 Alex Deans Review date 31/03/17</p> <p>Forward Plan of all highway planned works to 2018/19 Alex Deans Review date 31/03/17</p> <p>Forward Plan of major highway projects to support SDL's and strategic sustainable housing delivery to 2021 Alex Deans Review date 31/03/17</p> <p>Effective communication with key stakeholders, business, residents and Members Alex Deans Review date 31/03/17</p>	JW	MR	8	4	H	M	
14	Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning		<ul style="list-style-type: none"> Reduce capital programme in line with delay in receipts 	The Council has initiated a Capital Review Group (CRG) with senior representatives from all services areas.	GE	AP	8	2	M	H	

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
	<p>The Council has significant investment aspirations including Strategic Development Locations (SDL's), Town Centre Regeneration, school rebuilds and housing provision. This is in the context of limited resources and a complex funding source. The Council needs to ensure it guards against any unmet critical needs and prioritise its aspirations over the long term.</p> <p>Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning.</p>	<ul style="list-style-type: none"> • Insufficient school places • Financial shortfall • Negative PR • Loss of rental income • Scheme slippage / downsizing 	<ul style="list-style-type: none"> • Increase borrowing • Closer monitoring of on-site schemes • Quarterly refresh of capital programme • Refreshed corporate asset management plan • Annual capital bidding system and capital programme in place • Programme Board for Town Centre Regeneration Project • Forward Funding • Asset Review Programme • Meeting the Council's strategic capital requirement, incorporating Strategic Development Locations (SDL) in the medium term financial plan. • Resource planning for Strategic Development Locations (SDL) infrastructure needs. 	<p>A robust project appraisal framework and ranking criteria have been established. A fully funded 3-year capital programme has been presented to and agreed by the Corporate Leadership Team.</p> <p>The CRG will meet on a quarterly basis – with the next cycle in March 2017 - to ensure effective ongoing management of the overall programme.</p> <p>John Ogden Review date 30/04/17</p>							
18	<p>Risk of a significant fine and reputational damage due to loss of confidential/ sensitive data</p> <p>The Council holds information of a confidential and sensitive nature. There have been past breaches of information security and it is an area under intensive scrutiny from the Information Commissioner. The primary risk is likely to concern paper based</p>	<ul style="list-style-type: none"> • Imposition of a substantial fine • Reputational damage/ bad media coverage • Breach of contract and payment of damages • Loss of future business • Increased number of complaints 	<ul style="list-style-type: none"> • Information Security Management System - governance for this area including SIRO & IGG roles • Encrypted IT equipment • Secure storage/ lockers at council offices • Robust policies in this area • Mandatory refresher programme recently undertaken • Archiving of physical records • Training for staff on document / 	<p>Continuing IGG programme of work & quarterly updates to CLT. Compliance checks carried out by the IGG members who monitor areas and note any potential issues or concerns, and advise staff if they have any questions.</p> <p>Improved management of the Council's retention schedule and implementing retention codes to systems so that we don't hold data longer than necessary. Automatic</p>	GE	PJ	6	2	M	L	

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
114	documents. Loss of confidential or sensitive data, leading to a significant fine and reputational damage for the council, with a potentially damaging impact on the resident/ customer to which the information relates.	<ul style="list-style-type: none"> Loss of trust from partner organisations/contractors. 	<p>information handling and basic information security practice</p> <ul style="list-style-type: none"> Secure e-mail solution Document marking scheme 	<p>deletion once retention periods are met rather than manual deletion. The physical records going to archive also now must have a retention period catalogued.</p> <p>Information Asset Registers in place and under constant review by nominated Information Asset Owners to ensure we know what information is held and where. Links in with retention.</p> <p>Reviewing and overseeing our partners/contractors where a shared service exists (or ALMO) to ensure that they meet sufficient training, security and handling of data as stated in the contract or ISA, especially in cases where WBC remains the Data Controller. Publicising <i>all</i> ISAs on the Councils website, so that citizens know how their data may be shared. Also allows staff to know which organisation information can be shared with safely.</p> <p>Consideration for more 'opportunistic TLS' connections with partner organisations to ensure emails go securely and efficiently. Consideration for restricting how GCSx/Secure emails are sent to prevent unsecure emails being sent.</p> <p>Updating and reviewing process, training material, policies, privacy</p>							

