



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held at the Civic Offices, Shute End, Wokingham, RG40 1BN on **MONDAY 5 DECEMBER 2016 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 25 November 2016

This meeting may be filmed for inclusion on the Council's website.

Please note that other people may film, record, tweet or blog from this meeting. The use of these images or recordings is not under the Council's control.



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.
29.		APOLOGIES To receive any apologies for absence.	
30.		MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 28 September 2016.	7 - 10
31.		DECLARATION OF INTEREST To receive any declarations of interest	
32.		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	
33.		MEMBER QUESTION TIME To answer any member questions	
34.	None Specific	EXTERNAL AUDIT ANNUAL AUDIT LETTER 2015/16 To receive the External Audit Annual Audit Letter 2015/16.	11 - 36
35.	None Specific	INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOKINGHAM BOROUGH COUNCIL To receive the Independent Auditor's report.	37 - 38
36.	None Specific	LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING	39 - 50

		To receive the Local Government Audit Committee Briefing.	
37.	None Specific	CORPORATE COMPLAINTS UPDATE To receive an update on corporate complaints.	51 - 68
38.	None Specific	GOVERNANCE ARRANGEMENTS FOR THE 21ST CENTURY COUNCIL PROGRAMME To receive a report regarding the governance arrangements for the 21 st Century Council programme.	69 - 78
39.	None Specific	CORPORATE RISK REGISTER REFRESH - NOVEMBER 2016 To receive an update on the Corporate Risk Register.	79 - 94
40.	None Specific	RISK MANAGEMENT POLICY AND GUIDANCE To consider the Risk Management Policy and Guidance.	95 - 124
41.	None Specific	TREASURY MANAGEMENT MID-YEAR REPORT 2016/17 To receive the Treasury Management Mid-Year Report 2016/17.	125 - 150
42.	None Specific	INTERNAL AUDIT AND INVESTIGATION Q2 PROGRESS REPORT To receive the Shared Internal Audit and Investigation Q2 Progress Report 2016/17.	151 - 160
43.	None Specific	2016/17 REVISED INTERNAL AUDIT PLAN To receive a report outlining proposed changes to the 2016/17 Internal Audit Plan.	161 - 166
44.	None Specific	AUDITOR APPOINTMENT 2018/19 To receive a report regarding the appointment of the Council's External Auditor in 2018/19.	167 - 170
45.	None Specific	FORWARD PROGRAMME 2016-17 To consider the forward programme for the remainder of the municipal year.	171 - 172

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

This page is intentionally left blank

**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 28 SEPTEMBER 2016 FROM 7.00 PM TO 8.20 PM**

Committee Members Present

Councillors: David Lee (Chairman), Norman Jorgensen (Vice-Chairman), Charles Margetts and Oliver Whittle

Also Present

Madeleine Shopland, Principal Democratic Services Officer
Graham Ebers, Director of Finance and Resources
Debra Evans, Senior Financial Accountant
Julie Holland, Service Manager Business Improvement
John Ogden, Head of Finance
Jonathan Ross, Group Finance Service Manager
Adrian Balmer, Ernst & Young

17. APOLOGIES

Apologies for absence were submitted from Councillors David Chopping and Beth Rowland.

18. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 15 June 2016 were confirmed as a correct record and signed by the Chairman.

19. DECLARATION OF INTEREST

There were no declarations of interest submitted.

20. PUBLIC QUESTION TIME

There were no Public questions.

21. MEMBER QUESTION TIME

There were no Member questions.

22. WOKINGHAM BOROUGH COUNCIL AUDIT RESULTS REPORT - ISA (UK AND IRELAND) 260 FOR THE YEAR ENDED 31 MARCH 2016

The Committee received the Wokingham Borough Council Audit Results Report – ISA (UK and Ireland) 260 for the year ended 31 March 2016.

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

- Materiality thresholds were discussed.
- The following audit risks were identified during the planning phase of the audit;
 - Better Care Fund;
 - IFRS 13/IPSAS 16 Valuation;
 - Risk of management override;
 - Revenue and Expenditure Recognition;
- Adrian Balmer thanked the Head of Finance and his team for their hard work.
- Members were pleased to note that there were no reportable corrected or uncorrected audit differences.
- Ernst and Young expected to conclude that the Council had put in place proper arrangements to secure value for money in its use of resources.

- Members asked how the Council's performance compared with that of other councils and how this could be evidenced. It was agreed that Ernst and Young would bring a presentation on the Value for Money profiles to the next Audit Committee.
- With regards to external confirmations, Members were informed that all requested confirmations had now been received.

RESOLVED: That the Wokingham Borough Council Audit Results Report – ISA (UK and Ireland) 260 for the year ended 31 March 2016 be noted.

23. FINANCIAL STATEMENTS 2015/16

The Committee received the Financial Statements 2015/16.

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

- Members had been briefed previously on the draft financial statement. The Director of Finance and Resources advised that since that briefing there had been a reclassification of expenditure movements relating to three lines in the cash flow and minor typos had been corrected. The description of the purpose of Wokingham Housing Limited had also been updated. The updated sections of the accounts were circulated to Members.

RESOLVED: That the financial statements and letter of representation for 2015/16 be approved.

24. RETROSPECTIVE PURCHASE ORDERS

The Head of Finance presented a report regarding retrospective purchase orders.

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

- Reporting for the latest month (August 2016) stood at 9%. However, some improvements could still be made.
- The use of procurement cards for low value transactions where appropriate needed be encouraged more. Members questioned how many procurement cards there were across the Council and were informed that there were 40 and that it was one card per card holder.
- In response to Member questions it was explained that the majority of the total retrospective value for Finance and Resources related to contributions to the Berkshire Pension Fund.
- Councillor Margetts questioned whether the value of retrospective purchase orders was decreasing. The Head of Finance indicated that he would come back on this.
- Members noted that the largest Retrospective Purchase Order had been valued at £257,808 and was raised against West Berkshire Council. This had related to the Trading Standards Shared Service.

RESOLVED: That the report and the actions being taken to reduce the incidence of raising retrospective purchase orders be noted.

25. CORPORATE RISK REGISTER UPDATE

The Director of Finance and Resources presented the Corporate Risk Register update for September 2016.

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

- It was noted that there had been no major changes made to the Risk Register since it had last been considered by the Committee.
- The Director of Finance and Resources clarified that risks retained their reference number after other risks had been removed.
- Councillor Whittle referred to issues with Southfield School and questioned how this would be monitored and if it would be included on the Corporate Risk Register. The Director of Finance and Resources commented that if the Director of Children's Services and the Corporate Leadership Team had growing concerns they could elevate risks to the Corporate Risk Register.
- In response to a question from Councillor Whittle regarding how often the Corporate Risk Register was reviewed, the Service Manager Business Improvement explained that every quarter services were asked to review their risk register. Directorate registers which sat under the Corporate Risk Register were also reviewed by the Corporate Leadership Team. Risks could be elevated to the Corporate Risk Register and also removed from the register.
- Councillor Margetts asked about the development of risk registers for the 21st Century Council programme and who and how often would be updated on this. He was informed that Executive would be updated on a quarterly basis.
- With regards to the following existing control for Risk 7; 'Implementation of agreed recommendations from Children's Services Safeguarding internal audit and quality assurance reports', Councillor Lee questioned whether the Committee should receive a list of all external reviews.
- Councillor Lee went on to question what was being done with regards to the recruitment and retention of social workers both for children's and adults' services. The relevant Directors and Executive Members would be asked to respond to this question.
- With regards to the Care Act, 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 would be asked to respond to this question.

RESOLVED: That the risks and mitigating actions of the Council's corporate risks as detailed in the Corporate Risk Register be noted.

26. INTERNAL AUDIT AND INVESTIGATIONS Q1 PROGRESS REPORT 2015/16

Members received the Internal Audit and Investigations Progress Report which detailed the work of the team from the 1 April 2016 to 30 June 2016.

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

- Progress on the Internal Audit Plan had been affected due to a number of audits that had been deferred to later in the year at the request of management.
- A member of the team was currently on maternity leave and temporary cover would be brought in to help with the usually busier periods of Q3 and Q4.
- In light of the 21st Century Council Project, the Service Manager – Shared Audit and Investigation Service would discuss the Internal Audit Plan with Directors to determine whether any changes were required.
- The Service Manager Business Improvement highlighted that there had been two audits during this period which had been awarded the audit opinion '3'; Capital Programme, Accounting, Finance and Resources Expenditure Monitoring and

Contract Management. Councillor Lee requested that in future if audits were given the audit opinion '3' or '4' Members be provided with information on the scope of the audit and work undertaken, for further information.

- The Service Manager Business Improvement highlighted the performance of the Investigations Team. It was noted that the line in the table titled 'Investigation Team Activity' relating to Procurement should be removed. The Team was also undertaking external work. In addition a proactive drive regarding the new homes bonus had been undertaken. It was clarified that the Council received the new Homes Bonus when the new homes were occupied.

RESOLVED: That the Internal Audit and Investigation Progress Report be noted.

27. INTERNAL AUDIT CHARTER

The Committee received the updated Internal Audit Charter which had been amended to bring it in line with the updated Public Sector Internal Audit Standards (PSIAS). Members were informed that the Internal Audit Charter was reviewed annually and that the changes made were minor.

RESOLVED: That the Internal Audit Charter with the changes highlighted be agreed.

28. FORWARD PROGRAMME

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

The Committee discussed the possible process for appointing the Council's External Auditor in future. It was agreed that the Committee would receive a report about the various options and the pros and cons and potential costs of each, at the December meeting. What options the other Berkshire authorities were considering would also be highlighted.

RESOVLED: That the Forward Programme be noted.

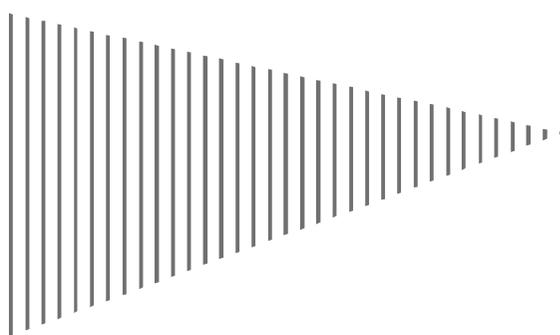
Wokingham Borough Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

11



Agenda Item 34.

Contents

Executive Summary	2
Purpose.....	5
Responsibilities.....	7
Financial Statement Audit	10
Value for Money	13
Other Reporting Issues.....	16
Focused on your future.....	19
Appendix A Audit Fees	22

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. 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 Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. 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.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a laptop, and a white mug. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Wokingham Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 28 September 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 19 October 2016 following completion of our work on the Whole of Government Accounts return.

In February 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Helen Thompson

Executive Director
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 28 September 2016 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ on the 2015/16 financial statements; and
 - ▶ on the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ if the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ any significant matters that are in the public interest;
 - ▶ any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ if we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 September 2016.