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target
115				<p>notices, website, grapevine/replacement as part of the 21st CC to comply with the EU GDPR that comes into effect in May 2018 so that staff understand new legislation/regulations, or who to speak to, to get advice and guidance.</p> <p>Documenting of Privacy Impact Assessments (PIA) at the beginning of major projects containing sensitive/personal data.</p> <p>Sally Watkins Review Date 31/03/17</p>						
20	<p>Risk that the council, embarking on a major change programme, the 21 Century Council, fails to maintain service delivery standards, to deliver associated savings, or to effect the change, in structures and behaviours, to deliver the vision for the new Council's operating model</p> <p>There needs to be clarity and understanding, among officers and politicians, about the new model and its implementation. Buy-in and commitment from staff will be necessary as ways of working change. Effective leadership, management, engagement and training will be critical factors.</p> <p>Risk that the council does not deliver its vision and</p>	<ul style="list-style-type: none"> • Service delivery failure • Organisational dissonance • Confusion or discontent within the organisation • Lack of clarity • Non-compliance with legislation 	<ul style="list-style-type: none"> • C21 Council Business Case and Implementation Plan • Joint Board • C21C Member-Officer Working Group • Council Plan • Programme and project management • Performance management framework • ECLT & CLT ownership and leadership • Monthly highlight report on Joint Board progress • Programme Board Risk Register and risk management • Departmental 21st Century Council Risk Registers 		AC	KB	6	2	M	L

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
	priorities as a result of service failure.										
23	<p>Risk of Health and Safety Failure Leading to Death or Serious Injury</p> <p>If the council fails to protect the health and safety of its employees and other persons who come into contact with the services provided by the authority there is a risk of serious injury or death.</p> <p>There is a risk that a health and safety failing could result in an intervention by a relevant enforcement agency and potential enforcement action or conviction.</p>	<ul style="list-style-type: none"> Enforcement notices and HSE fines for intervention Unlimited fine Custodial Sentence Publicity Order (Corporate Manslaughter only) Remedial Order (Corporate Manslaughter and HSWA) Publicity Order (Corporate Manslaughter only) Removal of key staff Reputational damage Service delivery loss due to depleted resources Damage to individuals wellbeing An avoidable death or injury 	<ul style="list-style-type: none"> Risk profile - Awareness of high risk areas Ongoing compliance with statute policies and procedures Seeking Assurance programme Compliance with Health and Safety policies and procedures Management and Member performance monitoring reporting from Health and Safety staff Contracts with third parties include a Health and Safety clause, setting out what the Council expects from the contractor in relation to Health and Safety obligations Incident reporting, following Health and Safety process should death or serious injury occur Training of managers and staff - Health and Safety training Annual historical benchmarking review of all Corporate Manslaughter and relevant Health and Safety cases in order to identify the key risk area Review across the Council of the arrangements in place to protect staff against violence at work 	<p>Health and Safety training to be included in the Management Induction Programme for all new managers.</p> <p>(a) An e-learning module 'Health and Safety Essential - Being a Manager' went live in January 2017. It covers the principal requirements under H&S law and what is expected of a WBC manager. The official launch is scheduled for April 2017 to coincide with phase one of the 21st Century Council implementation.</p> <p>(b) The development of the second module 'Health and Safety Essentials – Risk Management' is underway; release is scheduled for May 2017.</p> <p>Veronica Glenister Review date 28/02/2017</p> <p>Training for managers and staff who procure and manage contracts to ensure that the Council as a client discharges its H&S duties.</p> <p>The key H&S requirements in relation to selecting and managing contractors have been incorporated into the e-learning module described above i.e. 'Health and Safety Essential - Being a Manager'.</p> <p>The Procurement and Contract Service is developing an e-learning module</p>	AC	KB	8	3	H	L	

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
				<p>specific to procurement and contract management; the key H&S messages will be reinforced within that piece of training.</p> <p>Veronica Glenister Review date 28/02/2017</p> <p>To set up a Lone Working and Work-related Violence Task & Finish Group with representatives from all services to develop a short term and long term improvement plan.</p> <p>The Task & Finish Group have made recommendations to improve the arrangements for managing the risks associated with lone working and violence at work.</p> <p>(a) Short term:</p> <ul style="list-style-type: none"> • Training <ul style="list-style-type: none"> ○ greater relevance in scenarios ○ be clearer about the level/type of training required by role group • Lone Worker Monitoring – to explore the option of a central system/contract • Incident reporting – to continue to raise staff awareness • Violent Warning System – to re-establish the central Cautions List and provide guidance <p>Actions within the short term plan are being progressed.</p> <p>(b) Longer Term</p> <ul style="list-style-type: none"> • Violent Warning System – 							

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target
				<p>21st Century Council technology will provide the integrated solution as part of the phase 2 CRM development.</p> <p>A specification of requirements will be drawn up</p> <p>Veronica Glenister Review date 28/2/17</p>						
27	<p>Failure of Health and Social Care system</p> <p>Degree and scale of change to the health and social care system combined with financial pressure on health and adult social care budgets in the face of increasing pressures on services from demographic pressures and new Care Act duties will destabilise or cause wholesale system failure.</p> <p>Health and social care provision requires significant and sometimes complex pathways, accountabilities and funding. There are significant co-dependencies with other health and support services. Pressure on Health Services may result in a shift to meeting unfunded higher levels of need through social care</p>	<ul style="list-style-type: none"> • Vulnerable residents receive inadequate or unsafe responses and services. • Risk to health and wellbeing of vulnerable people • Negative impact on health of local population. • More costly unplanned or acute interventions required. • Failure to meet legal responsibilities. • Reputational damage. • Unfunded service/contract liabilities. 	<ul style="list-style-type: none"> • Local multi-agency project board steering integration projects • Oversight by Health and Well-Being board • Healthwatch scrutiny • Berkshire West Integration Board coordinating wider health and social care system • Regular and direct Senior Management scrutiny of service pressures and provision • Close working between the Council and Health Partners at all levels • Ongoing collaboration and joint working with health service partners • Sustainability and Transformation Plans being developed for the Berkshire, Oxfordshire and Buckinghamshire STP region. 	<p>Local health and care integration system regularly monitored through WISP.</p> <p>Judith Ramsden – Review date February 2017</p> <p>Better Care Fund sponsored Wokingham Integrated Social Care and Health short term service has been fully operational since April 2016 and has recorded significant performance improvement and savings. Further plan to integrate Community Health and Social Care being presented to partner agencies for approval.</p> <p>Judith Ramsden – Review date January 2017</p> <p>CHASC Implementation Plan will be monitored through WISP Board</p>	JR	JMS	6	3	M	L

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
	provision which the service is unable to meet. Equally failure of social care services to meet care needs in the community may significantly impact on local health services.										
28	<p>Inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act</p> <p>The Care Act 2014 introduced new national eligibility criteria with a threshold lower than that previously operated by the council. In consequence the council acquired statutory responsibilities to meet a wider range of needs for a larger number of people. The Care Act also introduced new duties to provide services for carers.</p> <p>The scale of the new duties and the systems required to support them pose a risk that the council will fail to meet demand for services. The additional cost of the meeting the new eligibility criteria and uncertainty over</p>	<ul style="list-style-type: none"> Failure to meet new duties/demand Inability to carry out timely assessment of vulnerable adults Inability to fund services to meet statutory needs of all residents Risk to health and wellbeing of vulnerable people Unsustainable budget pressure Reputational damage Inability to recruit/retain assessment staff Failure to meet legal responsibilities. 	<ul style="list-style-type: none"> Oversight by Health and Well-Being board Dedicated finance and strategy resource to provide project capacity Ongoing monitoring of impact of Care Act Care Act Review of operational process and practice to ensure efficient allocation of resources Ongoing review of cost of providing services and identifying commissioning efficiencies 	<p>Further to research exercise the Department of Health has determined that the additional burden is not made out. WBC disagrees and will proceed with Judicial Review of the DoH's decision. Increased demand is evident. Provision has been made in the Council's budget</p> <p>Members will need to agree to joint legal action with West Berkshire LA February 2017.</p>	JR	JMS	6	4	H	L	

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
	the degree to which government will help to meet this cost places the council at risk of unsustainable budgetary pressures and failure to meet its statutory duties.										

Agenda Item 57.

TITLE	Internal Audit and Investigation Q3 Progress Report
FOR CONSIDERATION BY	Audit Committee on 8 February 2017
WARD	None Specific
LEAD OFFICER	Catherine Hickman, Service Manager – Shared Audit and Investigation Service (and Chief Audit Executive)

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit and Investigation Progress Report details the work of the team from the 1 April 2016 to 31 December 2016. This is an update on the progress towards the formation of the Chief Audit Executive opinion which forms part of the Annual Governance Statement. It provides assurance through the Audit Committee to the Council and the wider public that the Council is managing its key risks and identifies any weaknesses identified in the governance, risk management and internal control environment. This assurance supports the Council in the achievement of its vision, priorities, principles and objectives and provides for better and improved outcomes for our residents.

RECOMMENDATION

The Audit Committee is asked to note the Internal Audit and Investigation Progress Report (attached).

SUMMARY OF REPORT

The report summarises the work completed by Internal Audit and Investigation during the period and enables the Committee to discharge its oversight function in relation to these activities.

The report provides the opportunity for the Service Manager, Shared Audit and Investigation Service to provide details of the work undertaken this financial year and highlight any areas of weakness the Committee should be aware of.

Background

This Progress Report fulfils two functions for the Audit Committee:

- It enables the Committee to hold the Service Manager, Shared Audit and Investigation Service, to account for the performance of Internal Audit and Investigation.
- It facilitates the Audit Committee in holding management to account for managing weaknesses identified during the course of Internal Audit and Investigation activities.