Our detailed findings were reported to the 28 September 2016 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that 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.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>Our review of accounting estimates found that estimates were reasonable, and there was no indication of bias in the calculation of the estimates.</p> <p>We did not identify any material weaknesses in controls or evidence of material management override from the work we completed.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>
<p>Incorrect Capitalisation of Revenue Spend</p> <p>In 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. We reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</p>	<p>Our testing did not identify any expenditure which had been inappropriately capitalised.</p> <p>Our wider work on revenue and expenditure did not identify any material misstatements.</p> <p>Our work on cut off at period end did not identify any misstatements.</p>

Significant Risk	Conclusion
<p>IPSAS 16 & IFRS 13 – Fair Value Measurement</p> <p>Changes to IPSAS 16 and IFRS 13 with respect to Investment Properties and Fair Value valuation respectively came into effect for the financial year 2015/16. The new IPSAS 16 standard could have had the potential to change the classification of an Investment Property if the property was used to facilitate the delivery of services or production of goods as well as to earn rental income or capital appreciation or both.</p> <p>The Council had approximately £32 million of Investment Property as at 31 March 2015 and any re-assessment to comply with IPSAS 16 or IFRS 13 could have resulted in a material re-classification between Investment Properties and Other Land and Buildings.</p>	<p>We reviewed the Council's assessment of the impact of IPSAS 16 and IFRS 13 on Surplus Assets and/or Investment Properties and noted no issues.</p> <p>We tested a sample of assets classified as Investment Properties and re-classified from Investment Properties and agreed with the classification.</p> <p>We completed an assessment of the property valuation expert commissioned to undertake the valuation. This did not identify any issues.</p>
<p>Better Care Fund</p> <p>The Better Care Fund (BCF) is a major policy initiative between local authorities, CCGs and NHS providers with a primary aim of driving closer integration and improving outcomes for patients, service users and carers. The intention is that partners use the pooled fund to jointly commission health and social care services at a local level.</p> <p>From 1 April 2015, the BCF has been set up as a pooled budget between Wokingham Borough Council and NHS Wokingham CCG. There are two pools, one is hosted by the Council and the other is managed by the CCG.</p> <p>Local BCF arrangements may be complex and varied, involving a number of different commissioning, governance and accounting arrangements. There are also structural, cultural and regulatory differences between local government and the NHS, and it is important that these are understood and considered by all of the partners in the operation of the pool.</p>	<p>We examined relevant agreements entered into by the Council; reviewed the proposed accounting treatment for BCF and disclosures; tested the relevant entries in the accounts; and reviewed the governance arrangements.</p> <p>We did not identify any issues from the work carried out.</p>

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with some showing their edges and others showing their faces. The lighting is warm, highlighting the metallic texture and the ridges on the edges. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

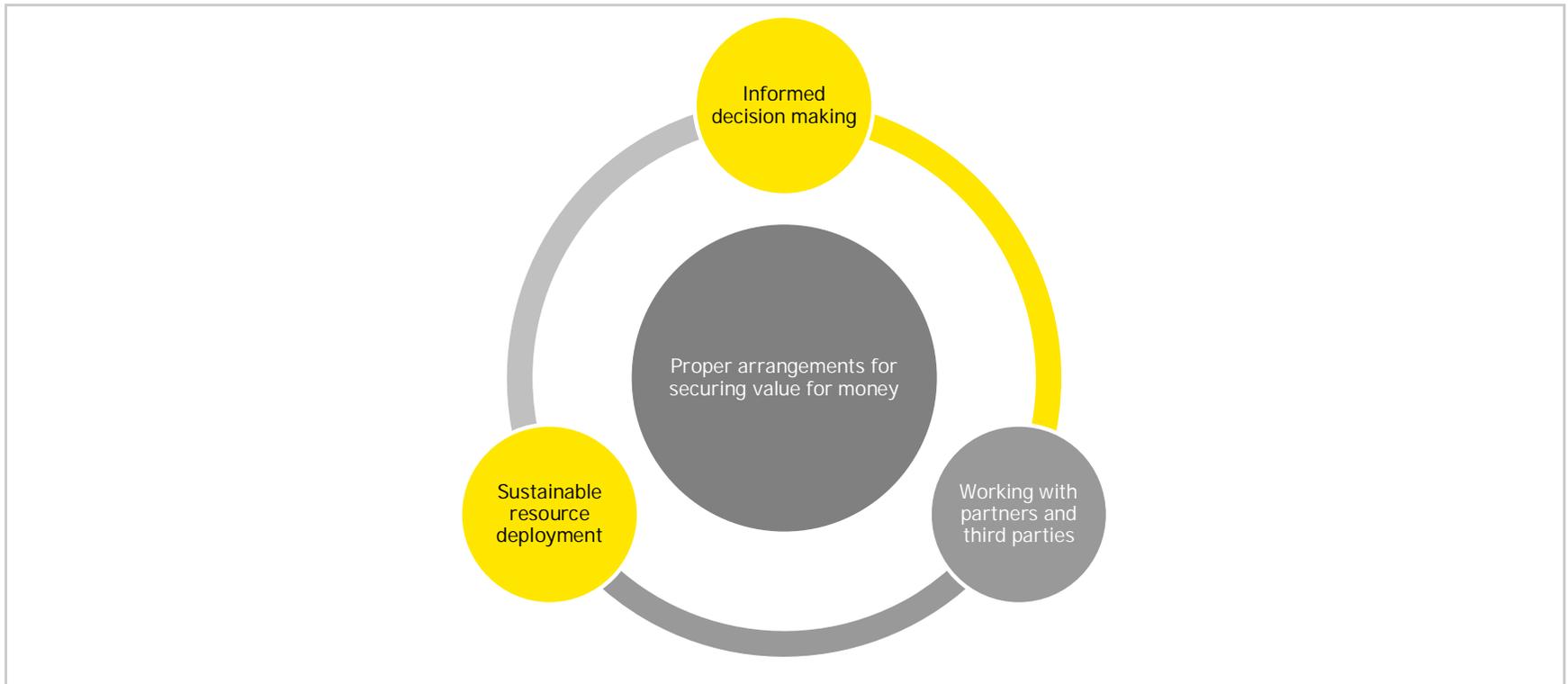
Value for Money

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. This is known as our value for money conclusion.

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.



We issued an unqualified value for money conclusion on 30 September 2016.

Our audit did not identify any significant risks in relation to the Council's arrangements, and we have no specific issues to report.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 28 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit. We have tested the controls of the Council only to the extent necessary for us to complete our audit. For the purposes of the audit we have completed testing of Housing Benefit controls. We are not expressing an opinion on the overall effectiveness of internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

In the prior year we found a number of issues with the quality and version control of working papers. This was in part due to the implementation of the new financial system in September 2014. We liaised with management about this issue and we note there has been improvement during the 2015/16 audit.

We have agreed to hold a review meeting in October with your finance team to assess how we can continue to improve our joint working arrangements. This will include a review of your financial statements to improve the structure and clarity of reporting.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are focused on the lenses, and their hands are visible holding the device. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your
future

Focused on your future

Area	Issue	Impact
Faster close	<p>From the 2017/18 financial year, the deadline for preparing the Council's financial statements will move to 31 May from 30 June. In addition, the deadline for completing the statutory audit will move to 31 July from 30 September.</p>	<p>The faster closedown timetable requires the Council to adjust its timetable for preparing the accounts, as well as the budget setting process and the timing of committee meetings.</p> <p>It requires upfront planning to identify areas of the accounts that can be prepared earlier, before the 31 March, and there will be a need to establish robust basis for estimations across a wider number of entries in the financial statements.</p> <p>For the 2016/17 audit, we are working with officers to bring our work forward to support the transition ahead of the new deadlines in 2017/18.</p>
Appointment of auditors	<p>The current audit contracts expire on the completion of the 2017/18 audit. The expiry of contracts also marks the end of the current mandatory regime for auditor appointments.</p> <p>After this, the Council can exercise choice about whether it decides to opt in to the authorised national scheme, or whether to make other arrangements to appoint its own auditors.</p> <p>In July 2016, the Secretary of State for Communities and Local Government specified Public Sector Audit Appointments limited (PSAA) as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015.</p> <p>PSAA will be able to appoint an auditor to relevant authorities that choose to opt into its national collective scheme.</p>	<p>Appointment of auditors for the 2018/19 financial year is required by 31 December 2017.</p> <p>The Council should consider whether it intends to opt into the appointed person scheme to appoint its own auditors from 2018/19 or if the Council should make its own arrangements following the legislative requirements.</p>

Area	Issue	Impact
Highways Network Asset (HNA)	<p>The Code of Practice on Transport Infrastructure Assets (TIA Code) was first published in 2010 and updated in 2013. The key aim of this document was to improve the asset management of TIA. During 2016, this guidance has been renamed and updated, with the Highways Network Asset (HNA) Code, Guidance Notes and Accounting Guidance being published. Local Government has historically used depreciated historic cost (DHC) as the valuation approach for infrastructure assets. The introduction of the HNA Code will see this valuation basis change to depreciated replacement cost with effect from 1 April 2016. The change will be applied prospectively from that date, so Highways Authorities are not required to disclose comparative information.</p> <p>This is a fundamental change in approach which will require new accounting and estimation approaches as well as amendments to existing systems, or implementation of new systems.</p>	<p>The impact on the Council's Balance Sheet will be highly significant; with the recognition of a single highways network asset of approximately £5 billion. The impact on the audit will also be significant, as auditors will need to obtain sufficient assurance over the material accuracy of this asset.</p> <p>We will work closely with the Council at both the local level, regarding system implementation, valuation procedures and accounting, and at the wider level through the continuation of our HNA Client Workshops.</p>
EU referendum	<p>Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>

Appendix A

Audit Fees



Appendix A Audit Fees

Our fee for 2015/16 is in line with the scale fee set by the PSAA and reported in our 28 September 2016 Annual Results Report.

Description	Final Fee 2015/16 £	Planned Fee 2015/16 £	Scale Fee 2015/16 £	Final Fee 2014/15 £
Total Audit Fee – Code work	£105,617	£105,617	£105,617	£140,822
Total Audit Fee – Certification of claims and returns	£7,183 ¹	£7,183	£7,183	£15,716
Total Audit Fee	£112,800	£112,800	£112,800	£156,538

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

¹ Our work to certify the Housing Benefit claim is ongoing and we will report any additional fee due to any additional work required to quantify errors in the claim in our certification report.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED None

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

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

ey.com

This page is intentionally left blank

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

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2016 issued on 30 September 2016 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Wokingham Borough Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Issue of value for money conclusion on Wokingham Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

In our audit report for the year ended 31 March 2016 issued on 30 September 2016 we reported that, in our opinion, in all significant respects, Wokingham Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Certificate

In our report dated 30 September 2016, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We have now completed this work.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the accounts of Wokingham Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.



*Helen Thompson (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Southampton
20 October 2016*

This page is intentionally left blank

Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Regulation news

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please contact your local audit team.



Government and economic news

EY Item Club

The latest EY Item Club forecast (Autumn 2016) focuses on the United Kingdom's decision to leave the European Union and highlights that it believes the relatively small impact on the economy to date may be deceptive. The Sterling's performance could be an indication that troubles lie ahead.

At the moment, growth in the economy is being driven entirely by the consumer, supported by rising employment and real wages, as well as ultra-low interest rates. However, sterling's devaluation will push inflation up to 2.6% temporarily next year. With average earnings still subdued, which will slow the consumer. In the meantime, many firms have put investment and recruitment on hold whilst they assess the likely impact of the Article 50 negotiations on their business and consider their long-term options.

Policy uncertainty is feeding through into lower levels of business confidence which we expect to translate into lower investment in 2017. This together with a squeeze on margins from input cost inflation and a tightening labour market in some areas is leading to investment projects that are seen as marginal either being cancelled or delayed, with some of this capital being diverted to other geographies.

Now is the time to update strategies and associated business plans to reflect the slowing macro-environment and emerging policy outlook. Slowing growth and rising inflation together with a depreciating currency which could negatively impact the economy.

Sustainability and transformation plans

The NHS Planning Guidance issued in December 2015 included the requirement for Sustainability and Transformation Plans (STPs). NHS organisations were asked to work together to come up with a 5-year plan for their area for all areas of NHS spending.

A named individual has been identified to lead each STP. In most cases this is from CCGs, NHS Trusts and Foundations but there are a smaller number from local government bodies.

These STPs have now been delivered and are designed to articulate how individual organisations will play their part in delivering their locally agreed STP objectives, including sustainable financial balance across the health economy.

From April 2017, access to NHS transformation funding will be linked to effective delivery of the STP. STPs represent a shift in focus from the role of competition within the health system to one of collaboration – referred to as 'place-based planning'. NHS organisations are telling us that the changing needs of their populations are best met through integrated models of care, with the delivery of care being best met by different areas of the NHS working in a co-ordinated way. The King's Fund has argued that a place based approach to planning and delivering health and social care services is the right approach – and that this should also include collaborating with other services and sectors outside the NHS – with the aim of improving the health and wellbeing of local populations.



Government and economic news

Development and delivery of STPs is a complex task, with large footprints, involving many different organisations, in an already stretched environment in terms of finances and capacity. There are further challenges with the need to address weaknesses in NHS incentives to work together and to avoid organisations focussing on individual goals rather than the effective implementation of STP objectives – for example, NHS Trusts are closely monitored on their own performance targets.

The STPs have been delivered in a relatively short timeframe and propose major changes to services. With the growing financial challenges in the system, the STPs are required to show how they will bring the NHS back into financial balance. Given the short timeframes, the submitted plans will need further development and engagement before they can be effectively implemented.

Four of the STPs have been published early and these demonstrate the significance of the changes being considered under these plans, including reducing the number of acute hospitals and the consolidation of services. Such changes are likely to lead to public and political opposition.

The challenge for STP partners will be to move from the planning phase to implementation in order to realise the objectives agreed.

Treasury confirms public sector pay offs to be capped at £95,000

The Treasury have confirmed that public sector exit packages will be capped at £95,000. The announcement follows a consultation period which heard replies from over 350 interested parties. The changes will apply to the majority of the five million public sector workers. Reflecting on the announcement the Treasury noted that the reduction in exit packages across the public sector would result in significant savings but would still offer a comparable and competitive settlement process similar to that in the private sector.

The proposals include the following:

- ▶ A cap on the salary level at which exit packages can be calculated. It is likely that this will fall in line with the current NHS cap of £80,000
- ▶ The tariff for calculating exit packages will be based on three weeks' pay per year of service with a maximum of 15 months being the cap
- ▶ A clawback proposal would also come into effect which would mean that anyone returning to a public service post soon after leaving with an exit package would be required to repay their redundancy payment



Government and economic news

Pension investment schemes

There is a proposal to replace the Local Government Pension Scheme 2009 with new draft regulations as set out below:

The two main areas of reform are:

- ▶ A package of reforms that propose to remove some of the existing prescribed means of securing a diversified investment strategy and instead place the onus on authorities to determine the balance of their investments and take account of risk
- ▶ The introduction of safeguards to ensure that the more flexible legislation proposed is used appropriately and that the guidance on pooling assets is adhered to. This includes a suggested power to allow the Secretary of State to intervene in the investment function of an administering authority when necessary

Revaluation of business rates

The next revaluation of all properties for business rates will take effect from 1 April 2017. From next April, businesses will benefit from the biggest ever cut in business rates in England-worth £6.7bn over the next five years. £3.4bn worth of transitional relief will be available to provide support for the changes. By 2020 councils will be able to keep 100% of all local taxes to fund local services. Invoices will be issued by councils, and the valuations carried out by the VOA, as is currently done, to avoid conflict of interest.

The small business rate multiplier is expected to fall from April 2017 by 1.7p to 46.7p, the standard rate multiplier is also expected to fall by 1.7p to 48.0p.

Schools no longer required to convert to academies

The government will no longer pursue a bill making it compulsory for all schools to convert to academies after protest from Councils, the bill will now only encourage converting.

The original plans required all schools to have converted, or have plans in place to do so by 2022. The announcement coincides with draft plans to introduce more grammar schools in England, reversing the 1998 ban on new grammar schools. And proposals suggesting more schools will be allowed to select pupils based on academic ability which is under consultation until mid-December.

In addition a bill on technical and further education has been published with the aim of boosting the countries productivity by addressing skills shortages by providing high quality technical education. This stems from the independent panel chaired by Lord Sainsbury, which undertook a review of the post-16 skills system and advised Government on measures to improve technical education in England, this led to the Post-16 Skills Plan published in July 2016, which set out the plan to replace thousands of courses with 15 routes into technical employment.



Government and economic news

Public sector borrowing

Public sector borrowing for August has decreased by £0.9bn to £10.5bn compared with the same month last year. This is due largely to a decrease in central government net borrowing of £0.4bn as well as a fall in local government borrowing of £0.2bn.

Public sector net debt at the end of August was £1,621.5bn which is equivalent to 83.6% of UK GDP. This is an increase of £52bn compared with August 2015.

The latest figures come 2 months after the vote to leave the European Union in June.

The Emergency Services Network

In 2011 the Government set up the Emergency Services Mobile Communications Programme to look at options to replace the current provider, Airwave Solutions Limited, for communications between personnel in the field and control rooms. The current contract is set to expire in 2019 and the objective was to replace the current service with one that:

- ▶ Makes high speed data easily available to the emergency services
- ▶ Provides more flexibility and takes advantage of new technologies as they emerge
- ▶ Costs less

The chosen option to replace the Airwave service and meet the three objectives is the Emergency Services Network (ESN). The provision of this service has been contracted out to three main providers Kellogg Brown and Root, Motorola Solution and EE Ltd.

The plan is emergency services will start moving to this new network in September 2017 and the process will be complete by December 2019.

It is estimated to cost £1.2bn from April 2015 to March 2020. After this date the ESN is expected to save money compared to Airwave, the current provider.

Barclays changes LOBO loans to fixed rate loans

Following a period of public scrutiny Barclays has changed its Lender Option Borrower Option (LOBO) Loans to Councils and Local Authorities to a fixed rate basis. The LOBO's had initially been offered at lower rates than the other main source of public sector funding the Public Works Loan Board (PWLB) however Barclays always retained the right to adjust the interest rate. This had come under scrutiny and it was argued didn't offer value for money for taxpayers. A series of objections by local electors have been made to the 2015-16 accounts of 24 local authorities that have taken out LOBO loans. The objections predominantly argued that the decision to take out LOBO loans was irrational and unreasonable, and thereby unlawful. Appointed auditors are currently considering these objections under the legal framework for objections contained in the Local Audit and Accountability Act 2014.

Under the changes Barclays has stated that over 100 local authorities and housing associations will benefit from the change. It will also give such bodies much more certainty over their finances in the future as it will remove an element of uncertainty attached with the nature of the loans by locking the loans in at a fixed rate for the duration of the loans. Barclays said that clients impacted had been notified of the change in June 2016.



Accounting, auditing and governance

PSAA as appointing person

In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation three of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018/19 of principal authorities that choose to opt into its arrangements.

Appointments for 2018/19 must be made by 31 December 2017. Details of the scheme as well as a timetable will be available soon.

Governing culture: practical considerations for the board and its committees

Corporate culture has been a hot topic for many years now and we are finding Boards and Audit Committees are starting to question more and more how they can ensure proper oversight. The EY Corporate Governance team have prepared a report that summarises the findings of the recent EY and FT board survey on culture and their own work at individual organisations.

We would define culture as the collective values and beliefs that exist in an organisation, or parts of an organisation, that inform and influence behaviours, actions and decision making. Culture can then be split into four organisational pillars:

- ▶ Political architecture: where does power lie and how is it used?
- ▶ Performance architecture: how do economic and performance objectives drive behaviour?
- ▶ Social architecture: what values govern relationships and what behaviours do these drive?
- ▶ Operational architecture: how do organisational frameworks, systems and processes affect behaviour?

Audit committees have a unique role to play in the governance of culture, which can directly affect internal control processes, risk management and the integrity of the financial statements. The Corporate Governance team included the following key messages for the audit committee:

- ▶ The audit committee should understand how culture can impact the effectiveness of risk mitigation strategies and support decision making throughout the company in line with the risk appetite determined by the board
- ▶ The committee should consider the cultural context for performance and results and the integrity of the financial statements
- ▶ Data analytics can help the committee create a picture of culture throughout the company, including across international locations. This data should form part of the overall analysis that is used to drive further assurance and oversight efforts
- ▶ The committee should be aware of cultural factors that can influence the relationship with the external auditor. It should use internal audit as a resource for monitoring and championing the desired culture throughout the organisation

If you have any questions on culture or corporate governance then please speak to your external audit team who will be able to provide information on the various pieces of work we have done, and could do, for your organisation.



Regulation news

Gender Pay Gap

Subject to the approval by Parliament the regulations for mandatory reporting on the gender pay gap will come into force during October 2016. However, employers will have around 18 months from commencement to publish the required information for the first time.

Employers with 250 or more employees will fall within the scope of the regulations.

Pay

The regulations will require employers to publish their overall mean and median gender pay gaps as they are complementary indicators. As well as giving employers a better understanding of any pay gaps identified, this will facilitate comparisons with national and international figures.

Bonus

Employers within scope will need to publish the difference between the mean bonus payments paid to men and women (regulation 6). The mean takes into account the full distribution of bonuses paid by an employer. Only those employees who receive 10 bonuses should be included in the calculation. Employers will also be required to publish the proportion of male and female employees that received a bonus.

Salary Quartiles

Employers will be required to report on the number of men and women in each quartile of their pay distribution (regulation 7). Quartiles split into four equal groups, where each group contains a quarter of the data. Employers will calculate their own salary quartiles based on their overall pay range. The objective is to identify the numbers of women and men in each quarter by the overall pay distribution. This is straightforward to produce and will help employers consider where women are concentrated in terms of their remuneration, and if there are any blockages to their progression.

Impact

This is not yet a disclosure requirement but is something that could emerge in the future.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

What actions are being taken to consider the impact of the UK's decision to leave the European Union?

Do we have appropriate governance arrangements in place to facilitate the delivery of the STP?

Are we ready for the changes to exit package calculations?

If you are an administering authority has the impact of the proposed changes to the new pension investment scheme been considered and how the local authority will go about determining the value of their own investment?

Did your local authority have a Barclays LOBO and if so have the impact of the changes made by Barclays been considered by your organisation?

Has the local authority got a plan in place to appoint an external auditor before 31 December 2017?

How thoroughly has the committee discussed the impact of culture on risk, risk management and the internal control environment?

Are there systems in place to be able to calculate the gender pay gap, ensuring your organisation is prepared if this does become a requirement?



Find out more

EY Item Club

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

Sustainability and transformation plans

<https://www.england.nhs.uk/wp-content/uploads/2016/02/stp-footprints-march-2016.pdf>

<https://www.kingsfund.org.uk/projects/sustainability-and-transformation-plans>

Exit packages

<http://www.publicfinance.co.uk/news/2016/09/treasury-confirms-public-sector-pay-offs-be-capped-ps95k>

Pension investment schemes

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479642/Consultation_on_investment_reform.pdf

Revaluation of business rates

<https://www.gov.uk/government/news/government-promises-fairer-bills-for-business-across-the-country>

Schools conversion to academies dropped

<http://www.bbc.co.uk/news/education-37791282>

and

<https://www.gov.uk/government/collections/technical-and-further-education-bill>

Public sector borrowing

<http://www.publicfinance.co.uk/news/2016/09/public-sector-borrowing-falls-august>

The Emergency Services Network

<https://www.nao.org.uk/wp-content/uploads/2016/09/Upgrading-emergency-service-communications-the-Emergency-services-Network.pdf>

Barclays changes LOBO loans to fixed rate loans

<http://www.publicfinance.co.uk/news/2016/09/barclays-ditches-lobo-loans>

PSAA as appointing person

<http://www.psaa.co.uk/2016/08/news-release-psaa-specified-as-appointing-person/>

Governing culture: practical considerations for the board and its committees

<http://www.ey.com/uk/en/issues/governance-and-reporting/corporate-governance/ey-governing-culture---practical-considerations-for-the-board-and-its-committees>

Gender Pay Gap

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504398/GPG_consultation_v8.pdf

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

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

© 2016 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED None

EY-000014045.indd (UK) 11/16. Artwork by Creative Services Group Design.

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk

TITLE	Corporate Complaints Update
FOR CONSIDERATION BY	Audit Committee on 5 December 2016
WARD	None Specific
DIRECTOR	Graham Ebers, Director Corporate Services

OUTCOME / BENEFITS TO THE COMMUNITY

We proactively engage with our residents and customers if they express dissatisfaction about a service we deliver. There is also a statutory responsibility to operate a complaints process for all social care complaints received by the authority.

These processes help us to understand issues from their perspective, learn, and continuously improve and improve how we do things to serve our community. In addition, we keep record of all positive feedback received and report this to the relevant service areas.

RECOMMENDATION

The Committee is requested to provide comments which might further improve this area of work.

SUMMARY OF REPORT

Corporate complaints are managed by Information Services, which currently sits within the Customer Services and IMT department. The statutory social care complaints for Children's Services are managed within service by their Complaints Officer, with some involvement from Information Services for those complaints escalated past stage 1.

This year there were some formal changes to the corporate complaints process, including introduction of an early resolution stage and closer partnership working with service areas at stage 1. The aims of these changes were to focus on (i) dealing with customer complaints at an early a stage as possible and (ii) the resolutions the customers were seeking.

For quarters 1 and 2, we have seen a year on year reduction in the number of complaints responded to at stages 1 and 2 of the corporate complaints process.

Corporate complaints (Appendix 1, slides 4 and 6)

From April to September 2014 we received a total of 122 complaints at stage 1. In the same period for 2015 we received 50 stage 1's. In 2016, we have received 39 – a reduction of 22% compared with 2015 and a 51% reduction compared with 2014.

For 2014 and 2015, approximately 26% of stage 1 corporate complaints escalated to stage 2. For 2016, only 18% of complaints escalated to stage 2, a total of 7.

The most common reasons for corporate complaints are about processes and decisions.

The 8 complaints received via the Local Government Ombudsman (LGO) and Housing Ombudsman (HO) has remained consistent with 2015, with 10 being received in the same period last year. 5 of the 8 corporate complaints received from the LGO relate to either school admissions or school transport appeals, which do not go through the Council's internal complaints process.

The remaining complaints escalated to the LGO, 2 were in relation to planning applications, 1 was in relation to highways and transport. These were all complaints which we declined to consider at stage 2 as there were no grounds for further investigation. The LGO have upheld our decisions on these 3 complaints.

Children's Social Care complaints (Appendix 1, slides 5 and 7)

From April to September 2014 we received a total of 22 complaints at early resolution stage. In the same period for 2015, there were 8 and in 2016, 16 cases were received.