Analysis of Issues

The Audit Committee should ensure that it receives the coverage, performance and results of Internal Audit and Investigation activity and any other appropriate additional assurances.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A

Other financial information relevant to the Recommendation/Decision

Not applicable

Cross-Council Implications

Not applicable

List of Background Papers

None

Contact: Catherine Hickman	Service: Service Manager - Shared Audit and Investigation Service.
Telephone No: 07917265742	Email: Catherine.Hickman@wokingham.gov.uk
Date 24 January 2017	Version No. v1

SHARED AUDIT AND INVESTIGATION SERVICE**PROGRESS OF WOKINGHAM BOROUGH COUNCIL 2016/17 INTERNAL AUDIT PLAN (to 31 December 2016)**

AUDIT TITLE	DIRECTORATE	STATUS	DRAFT AUDIT REPORT OPINION	FINAL AUDIT REPORT OPINION
<u>2015/16 Audits Carried Forward</u>				
<u>Key Financial Systems</u>				
Capital Programme, Accounting, Expenditure Monitoring	Finance & Resources	FINAL		3
Financial Management (Budgetary Control and Reporting)	Finance & Resources	FINAL		2
Housing Rents	Finance & Resources	DRAFT		
<u>Governance Building Blocks</u>				
Major Corporate Projects	Governance & Improvement	FINAL		2
<u>Operational Risks</u>				
Implementation of Children and Families Act	Children's Services	FINAL		2
Contract Management	Cross Cutting	FINAL		3
S106 Agreements	Environment	FINAL		2
<u>2016/17 Audits</u>				
<u>Key Financial Systems</u>				
Creditors	Finance & Resources	FINAL	1	1
Cashiers	Finance & Resources	DRAFT	2	
Treasury Management	Finance & Resources	DRAFT	2	
Council Tax and NNDR	Finance & Resources	WIP		
Capital Programme, Accounting, Expenditure Monitoring	Finance & Resources	WIP		
Budgetary Control and Reporting	Finance & Resources	WIP		
<u>Key Strategic Risks</u>				
Risk of Failure of Health and/or Social Care System	Health & Wellbeing	DRAFT	2	
<u>Key Operational Risks</u>				
Information Management	Governance & Improvement	FINAL	2	2
Compliance with the Constitution	Governance & Improvement	FINAL	2	2
<u>Management/Member Requests</u>				
Gas Servicing Safety Review (Housing)	Health & Wellbeing	FINAL	2	2
<u>Auditor Judgement</u>				
Contract Management (Top Ten Spend)	Cross Cutting	DRAFT	2	
Bulmershe School	Finance & Resources	FINAL	2	2
All Saints CE (Aided) Primary School	Finance & Resources	FINAL	2	2
Early St Peter's Primary School	Finance & Resources	FINAL	2	2
Farley Hill Primary School	Finance & Resources	FINAL	2	2
Keep Hatch Primary School	Finance & Resources	FINAL	2	2
Bearwood Primary School	Finance & Resources	FINAL	2	2
Winnersh Primary School	Finance & Resources	FINAL	2	2
Emmbrook Secondary School	Finance & Resources	DRAFT	2	
South Lake Primary School	Finance & Resources	DRAFT	2	
Lambs Lane Primary School	Finance & Resources	DRAFT	2	
Shared Property Services	Finance & Resources	DRAFT	3	

Servicing the Business

Grant Cert: Troubled Families	Children's Services	FINAL	C
Grant Cert: Bus Service Operators Grant	Environment	FINAL	C
Grant Cert: Highways Infrastructure & Maintenance Grant	Environment	FINAL	C
Grant Cert: Disabled Facility Grant	Health & Wellbeing	FINAL	C
Grant Cert: Social Care Capital Grant	Health & Wellbeing	FINAL	C
Effectiveness of System of Internal Audit	Governance & Improvement	FINAL	E

Consultancy

Children's Services - Health and Safety
Governance of the Local Authority Trading Companies
Contract Auditing
Highways SDL Risk Registers
Highways Infrastructure Assets
Schools Pensions Contributions
School Procurement Cards

Legend

1 - Complete and Effective

- All necessary Treatment Measures are in place and are operating effectively.
 - Residual risks have been reduced to an acceptable level
 - There are no unacceptable financial implications.
 - Concerns reported are low.
- (Risk management processes are strong and controls are adequate and effective).

2- Substantially Complete and Generally Effective

- Most key Treatment Measures are in place and these operate effectively.
 - The majority of residual risks have been reduced to an acceptable level.
 - There are some unacceptable financial implications.
 - The majority of concerns are of a predominately medium impact/likelihood.
- (Risk management processes are good and controls are adequate although only partially effective).