For 2014, 9 complaints were escalated to stage 1 and in 2015, no complaints were escalated. In 2016, 2 complaints have been escalated to stage 1.

There have been no complaints escalated to stages 2 or 3 in 2016.

The most common reason for Children's complaints is in respect of the quality/accuracy of assessments; although, the 'reasons for complaints' table on slide 5 shows that there is no real 'stand out' area.

There has been no contact from the LGO in respect of social care complaints received in quarters 1 and 2; although, as they will investigate complaints within 12 months of them being reported, we may yet see some escalate to the LGO.

Whilst none of the complaints received in quarters 1 or 2 of this financial year have been escalated, there have been some historical complaints which have taken up a considerable amount of officer time over the last year. There are currently two ongoing stage 2 investigations.

Background

The complaints team deal with both corporate (including Housing) and social care complaints, and there are formal processes published for all.

Customers can refer to the Local Government Ombudsman (LGO) or Housing Ombudsman (HO) should they remain dissatisfied after completing the process.

<http://www.wokingham.gov.uk/contact-us/how-to-complain/>

The team has kept its focus on resolving complaints as soon as possible to negate the need to escalate to further stages, which not only reduces the council resource committed to responding to complaints, but also prevents our customers going through a potentially laborious complaints process to have their concerns resolved.

Earlier this financial year, considerable work was put in to implementing and communicating the changes to the corporate complaints process council-wide, which was also used as an opportunity to improve our partnership working with all council services.

Analysis of Issues

The statistics produced, in our view, demonstrates that the implemented changes to the corporate complaints process – and the continuing partnership working with services – are beginning to have the desired impact. The number of stage 1 and 2 complaints – which are the most resource intensive – have reduced significantly. It also means that there are much fewer cases where our customers have to progress through what can be a lengthy complaints process to resolve their concerns.

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

N/A

Cross-Council Implications

Complaints cut across all Council services.

List of Background Papers

Complaints report – April to September 2016.
--

Contact Jacqueline Whitney	Service Customer Services
Telephone No 0782 440 9291	Email Jackie.Whitney@wokingham.gov.uk
Date 21 November 2016	Version No. 1



Complaints

April to September 2016

Q1 to Q2

Background Information

- Data is based on information recorded on 'Respond'. If we have not been alerted to complaints, they will not have been included in this report.
- Details of statutory children's social care complaints is based on Q1 & Q2 reports provided by Janet Day, Children's Services.
- Some of the 'Stage 1' complaints for may still escalate to Stage 2 or to the LGO/HO.
- Where there are, for example, 50 'Stage 1' complaints and 7 'Stage 2' complaints, this would not mean there were 57 complaints. This shows 7 escalated to stage 2, with 50 received in total.

Summary of Complaints



**WOKINGHAM
BOROUGH COUNCIL**
*Improving Resident and
Customer Services*

Summary: Complaints Received between April 2016 (Q1) and September (Q2)

- **14** complaints have been recorded as being resolved at 'Early Resolution'.
- We have received **39** 'Stage 1' corporate complaints, of which **7** have been escalated to 'Stage 2'.
- We have received **18** Children's Services Social Care Complaints, **2** of which were out of scope.
- **8** complaints have been received via the Local Government Ombudsman (LGO) or the Housing Ombudsman (HO).

57

The majority of the complaints escalated to the LGO or HO relate to School Transport Appeals.



62

Total number of **Corporate & Social Care** Complaints



7

Total number of Complaints escalated to **Stage 2**

Local Government
OMBUDSMAN

8

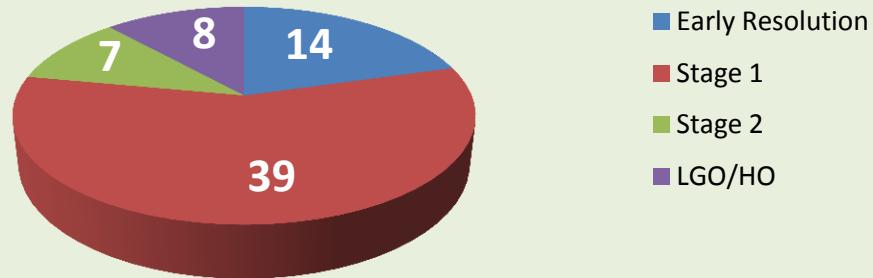
Total number of Complaints investigated by the **LGO**

Corporate Complaints Snapshot

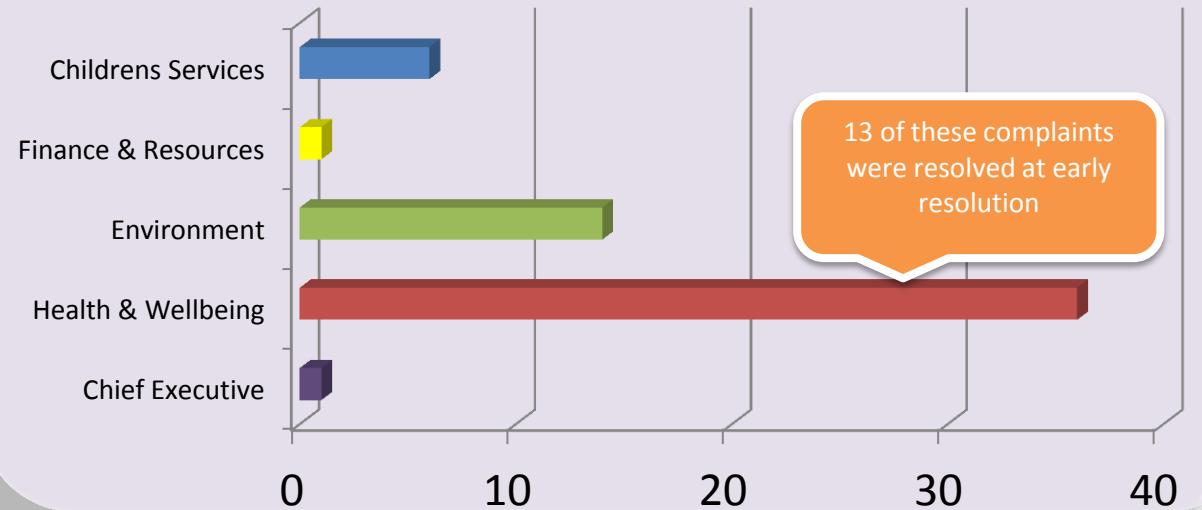


WOKINGHAM
BOROUGH COUNCIL
*Improving Resident and
Customer Services*

Complaints Received

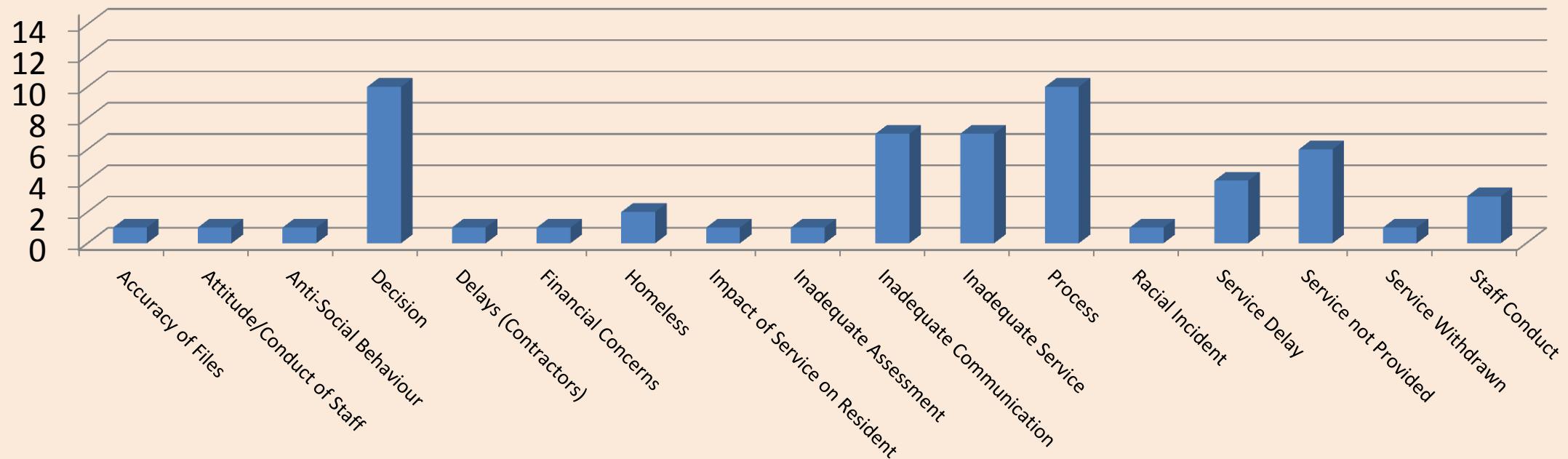


Complaint Service Location



58

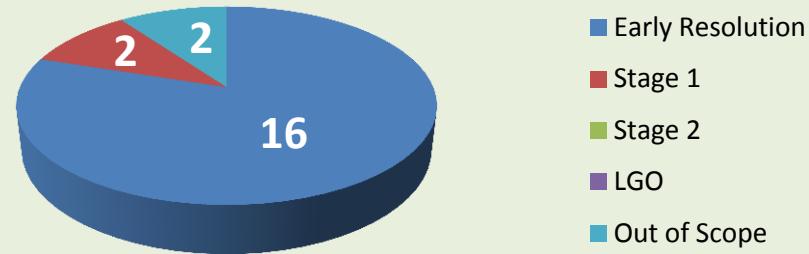
Reasons for corporate complaints



Children's Services Social Care Complaints

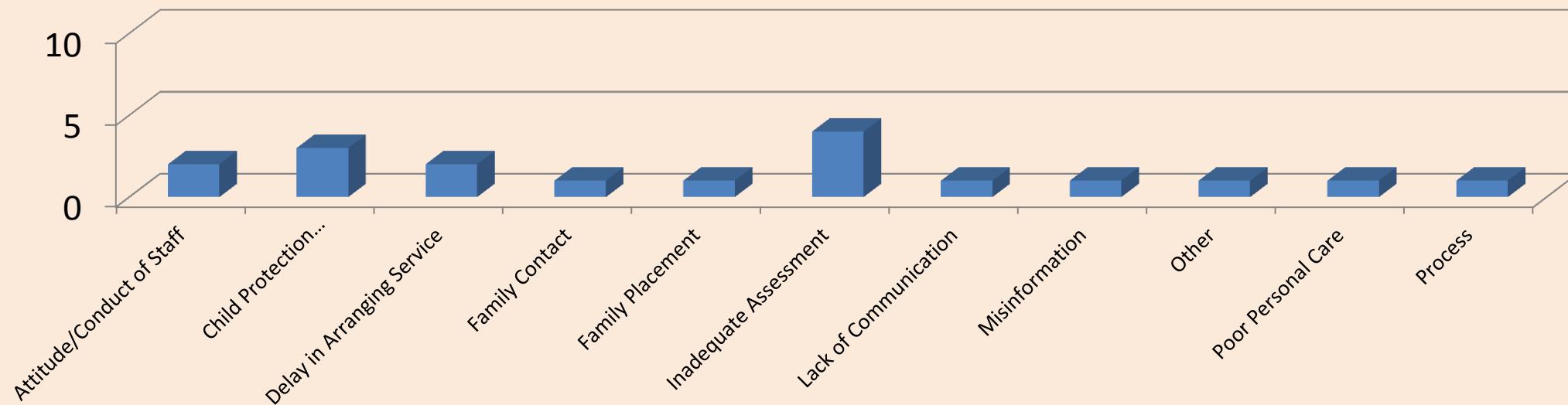


Complaint Stages



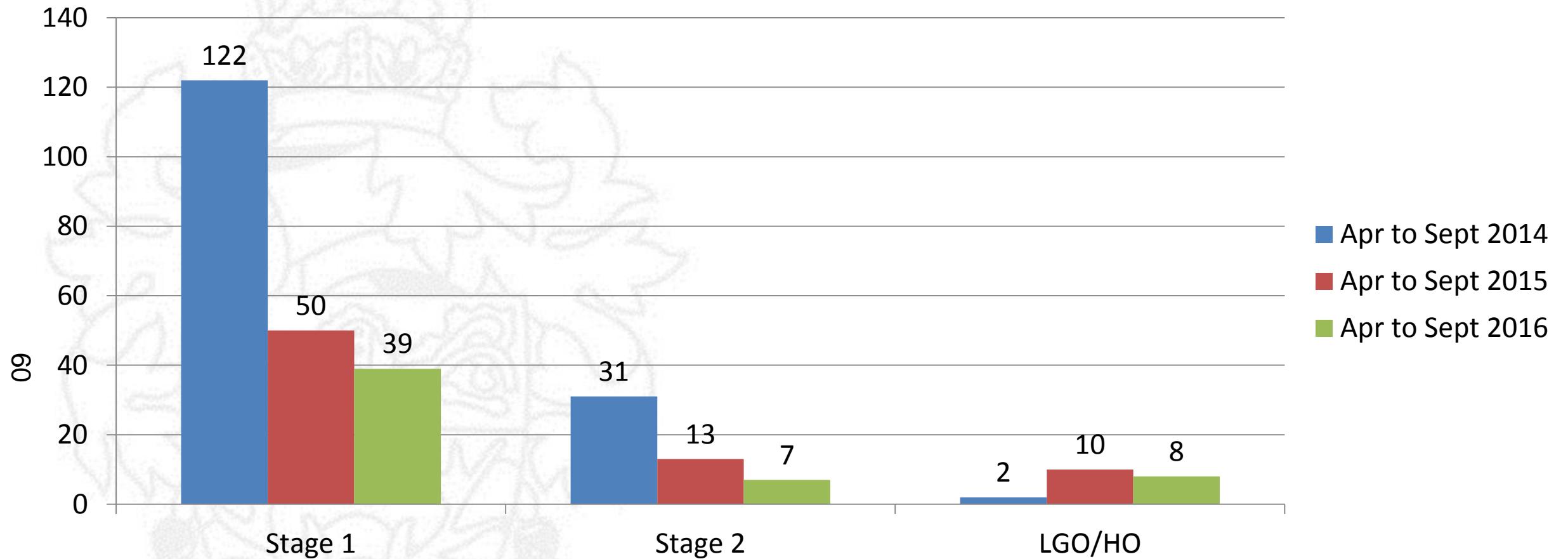
* **Other:** Initial meeting at Stage 0, early resolution

Reasons for children's complaints





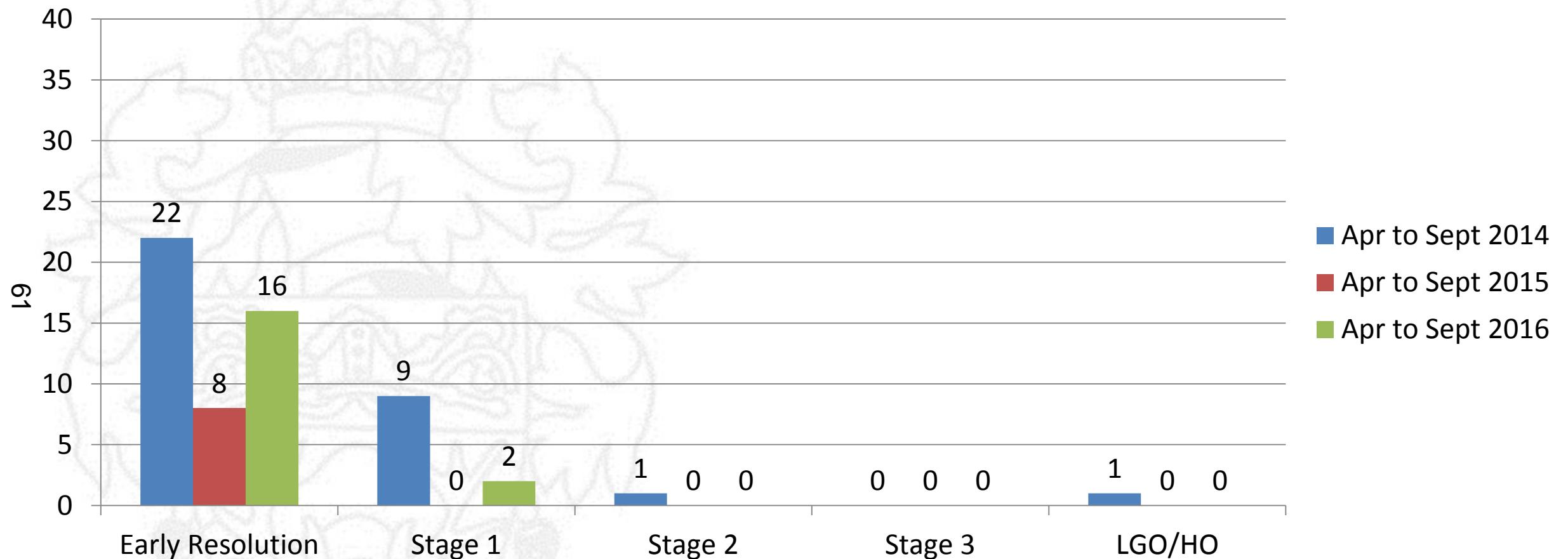
Corporate Complaints Received – Q1 & Q2 Comparison with Previous Years



Comments/Observations

- Comparison for Q1 and Q2. Demonstrates a year on year reduction in those complaints responded to at Stages 1 and 2.
- In 2014 and 2015, approximately 25% of Stage 1 corporate complaints escalated to Stage 2. For 2016, only 18% of complaints escalated to Stage 2.

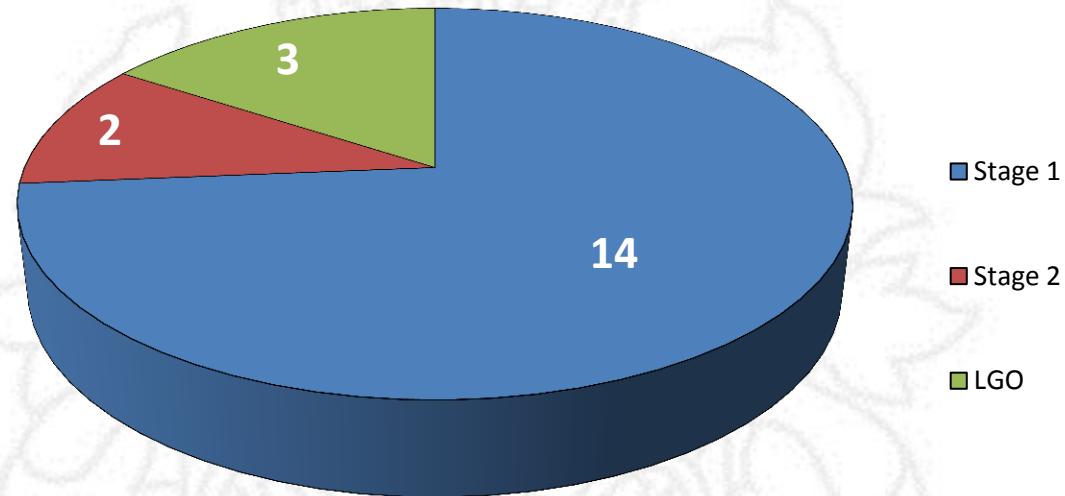
Children's Services Statutory Complaints Received – Q1 & Q2 Comparison with Previous Years



Comments/Observations

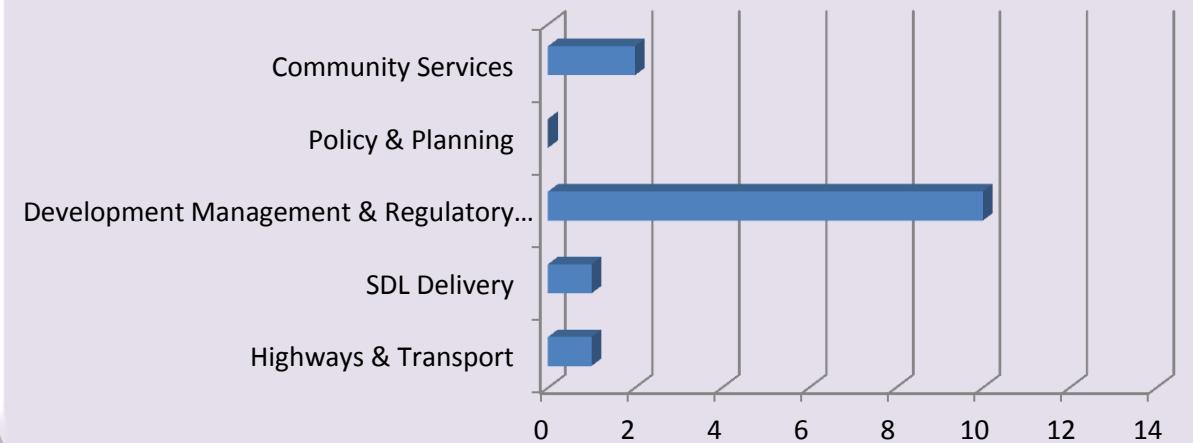
- Each of the last three years has seen a continuing trend: complaints the large majority of complaints are dealt with at 'Early Resolution' stage.
- There has been a slight increase in those complaints dealt with at 'Early Resolution' compared to last year; however, only two of have progressed to Stage 1. No complaints have been escalated to Stages 2, 3 or LGO.

Environment



62

Complaint Service Location



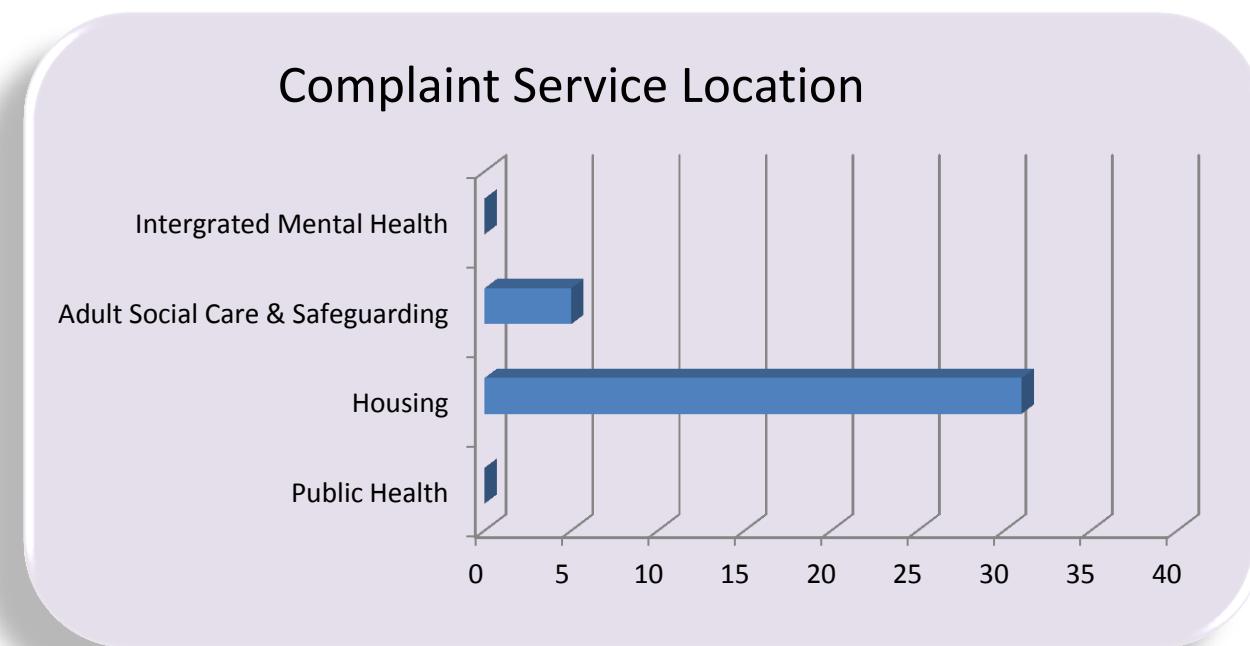
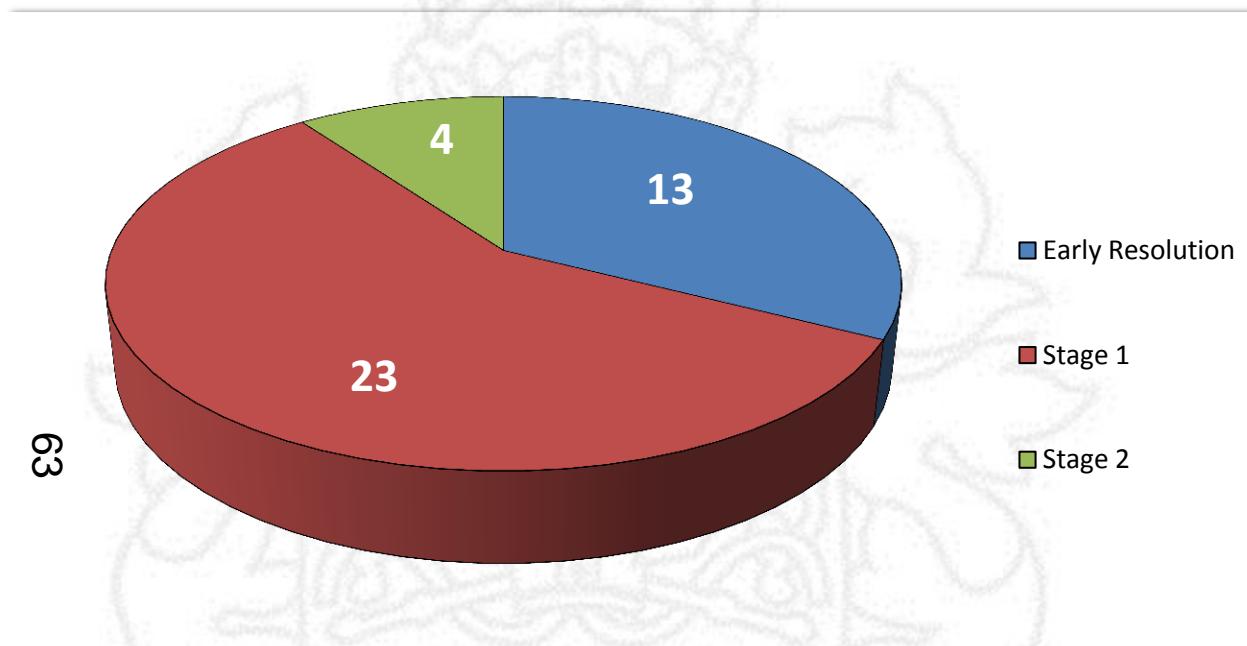
Comments/Observations

- The complaints responded to at Stage 2 have not been escalated any further to date.
- The 3 complaints received via the LGO were all complaints which the council declined to investigate at Stage 2.