3 - Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated

- Not all key Treatment Measures are in place and / or do not operate effectively
 - Residual risks have not all been reduced to an acceptable level
 - There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control.
 - There are a number of significant concerns that are of a high impact/likelihood.
- (Risk management processes and controls are adequate but not effective in mitigating the identified risks).

4-There is no effective Risk Management process in place

- There are no appropriate Treatment Measures in place.
 - Residual risks remain at an unacceptable level
 - There are a number of concerns of a very high or high impact/likelihood.
- (Risk management processes and controls are weak).

C
E

Grant Certification Complete
Exempt from Classification

TITLE	2017/18 Internal Audit and Investigation Plan
FOR CONSIDERATION BY	Audit Committee 8 February 2017
WARD	None specific
LEAD OFFICER	Catherine Hickman, Service Manager - Shared Audit and Investigation Service

OUTCOME / BENEFITS TO THE COMMUNITY

The Council's 2017/18 Internal Audit and Investigation Plan details the proposed Internal Audit and Investigation activity and seeks to:

- provide all key stakeholders with independent assurance that the risks within the Council's fundamental systems and processes are being effectively and efficiently managed;
- allow the Council to demonstrate it is complying with the relevant legislation and applicable professional standards;
- demonstrate the Council's commitment to good governance and a zero tolerance approach towards fraud and corruption; and
- set out that the Team's resources are being properly utilised.

RECOMMENDATION

The Audit Committee is asked to consider and approve the 2017/18 Internal Audit and Investigation Plan.

SUMMARY OF REPORT

1. This report presents the 2017/18 Internal Audit and Investigation Plan (Appendix A) and the 2017/18 Internal Audit scopes for each review, excluding Key Operational audits (Appendix A (I)).
2. A consultation draft Internal Audit and Investigation Plan was presented to Corporate Leadership Team on the 24 January 2017.
3. If adopted, the key financial implications for the Council are revenue costs of providing, and contributing to, the Shared Audit and Investigation Service.

Background

The Accounts and Audit Regulations 2015 require that every local authority undertakes an effective internal audit of their risk management, control and governance processes. The Regulations also require the authority to produce an Annual Governance Statement (AGS) that forms part of the Statement of Accounts.

In addition, under S151 of the Local Government Finance Act 1972, the Council's Director of Corporate Services (as S151 Officer) has a statutory duty to maintain an appropriate framework of internal controls over the Council's financial affairs. Reliance upon Internal Audit and their annual programme of work in reviewing the operation of systems of internal control and financial management is fundamental to the fulfilment of that responsibility.

Internal Audit work is undertaken in accordance with the Internal Audit Charter, approved by Audit Committee in September 2016, which complies with the Public Sector Internal Audit Standards 2016.

The 2017/18 Internal Audit and Investigation Plan has been agreed by CLT, is attached to this report and is presented reflecting the new council structure. It has been prepared using the Council's Corporate and Service Risk Registers, where possible. It is intended to demonstrate how the Internal Audit and Investigation Service supports the overall aims and objectives of the Council. Consultations have been undertaken with key internal stakeholders:- the Chief Executive and all Directors.

The Internal Audit and Investigation Plan focuses efforts / cost on only those audits that feed directly into:-

- the regulated External Audit which would result in higher external audit costs if not done internally.
- other regulated reporting but only the minimum effort necessary to deliver compliance, including the AGS.
- facilitating the provision of an overall opinion each year for the Audit Committee on the operation of the Council's internal control environment, risk management arrangements and governance framework.
- other CLT/Executive/Audit Committee strategic & tactical priorities which are at high risk from changes in customer needs, funding, processes or resourcing.
- areas identified by External Audit as requiring improvement.
- areas of audit or investigation which are deemed to be 'important' to support operating objectives.
- cutting out all other 'housekeeping' activities not directly driven by the above.
- the aligned Audit Plan with the Council's vision, principles and priorities, Corporate Risk Register (CRR), Transitional Risk Registers as a result of the 21st Century Council Programme and Service Risk Registers.

In addition to the work of Internal Audit, there are other sources of assurance that the Chief Executive, Directors and the Audit Committee can place reliance on. Where these sources of assurance are provided by suitably qualified third parties, Internal Audit may be able to place reliance on these providers. CLT is asked to identify, where known, third party assurances that may provide coverage of the key risks.