Health & Wellbeing



**WOKINGHAM
BOROUGH COUNCIL**
*Improving Resident and
Customer Services*



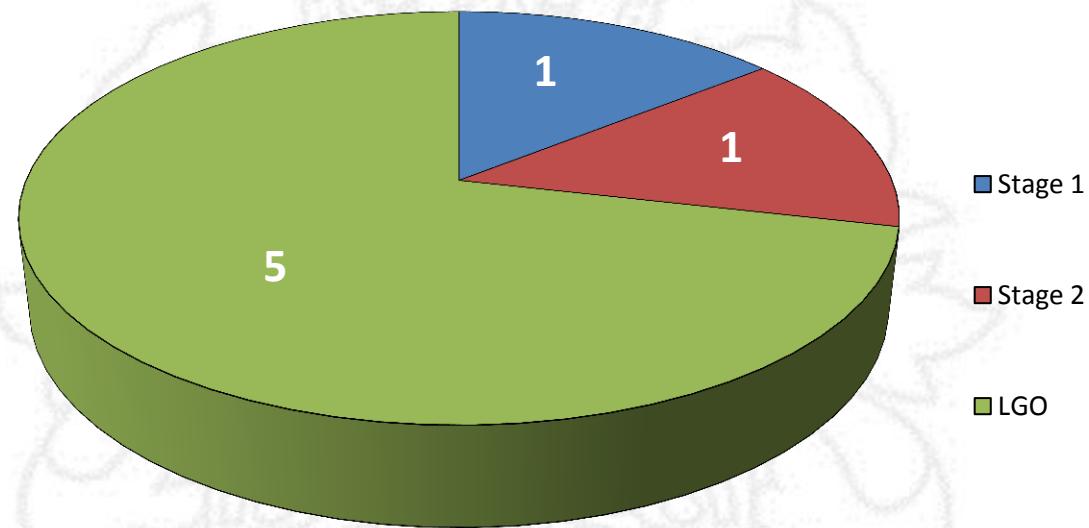
Comments/Observations

- Of the 31 complaints for Housing, 21 related to 'Planned and Reactive Repairs', which often attracts a higher number of complaints. Majority of these were responded to at early resolution stage.
- There were 2 complaints for Housing which were escalated to Stage 2. Both were in relation property repairs and were not upheld at this stage.
- There were 5 complaints against Adult Social Care. 2 were escalated to Stage 2, neither of them were upheld.
- None of these complaints have been escalated to either the LGO or HO.

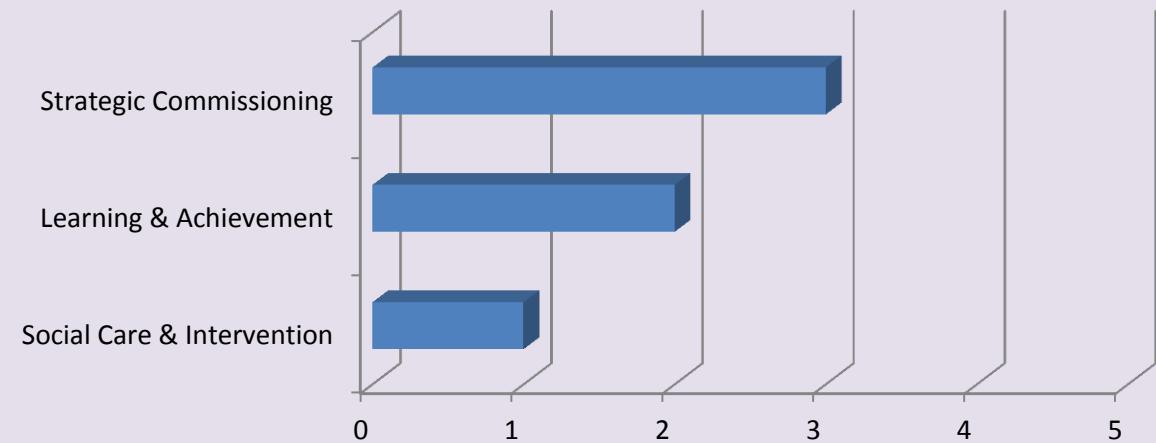
Children's Services – Corporate Complaints



**WOKINGHAM
BOROUGH COUNCIL**
*Improving Resident and
Customer Services*



64



Comments/Observations

- 1 complaint against SEN, which was escalated to Stage 2. This was not upheld at either stage.
- All LGO complaints relate to complaints about appeals: 3 for school transport appeals and 2 for general school admissions.
- After an appeal, complaints are not considered through the Corporate Complaints Process.

Other Complaints

- There was a Stage 1 complaint responded to by the Insurance Service, which was not upheld.
- ⁶⁵ The resident requested escalation to Stage 2, which was declined on the basis that there was no merit in doing so.
- In addition, there was one case of ‘early resolution’ in relation to the council’s services for deaf residents.



What has worked well...

- Proposals to change corporate complaints process were agreed by CLT. Changes have been implemented this year. Statistics have shown that number of complaints considered at Stages 1 and 2 have reduced.
- There has been a lot more work with other service areas on addressing customer concerns at an early a stage as possible, focussing on their desired resolutions.
- Maintained good working relationship with the LGO. Open in challenging decisions we do not agree with.

Compliments for Q1 & Q2

- In Q1 & Q2, we have received details of **73** formally recorded compliments.
- 67 • A large majority of these compliments were received by Environment, with particularly positive feedback on the new grass cutting policy and our countryside services.
- There was also a number of compliments received by Children's Services and frontline customer services

This page is intentionally left blank

TITLE	Governance Arrangements for 21st Century Council Programme
FOR CONSIDERATION BY	Audit Committee on 5 December 2016
WARD	None specific
DIRECTOR	Heather Thwaites, Director of Locality and Customer Services

OUTCOME / BENEFITS TO THE COMMUNITY

The transformation of the way the Council operates will be undertaken with strong governance arrangements in place to ensure we achieve the following benefits:

- Improved availability of, and access to, Council services through digital channels
- Swifter resolution of issues and queries
- Ability for residents to track the progress of their issue as it is resolved by the Council
- Greater focus on problem-solving and customer responsiveness
- A leaner, more efficient Council costing significantly less to run

RECOMMENDATION

The Audit Committee notes the governance arrangements for the 21st Century Council programme.

SUMMARY OF REPORT

The purpose of this report is to inform the Committee of the governance arrangements put in place and proposed following the September 2016 Executive decision to implement the 21st Century Council programme. It should be noted that the Executive will be receiving quarterly reports during the implementation period reporting on progress of implementation and revenue return on investment.

The key features of the governance arrangements are:-

- Officer Programme Board chaired by the Chief Executive
- Member/Officer Management Group with sub groups focused on IT and Finance
- Existing decision-making bodies (e.g. Executive, Personnel Board) operated as per the Council's Constitution
- A strong approach to risk management embedded in the programme at all levels.

The details of the arrangements are set out in the main body of the report. It should be noted that towards the financial year-end, the internal audit team is scheduled to undertake an assurance review to confirm that the arrangements described in this report are operating as expected.

Background

On 29 September 2016, the Executive agreed to the implementation of the business case for the 21st Century Organisational Change Programme which set out the key elements of change to the shape, structure and operating model of the Council. The proposals will lead to a radical change in how the Council operated resulting in a reduction in costs whilst improving services.

For a programme of this size, complexity and organisational significance it is essential that robust and effective governance arrangements are in place.

As part of the programme set-up work a series of governance groups has been established.

In addition, risk management arrangements have been put in place across the Programme. Given its significance, risks around the programme are included on the Corporate Risk Register (Risk No. 20).

Analysis of Issues

An overall summary of the Governance bodies is provided at Appendix 1.

Details of the terms of reference for each part is provided at Appendix 2.

Risks are being managed at four different levels:-

- Corporate Risk – risk no 20
- Programme Risk Register
- Workstream Risks (e.g. IT, Service Redesign and Workflow, Change & Transition, Finance, HR)
- Departmental Transition Risks

All of these arrangements will be subject to an internal audit in quarter 4 of 2016/17.

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)	£0	Yes	N/A
Next Financial Year (Year 2)	£0	Yes	N/A
Following Financial Year (Year 3)	£0	Yes	N/A

Other financial information relevant to the Recommendation/Decision
--

None

Cross-Council Implications

This change programme impacts on the whole Council.

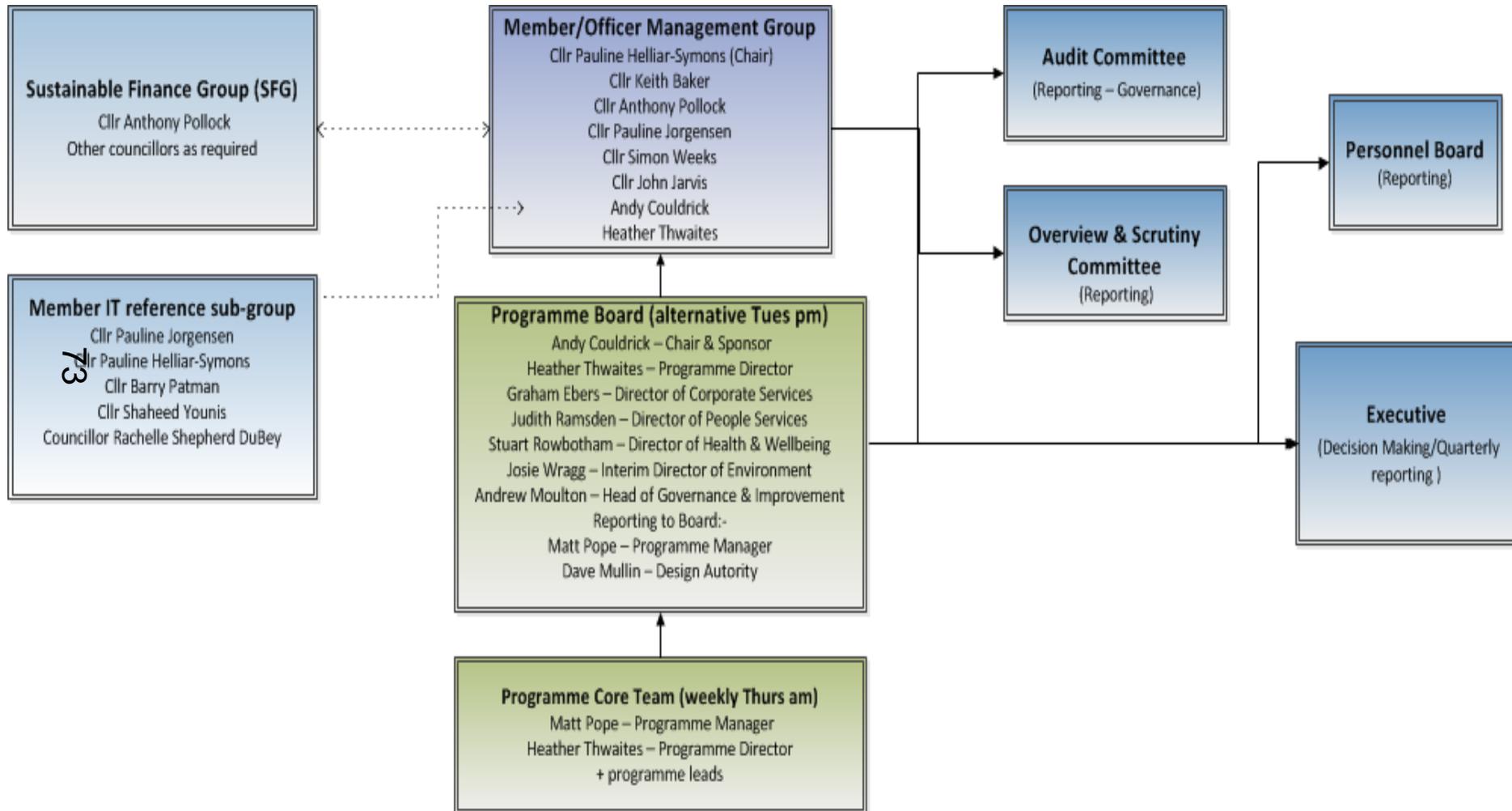
List of Background Papers

21 st Century Council Business Case – see Executive papers 29 September 2016

Contact Andrew Moulton	Service Governance & Improvement
Telephone No 07747 777298	Email Andrew.moulton@wokingham.gov.uk
Date 22 November 2016	Version No. 1

This page is intentionally left blank

Appendix 1 - To ensure that the Programme is governed and managed appropriately we have the following meetings structure in place



This page is intentionally left blank

Governance Arrangements – Terms of Reference

Programme Board

Purpose: Provide direction, clarity, and resolve, manage and or be aware of risks and issues

Membership: CEO (chair), Programme Director (HT), Director of Corporate Services (GE), Director of People (JR), Director of Health & Wellbeing (SR), Interim Director of Environment (JW), Head of Governance & Improvement (AM). The following also attend: Programme Manager (MP), Design Authority (DM) and Project Administrator (minutes)

Frequency: fortnightly (Tuesday pm)

Reporting: Receive updates in person, and receives a detailed Highlight Report covering progress on a fortnightly basis

Core Programme Team

Purpose: To discuss the details of the programme, including scope, timescales, quality, risks, benefits and costs. To identify matters that require input / agreement from the Programme Board

Membership: Programme Director (HT), Programme Manager (MP), Head of G& I (AM) and any other stakeholders (such as finance, IT, HR, communications or learning & development)

Frequency: Weekly (Thursday am)

Reporting: Highlight reports are discussed and signed off (by the Programme Director) prior to submission to the Board

Member/Officer Group

Purpose: To keep Conservative Group updated and informed, of both the 21CC reshaping programme and the 12 boxes and where necessary provide high level guidance and scrutiny to the CEO and Directors

Membership: Cllr Helliard-Symons (Chair), Cllr Baker, Cllr P Jorgensen, Cllr Pollock, Cllr Weeks, Cllr Jarvis, CEO, Programme Director

Frequency: Two monthly

Reporting: Receives a report from the Programme Board providing a high level overview of the progress over the past months

Member IT Reference Sub Group

Purpose: As a sub group of the Member/Officer group, to scrutinise and advise on the **IT** aspects of the Programme and where necessary provide high level guidance to the Lead Member and Member/Officer Group

Membership: Cllr Helliard-Symons , Cllr P Jorgensen, Cllr Younis, Cllr Weeks, Cllr Patman, Councillor R Shepherd DuBey, Programme Mgr (MP), IT Implementation Mgr (SW)

Frequency: Two monthly

Reporting: Receives a report on the IT aspects from the Programme Board providing a high level overview of the progress over the past months

Sustainable Finance Group

Purpose: In addition to the existing budget related scrutiny, to be kept informed specifically of the **financial** aspects of the Programme and where necessary provide high level guidance to the CEO and Directors

Membership: Cllr Pollock, other councillors as required, Programme Mgr (MP), KMCK

Frequency: Two monthly

Reporting: Receives a report on the financial aspects from the Programme Board providing a high level overview of the progress over the past months

Audit Committee

Purpose: To be informed specifically of the **governance** aspects of the Programme and where necessary provide high level guidance to the CEO and Directors

Membership: See WBC website

Frequency: Report in December 2016 on governance arrangements

Reporting: Receives a report on the governance aspects from the Programme Board providing assurance that appropriate arrangements are in place

Overview & Scrutiny

Purpose: To be kept informed of the overall implementation progress of the Programme and where necessary provide high level guidance to the CEO and Directors

Membership: See WBC website

Frequency: First report Jan 17 then to be advised

Reporting: Receives a general report on the programme from the Programme Board providing assurance that appropriate arrangements are in place

This page is intentionally left blank

TITLE	Corporate Risk Register Refresh – November 2016
FOR CONSIDERATION BY	Audit Committee on 5 December 2016
WARD	None Specific
LEAD OFFICER	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

The Audit Committee is asked to consider and note the risks and mitigating actions of the Council's corporate risks as detailed in the attached CRR. This was reviewed and updated following the August Corporate Risk Register refresh process.

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 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 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 changes to the risk scores as part of this update; the main changes are:

- Risk 2 Risk of inability to match supply and demand for school places – updated commentary on causes
- Risk 7 Risk of serious or significant harm to a vulnerable child or young person with whom the council is working – updated controls
- Risk 8 Risk of avoidable serious harm or death of a vulnerable adult for whom the council has a responsibility. - updated actions to mitigate the risk
- Risk 14 Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning – updated actions to mitigate the risk
- Risk 27 Failure of Health and Social Care system - updated actions to mitigate the risk
- Risk 28 Inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act - updated actions to mitigate the risk.

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.

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 23 November 2016	Version No. V1

This page is intentionally left blank

Corporate Risk Register
 Summary Page
 Updated 23/11/16

APPENDIX A

Key

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

Risk Matrix

LIKELIHOOD	6				
	5				
	4			28	12
	3			27	7,8,14,23
	2			18,20	2,29
	1				
			2	4	6

IMPACT

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite
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. 	<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	
	<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>	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	
	<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>Development of a Multi-Agency Safeguarding Hub (MASH) to drive better co-operation between key partners.</p> <p>Funding issues to be addressed with school forum regarding contribution to education focussed safeguarding leadership. Judith Ramsden Review date 31/03/17</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 • Regular Social Care Pathway meetings and updates • Duty response • Good recruitment and retention of social care professionals • Interagency working • Berkshire West Safeguarding 	<p>Audit and review of most vulnerable carers (following Community Safety Partnership domestic homicide review) - current Stuart Rowbotham – Review January 17</p> <p>Safeguarding Peer Review Action Plan being implemented – to April 2017 Stuart Rowbotham – Review January 17</p>	SR	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
	<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>Board operating effectively</p> <ul style="list-style-type: none"> 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 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 							

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite	
	<p>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"> • 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>programme. John Ogden Review date 31/01/17</p>							
14	<p>Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning</p> <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>	<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"> • 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 	<p>Seek to limit gap between infrastructure capital expenditure and related capital receipts (£106 / CL). Martin Jones / Mark Cupit Review date 30/11/16</p>	GE	AP	8	3	H	H	

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite
	Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning.		<ul style="list-style-type: none"> plan. Resource planning for Strategic Development Locations (SDL) infrastructure needs. 							
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 documents.</p> <p>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.</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 Loss of trust from partner organisations/contractors. 	<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 / information handling and basic information security practice Secure e-mail solution Document marking scheme 	<p>Continuing IGG programme of work & quarterly updates to CLT</p> <p>Sally Watkins Review Date 31/12/16</p>	GE	PJ	6	2	M	L
20	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		<ul style="list-style-type: none"> C21 Council Business Case and Implementation Plan Joint Board 		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	
91	for the new Council's operating model		<ul style="list-style-type: none"> • 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 								
	<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 priorities as a result of service failure.</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 									
23	Risk of Health and Safety Failure Leading to Death or Serious 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 	<p>Health and Safety training to be included in the Management Induction Programme for all new managers. Update: the planned formal launch date for the first H&S e-learning module is early January 2017; the second module, for which development has already commenced, is scheduled for release in March 2017. Veronica Glenister Review date 30/11/16</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. Update: this topic is covered in Module</p>	AC	KB	8	3	H	L	
	<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</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 									

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite	
93	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 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.		Buckinghamshire STP region.								
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</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 	<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>Stuart Rowbotham – Review date January 2017</p>	SR	JMS	6	4	H	L	

TITLE	Risk Management Policy and Guidance
FOR CONSIDERATION BY	Audit Committee on 5 December 2016 Executive on 26 January 2016
WARD	None Specific
LEAD OFFICER	Andrew Moulton, Head of Governance and Improvement Services

OUTCOME / BENEFITS TO THE COMMUNITY

The Enterprise Risk Management (ERM) Policy and supporting guidance provide the framework for sustaining effective management of risk at the Council. A robust risk management process will enable officers and members to make better informed decisions and become less risk adverse through a focus on risk and return. Effective risk management will help to reduce uncertainty and make effective provision for adverse events. These in turn will enhance the value for money delivered to taxpayers.

RECOMMENDATION

Audit Committee is asked to:

- 1) consider the Enterprise Risk Management Policy and Guidance; and
- 2) recommend to the Constitution Review Working Group that they consider amending the Terms of Reference for the Audit Committee as set out in the report.

SUMMARY OF REPORT

Both the policy and guidance have been subject to a high level review which has resulted in no changes being proposed. They have been found to be sound and present a solid basis for the management of risk going forward.

The ERM Policy sets out the Council's approach to risk management. The policy aims to achieve a pragmatic and effective approach to risk management that adds value to decision makers and does not impose an excessive bureaucratic or administrative burden.

Background

Both documents in their current form were last approved by the Executive in January 2016.

Having reviewed the documents no changes are being proposed to the policies, however because the Terms of Reference in the Constitution for the Audit Committee includes the following:

“To review, revise as necessary and recommend adoption of the Risk Management Policy and Strategy to Executive on an annual basis.”

the policies now have to be considered by the Audit Committee and the Executive. It is suggested that the Constitution is amended as follows:

“To review, revise as necessary and recommend adoption of the Risk Management Policy and Strategy to Executive when changes occur.”

This will reduce the workload for both the Audit Committee and the Executive where there are no changes to review. The Audit Committee will continue to have the opportunity to review and comment on the Corporate Risk Register at each meeting.

The Audit Committee is therefore asked to recommend this proposed wording to the Constitution Review Working Group for consideration and if accepted Council be asked to adopt the amendment.

Analysis of Issues

The key issue for Audit Committee is whether the policy and supporting guidance provide a sufficiently robust framework for the management of the Council's key strategic risks.

Audit Committee may like to use this opportunity to consider the Council's overall approach to risk management and whether this is aligned to the current level of risk the Council is taking.