Whilst a number of audit reviews within the Audit Plan are effectively considered as

mandatory (key financial systems, particularly high risk items etc), others enter or leave the Audit Plan based on the risk register ratings and the views of officers and CLT/Audit Committee. As such, the Audit Plan is fluid and is regularly realigned to accommodate changes to the risk register ratings, thereby ensuring that it remains current and focussed on the key risks affecting the Council. Any changes made to the 2017/18 Internal Audit and Investigation Plan during the year will be reported to CLT/Audit Committee.

The current Internal Audit and Investigation Plan provides assurance over the key risks identified by management.

There is another aspect to the Internal Audit Service and that is the provision of advisory or consultancy services. This work is available at management request and where agreed, supplied on demand. The focus of this work is to suggest improvements.

The Internal Audit Service is well placed to provide advice based on its access and knowledge of other parts of the Council, its partners and clients systems and processes.

The Investigations element of the Plan comprises 450 days focused on key areas of fraud risk. The areas of focus within the Plan have not been made public due to the nature of this work. This allocation includes fraud awareness, proactive fraud drives and investigation of fraud and malpractice.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	Yes	N/A
Next Financial Year (Year 2)	N/A	Yes	N/A
Following Financial Year (Year 3)	N/A	Yes	N/A
Other financial information relevant to the Recommendation/Decision			
Not applicable			

List of Background Papers

2017/18 Internal Audit and Investigation Plan - Appendix A
 2017/18 Internal Audit and Investigation Plan scopes for each review, excluding Key Operational audits - Appendix A(I)

Contact: Catherine Hickman	Service: Service Manager - Shared Audit and Investigation Service
Telephone No: 07917265742	Email: Catherine.Hickman@wokingham.gov.uk
Date 24 January 2017	Version No. v1

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Wokingham Borough Council
2017/18 Proposed Internal Audit and Investigation Plan

Key Systems

These are reviews of fundamental financial systems. External Audit place reliance on this work

Corporate Services	Payroll
Corporate Services	Debtors
Corporate Services	Creditors
Corporate Services	General Ledger
Corporate Services	Cash & Bank Reconciliation
Corporate Services	Cashiers
Corporate Services	Treasury Management
Corporate Services	Housing Rents
Corporate Services	Benefits/CTRS
Corporate Services	Council Tax & NNDR
Corporate Services	Capital Programme, Accounting, Expenditure Monitoring
Corporate Services	Budgetary Control and Reporting
Corporate Services	Fixed Asset Register
Corporate Services	BACS/CHAPS/Cheques

Governance Building Blocks

These reviews cover the key governance elements and are necessary for the formation of the Head of Internal Audit Opinion (HIAO) and Annual Governance Statement (AGS)

Cross Cutting	Performance Management (KPI's)
Cross Cutting	Procurement
Cross Cutting	Risk Management

Key Corporate Risks

These reviews are of the Council's Corporate Risk Register

Corporate Services	Risk of a significant fine and reputational damage due to loss of confidential/sensitive data.
Corporate Services	Risk that the council fails to deliver key investment priorities through insufficient resources or inadequate planning
Cross Cutting	Risk of Health and Safety Failure Leading to Death or Serious Injury
Customer and Locality Services	Risk that essential transport infrastructure needs a significant short term investment for repairs
People Services	Risk of serious harm or death of a vulnerable adult for whom the Borough has a responsibility for
People Services	Risk of serious or significant harm to a vulnerable child or young person with whom the Council is working

Key Operational Risks

These are the high rated risks on the Directorate Risk Registers. This does not include full reviews which have coverage in 2016/17 so we propose not reviewing in 2017/18

Corporate Services	Schools Academisation Shared Property Services (follow up) Homelessness Housing and Planning Act
Cross Cutting	Base information (including health, housing & schools)
Customer and Locality Services	Highways (to link with the Corporate Risk of Risk that essential transport infrastructure needs a significant short term investment for repairs)
People Services	Risk of inability to match supply and demand for school places Contract Monitoring - Adults covering quality and value for money

Management/Member Requests - Consultancy

These are reviews (assurance or advisory) that have been requested by management

Corporate Services	Land Charges
Corporate Services	Procurement Cards
Customer and Locality Services	Health and Safety

Auditor Judgement

These are the reviews that are proposed by the HIA based on their professional judgement

Cross Cutting	21st Century Council
Corporate Services	Schools Finance

IT Audit

These are specialist IT audits

Corporate Services	IT System Reconciliations
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Servicing the Business

These are other audit related activities performed by Internal Audit

Cross Cutting	Grant Certifications: DfT, Troubled Families
Cross Cutting	Facilitating the AGS/Corporate Governance
Cross Cutting	Development of New Systems / Special Projects
Cross Cutting	Effectiveness of System of Internal Audit
Cross Cutting	Advice on Demand
Cross Cutting	Contingency/Consultancy

Cross Cutting	Follow ups (Very High and High Risk Only)
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Total Internal Audit Days 672

Total Investigation Days 450

(Excerpt - Key Operational Risks Excluded)

Audit	Indicative High Level Scope/Controls
Key Financial Systems	
Payroll	<ul style="list-style-type: none"> • Starters (including Establishment Controls) • Permanent and temporary amendments • Leavers and transfers • Reconciliations • Exception Reporting • Management Information
Debtors	<ul style="list-style-type: none"> • Legislation, Policy & Procedures • Debtor transactions and records • Amendments to standing data • Raising of invoices • Billing • Collection • Refunds • Debt recovery and enforcement (including write-offs) • Management reporting
Creditors	<ul style="list-style-type: none"> • Policies and procedures • Purchase orders (Non-Order and Retrospective) • Goods receipting • Cost coding • Prompt payment discounts • Manual/duplicate payments • Supplier account maintenance • Segregation of duties • Performance monitoring • Pre-payments
General Ledger	<ul style="list-style-type: none"> • Main Accounting Protocols including policies, procedures, guidance and training arrangements • Year End Procedures • Close Down Process • Control and Suspense Accounts • Financial Statements • Monthly Financial Information • Transactions
Cash & Bank Reconciliation	<ul style="list-style-type: none"> • Accounts Receivable • Council Tax • NNDR • Housing Benefits • Income Collection Account • Main Bank Account • Previous Recommendations
Cashiers	<ul style="list-style-type: none"> • Legislation, policy and procedures • Cash transactions and records • Cash collection • Cash payments • Cash holdings • Banking • Management reporting • Future customer payment options

(Excerpt - Key Operational Risks Excluded)

Audit	Indicative High Level Scope/Controls
Treasury Management	<ul style="list-style-type: none"> • The council's Treasury Management Strategy together with the Chartered Institute of Public Finance and Accountancy and Department for Community and Local Government guidance • Compliance of Treasury Management activity with council policies and procedures • Staff training, roles and responsibilities • Investment and Loan transactions • The Treasury Management control framework, e.g. management controls, risk management, reporting and performance indicators²
Housing Rents	<ul style="list-style-type: none"> • Policies and Procedures • Updating, accuracy and security of system records • Billing including calculation of rents and service charges • Management of rental income including receipts and allocation to tenants accounts • Reconciliations • Management information including performance indicators • The Service Level Agreement and Service Improvement Plan
Benefits/CTRS	<ul style="list-style-type: none"> • Compliance with policy and procedures (inc. post opening) • Benefits are only paid to those entitled • Application processing and change of circumstances • Backdated claims • Overpayments and recovery arrangements • Reliability and security of records (electronic and paper) • Complaints procedure • Fraud training and awareness • Performance Indicators and quality checking • Future Legislative changes
Council Tax & NNDR	<ul style="list-style-type: none"> • Policies and Procedures • Reconciliation of council tax and NNDR to the general ledger • Reconciliation of council tax and NNDR to income receipts/cash system • Reconciliation of council tax and NNDR databases to valuation office listings • Standing data amendments • Valuation Office alterations • Reliefs and discounts • Billing practices • Cash receipts and customer account allocations • Review of accounts in arrears or credit • Performance management and data control
Capital Programme, Accounting, Expenditure Monitoring	<ul style="list-style-type: none"> • Capital planning process • Capital funding process • Capital bid and allocation process • Capital expenditure monitoring • Budget monitoring and accounting arrangements • Staff roles and responsibilities
Budgetary Control and Reporting	<ul style="list-style-type: none"> • Budget management protocol and alignment with the Council's vision • Service and financial planning guidance • Budget working papers template • Budget setting timetable, approval process and alignment with the council's vision • Local resource statements • Budget monitoring and financial reporting • Virements and alterations • Budgetary training • Budget profiling

(Excerpt - Key Operational Risks Excluded)

Audit	Indicative High Level Scope/Controls
Fixed Asset Register	<ul style="list-style-type: none"> • Identification • Valuations • Depreciation (componentisation) • Impairment • Disposals
BACS/CHAPS/Cheques	<ul style="list-style-type: none"> • Guidance and Procedures • Authorisation protocols (including delegated authority) • System access rights • Reconciliation of input to output data • Staff cover arrangements
Governance Building Blocks	
Performance Management	<ul style="list-style-type: none"> • Objective of the Performance Management • Alignment of the Key Performance Indicators (KPIs) with the Council's Vision and Council Plan • Alignment of the KPIs with Service Plans • Progress of the KPI reporting and plans for implementation • Clarity of roles and responsibilities for maintaining the Performance Management System • Accuracy of KPIs and Quality Assurance
Procurement	<ul style="list-style-type: none"> • Compliance with Procurement Directive • Engagement with consultants • Compliance with EU thresholds • Compliance with WBC thresholds • Material decisions • Use of standing lists • Major Suppliers
Key Corporate Risks	
Risk that essential transport infrastructure needs a significant short term investment for repairs.	<ul style="list-style-type: none"> • Wokingham Highways Alliance Risk Register in place • Formal inspection regime of all critical infrastructure • Use of professional consultants • Infrastructure upkeep investment funds set out in Medium Term Financial Plan • Updating and improving the transport asset management • Plan to inform necessary investment • Financial checks on main contractors every 6 months • Ongoing annual applications for capital funding, in order that remedial works can be undertaken
Risk of a significant fine and reputational damage due to loss of confidential/sensitive data.	<ul style="list-style-type: none"> • Information Security Management System - governance for this area including Senior Information Risk Owner & Information Governance Group roles • Encrypted IT equipment • Secure storage/ lockers at council offices • Robust policies in this area • Mandatory refresher programme recently undertaken • Archiving of physical records • Training for staff on document / information handling and basic information security practice • Secure e-mail solution • Document marking scheme

(Excerpt - Key Operational Risks Excluded)

Audit	Indicative High Level Scope/Controls
<p>Risk that the council fails to deliver key investment priorities through insufficient resources or inadequate planning</p>	<ul style="list-style-type: none"> • Reduce capital programme in line with delay in receipts • Increase borrowing • Closer monitoring of on-site schemes • Quarterly refresh of capital programme • Refreshed corporate asset management plan • Annual capital bidding system and capital programme in place • Programme Board for Town Centre Regeneration Project • Forward Funding • Asset Review Programme • Meeting the Council's strategic capital requirement, incorporating Strategic Development Locations (SDL) in the medium term financial plan • Resource planning for SDL infrastructure needs
<p>Risk of Health and Safety Failure Leading to Death or Serious Injury</p>	<ul style="list-style-type: none"> • Risk profile - Awareness of high risk areas • Ongoing compliance with statute policies and procedures • Seeking Assurance programme • Compliance with Health and Safety policies and procedures • Management and Member performance monitoring reporting from Health and Safety staff • Contracts with third parties include a Health and Safety clause, setting out what the Council expects from the contractor in relation to Health and Safety obligations • Incident reporting, following Health and Safety process should death or serious injury occur • Training of managers and staff - Health and Safety training • Annual historical benchmarking review of all Corporate Manslaughter and relevant Health and Safety cases in order to identify the key risk area • Review across the Council of the arrangements in place to protect staff against violence at work
<p>Risk of serious or significant harm to a vulnerable child or young person with whom the council is working</p>	<ul style="list-style-type: none"> • Policies and Procedures • Practice Framework implementation • Quality Assurance System • Line Management • Case Supervision • Training and Career Personal Development • Recruitment and retention strategy embedded • Strengthened Local Safeguarding Children Board support • Implementation of agreed action plans

(Excerpt - Key Operational Risks Excluded)

Audit	Indicative High Level Scope/Controls
Risk of serious harm or death of a vulnerable adult for whom the Borough has a responsibility for	<ul style="list-style-type: none"> • Policies and Procedures (multi-agency) in place • Referral system and assessment processes • Management and supervision of staff • Staff Training and awareness • Regular Social Care Pathway meetings and updates • Duty response • Good recruitment and retention of social care professionals • Interagency working • Berkshire West Safeguarding Board operating effectively • Dedicated Safeguarding Manager Safeguarding Team and & Safeguarding Prevention posts • Ongoing widely accessible Safeguarding Training programme and events • Widely publicised Safeguarding Protocol and procedures • Clear lines of accountability for safeguarding adults • Regular safeguarding reports to People Services Leadership Team • Audit (Internal and External Inspections) • Support with confidence programme for accrediting small providers • Optalis contract as emergency provider in case of external provider failure • Care Governance Quality Assurance system for providers • Market Failure Protocol in place • Ongoing review of financial pressures on providers including decisions on fee increases and impact of National Living Wage Ongoing dialogue with providers about service provision
Management Requests	
Health and Safety (Compliance)	To be defined but will have the overall objective of verifying compliance with Health and Safety Policies and Procedures in the Customer and Locality Services Directorate
Land Charges	To be defined but will have overall objective to ensure that controls within Land Charges are efficient and effective
Procurement Cards	To be defined but will have overall objective to ensure that controls within Procurement Cards are efficient and effective
Auditor Judgements	
21st Century Council	To be defined as the programme emerges
Schools Audits	<ul style="list-style-type: none"> • Governance • Financial Sustainability • Budget Setting • Budget Monitoring • Payroll • Income (if significant)

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