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
N/A

Cross-Council Implications
N/A

List of Background Papers
None

Contact Julie Holland	Service Governance and Improvement Services
Telephone No 0118 974 6630	Email Julie.Holland@wokingham.gov.uk
Date 23 November 2016	Version No. 1

This page is intentionally left blank



Enterprise Risk Management Policy

A Framework for Managing Opportunity and Risk

Date:	27 November 2015
Version:	13.0
Classification:	Unclassified
Authors:	Julie Holland - Risk Management Facilitator
Quality Assurance:	Paul Ohsan Ellis - Internal Audit Manager

VERSION	DATE	DESCRIPTION
1.0	15 February 2009	Working Draft
2.0	3 March 2009	Working Draft
3.0	9 March 2009	Initial Release
4.0	11 March 2009	Draft for Consultation
5.0	25 March 2009	Draft for SLB Approval
6.0	30 April 2009	Draft for Audit Committee Adoption
7.0	13 May 2009	Draft for Approved Audit Committee
8.0	14 May 2009	Final Adopted Audit Committee 13/5/09
9.1	18 June 2010	Risk Management Group Refresh 2010-11
9.2	9 July 2010	Revised Draft for SLB Adoption
9.3	9 September 2010	Revised Draft for Audit Committee Adoption
9.4	7 October 2010	Final Adopted Audit Committee 22/09/10
10.0	31 October 2012	Revised Draft for CLT Adoption
11.0	28 November 2012	Final Adopted by Audit Committee
12.0	4 February 2014	Final Adopted by Audit Committee
12.1	21 November 2014	Final Adopted by Audit Committee
13.0	27 November 2015	Final Adopted by Audit Committee

1.0 Introduction

- 1.1 Wokingham Borough Council's environment is complex and dynamic. The Council provides services directly, through partnership working and via contractors to approximately 150,000 residents of the Borough. The Council's gross annual budget is in excess of £280 million. Risks (threats and opportunities) are inherent in all services and activities provided.
- 1.2 The importance of this Policy to the Council will increase given that the Council is becoming less risk adverse (i.e. accepting greater levels of risk) through its ambitious aspirations for the Borough, service delivery models (companies, trusts and partners), and greater use of technology. Managers will be less controlled through rules based management but empowered to take risks and opportunities as they arise.
- 1.3 The Council and its partners are working together to deliver the Council's Corporate Plan and long term Vision for the borough: "A great place to live, an even better place to do business". The Council has identified priorities and underlying principles to enable it to deliver on its Vision for the borough.
- 1.4 This Enterprise Risk Management Policy (ERM) commits the Council to an effective Risk Management Guidance in which it will adopt best practices in the identification, evaluation and control of risks in order to:
 - strengthen the ability of the Council in achieving its vision, priorities, underlying principles and objectives and to enhance the value of the services it provides;
 - adopt best practices in decision making through identification, evaluation and mitigation of risk;
 - integrate and embed proactive risk management into the culture of the Council;
 - heighten the understanding of all the positive risks (opportunities) as well as negative risks (threats) that the Council faces;
 - manage risks cost-effectively and to an acceptable level;
 - reduce the risk of injury and damage;
 - help secure value for money;
 - help enable the Council to be less risk adverse;
 - enhance partnership and project working; and
 - raise awareness of the need for risk management.
- 1.5 This policy will allow management to make better informed decisions and become less risk adverse through a focus on risk and return which in turn will enhance the value of money provided to our taxpayers (domestic and non-domestic). This policy will be implemented through the development and application of an ERM Guidance. The ERM Guidance shall be approved by Corporate Leadership Board and the Audit Committee and Executive on behalf of the Council.

2.0 Scope

- 2.1 The importance of ERM within the Council transcends every policy, Guidance and individual transaction, since losses arising from the failure to manage risk or take opportunities can have systemic repercussions for the Council. As such, effective ERM is of interest to all our stakeholders including Members, managers, inspectors, residents, taxpayers and suppliers.



- 2.2 This policy is also applicable to the council's interests in its wholly-owned subsidiaries. The officer responsible for the council's interest in the subsidiary should be familiar with this policy and remains accountable for the management of all such risks.
- 2.3 Nothing in this policy overrides the Health and Safety risk assessment process which aligns with Health and Safety Executive guidance and are recorded in WISER. Significant project and H&S risks should be identified on risk registers where appropriate.
- 2.4 The Chief Executive, the Corporate Leadership Team, Extended Corporate Leadership Team, 2nd and 3rd Tier Managers, Members of the Audit Committee, Members of the Overview and Scrutiny Committee and the Executive should be fully familiar with this policy.
- 2.5 All other staff and elected Members should be aware of it.

3.0 ERM Principles

3.1 This policy and the ERM Guidance shall be premised upon a common understanding and application of the following principles:

PRINCIPLE 1	The informed acceptance of risk is an essential element of good business guidance.
PRINCIPLE 2	Risk management is an effective means to enhance and protect the Council over time.
PRINCIPLE 3	Common definition and understanding of risks is necessary, in order to better manage those risks and make more consistent and informed business decisions.
PRINCIPLE 4	The management of enterprise risk is an anticipatory, proactive process, to be embedded in the corporate culture and a key part of strategic planning, business planning and operational management.
PRINCIPLE 5	All risks are to be identified, assessed, measured, managed, monitored and reported on in accordance with the Enterprise Risk Management Guidance based on best available information.
PRINCIPLE 6	All business activities are to adhere to risk management practices which reflect effective and appropriate levels of internal controls.
PRINCIPLE 7	2 nd Tier Managers should bring to the attention of their respective executive portfolio holders all significant risks on a timely basis.

4.0 Approach to ERM

4.1 This policy is aligned with the Council’s Corporate Governance Framework. This policy recognises the actions that Council makes with respect to the achievement of its Vision, priorities, underlying principles and business objectives are ultimately tied to decisions about the nature and level of risk it is prepared to take and the most effective means to manage and mitigate those risks. ERM covers all the council’s risks in a unified and consistent manner.

4.2 Risk management at the Council shall be based on an understanding of the quality and nature of the Council’s assets and its sources of revenue, and the impact of any associated potential liabilities. This policy, the ERM Guidance, the related management policies and procedures and management committees, shall enable management and the Corporate Leadership Team to meet their ERM responsibilities.

4.3 The Council’s approach to risk management is detailed in its ERM Guidance which is available on the Council’s internet and intranet.

5.0 Assignments and responsibilities

5.1 Where possible, ERM shall be integrated into existing corporate processes, thus becoming part of regular day-to-day business and activities. ERM shall be a collective and collaborative effort by the Council in order to achieve an effective system for the management of risk.

5.2 The following describes the roles and responsibilities that Members and Officers will play in introducing, embedding and owning the risk management

process and therefore contributing towards the best practice standards for risk management.

5.3 **Chief Executive**

- The Chief Executive has overall responsibility for the management of all significant risk within the Council including the creation, membership and functions of management committees with risk management roles. This includes the Corporate Leadership Team and the assignment and performance review of 2nd tier managers with responsibility for the management of identified risks;
- The Chief Executive also has a critical role in reporting to the Executive on identified strategic risks and communicating the strategic value of effective risk management to the Executive. The Chief Executive also has a role to play in ensuring adequate funding and resources are available for risk management activities.

5.4 **Corporate Leadership Team**

- To collectively ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council;
- To approve the risk appetite for each risk detailed in the Council's Corporate Risk Register and monitor the total risk faced by the Council;
- To take a leading role in identifying and managing the risks and opportunities to the Council and to set the example and standards for all staff;
- To identify, analyse and profile high-level strategic cross-cutting and emergent risks on a regular basis as outlined in the monitoring process;
- To ensure that appropriate risk management skills training and awareness is provided to appropriate elected Members and staff.

5.5 **Council Risk Facilitator**

- To facilitate the communication and implementation of this Policy and ERM Guidance to all elected Members, managers and staff to fully embed them in the Council's business planning and monitoring processes (as per their respective roles and responsibilities);
- To report to Corporate Leadership Team and Audit Committee on the management of corporate and other significant risks and the overall effectiveness of risk management;
- To provide training and support to relevant members and managers with regard to risk management;
- To co-ordinate all of the Council's risk management registers.

5.6 **2nd Tier Managers**

- Each 2nd Tier Manager is individually responsible for proper monitoring of the risks identified in their relevant service plans, local action plans and for embedding risk management into the business and service planning of their relevant services;

- Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives;
- Ensuring that all reports of a strategic nature written for Executive Members include a risk assessment of the options presented for a decision;
- Report regularly to the Corporate Leadership Team on the progress being undertaken to manage their risks and provide updates on the nature of the significant risks in their relevant service areas;
- To determine the risk appetite for each risk detailed in their Service Risk Register;
- Provide assurance on the adequacy of their relevant service's risk and control procedures;
- Bring to the attention of their respective Executive portfolio holders all significant risks on a timely basis.

5.7 **3rd Tier Managers**

In respect of risk management, each 3rd Tier Manager is individually responsible for:

- the proper identification, assessment and monitoring of the risks associated in their area of activity;
- bringing to the attention of their 2nd Tier Manager all significant risks on a timely basis;
- ensuring that all reports of a strategic nature written for Executive Members include a risk assessment of the options being presented for a decision;
- recommending (to the Council Risk Facilitator) risk management training for their staff (where relevant);
- implementing approved risk management action plans;
- maintaining an awareness of risks and feed them into the risk identification process;
- embedding a culture of pro-active risk assessment in their area of activity.

5.8 **Audit Committee**

To provide independent assurance of the adequacy of the ERM Policy and Guidance and the associated control environment. In particular:

- to receive the annual review of internal controls and be satisfied that the Assurance Statement properly reflects the risk environment and any actions required to improve it;
- to receive regular reports covering implementation of the Council's ERM Policy and Guidance to determine whether strategic risks are being actively managed;
- to review, revise as necessary and recommend adoption of the ERM Policy and Guidance to Executive on a regular basis;
- to have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of ERM as and when specific training needs are identified.

5.9 **Executive Members**

- Executive members are responsible for governing the delivery of services to the local community. Executive Members therefore have a responsibility to be aware and fully understand the strategic risks that the Council faces;
- Executive members have the responsibility to consider the risks associated with the decisions they make and will be informed of these risks in the reports that are submitted to them. They are required to consider the cumulative level of risk faced by the authority. They cannot avoid or delegate this overall responsibility, as it is vital to their stewardship responsibilities;
- To have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of ERM as and when specific training needs are identified;
- To receive regular reports, as presented to the Audit Committee covering the implementation of the Council's Risk Management Policy and Guidance, including updates over the management of all strategic risks.

5.10 **Overview and Scrutiny Committee**

To have due regard for this policy, and specifically, when undertaking scrutiny reviews to consider the Executive's risk identification and evaluation process.

5.11 **Members**

To have the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of ERM as and when specific training needs are identified.

5.12 **Departmental Leadership Teams**

- To collate on a quarterly basis the key and consistent themes from service, project and partnership risk registers and feed these to Corporate Leadership Team and give feedback to the services;
- To collate the highest level and most common operational risks (including those risks of a more health and safety or liability perspective) from a service level for communication and if required, consideration by Corporate Leadership Team;
- To monitor the implementation and embedding of risk management within key Council processes;
- To identify risk management training needs, approve training programmes and presentations;
- To facilitate services on an ongoing basis with maintaining their risk registers and matrix;
- To implement the detail of the Enterprise Risk Management Guidance;
- To ensure that risks and action plans are updated in the Corporate Risk Register;
- To share/exchange relevant information with colleagues in other service areas.

5.13 **Internal Audit**

Internal audit will

- provide assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance;
- report to Members on the control environment; and
- provide an Internal Audit Plan (on at least an annual basis) that is based on a reasonable evaluation of risk and to provide an annual assurance statement to the Council based on work undertaken in the previous year.

5.14 **Staff**

Staff have a responsibility to identify risks surrounding their every day work processes and working environment. They are also responsible for:

- participating in ongoing risk management within service areas;
- actively managing risks and risk actions (where appropriate); and
- demonstrating an awareness of risk and risk management relevant to their role and to take action accordingly.

6.0 Review and Continual Improvement

6.1 The Audit Committee shall review and recommend adoption of the ERM Policy to the Council on a regular basis or when significant changes require a revision of it.

6.2 The Council should continue to improve the effectiveness of its risk management arrangements through:

- learning from risk events and the application of controls;
- review risk occurrences to identify emerging trends; and
- learn from other organisations about their risk occurrences in order to consider whether there is a likelihood of the Council experiencing a similar occurrence.

Andy Couldrick
Chief Executive

Councillor Guy Grandison
Chairman Audit Committee



**WOKINGHAM
BOROUGH COUNCIL**

Enterprise Risk Management Guidance

A Framework for Managing Opportunity and Risk

Date: 26 November 2015

Version: 15.0

Classification: Unclassified

Authors: Julie Holland - Risk Management Facilitator

Quality Assurance: Paul Ohsan Ellis - Internal Audit Manager

VERSION	DATE	DESCRIPTION
1.0	15 February 2009	Working Draft
2.0	3 March 2009	Working Draft
3.0	9 March 2009	Initial Release
4.0	11 March 2009	Draft for Consultation
5.0	25 March 2009	Draft for SLB Approval
6.0	30 April 2009	Draft for Audit Committee Adoption
7.0	13 May 2009	Draft for approval by Audit Committee
8.0	14 May 2009	Final approved by Audit Committee
9.0	18 June 2010	Refresh by Corporate Governance Group
10.0	3 September 2010	Refresh for approval by Audit Committee
11.0	22 September 2010	Final approved by Audit Committee
12.0	14 November 2012	Final approved by Audit Committee
13.0	22 January 2014	Final approved by Audit Committee
14.0	21 November 2014	Final approved by Audit Committee
15.0	26 November 2015	Final approved by Audit Committee

Contents

Chapters		Page Numbers
1	Introduction	1
2	Purpose of the Guidance	1
3	Approval, Communication, Implementation and Review	1 – 2
4	What is Enterprise Risk Management?	2 – 3
5	Benefits of Risk Management	3
6	Critical Success Factors	4
7	Relationship between Risk Management and Internal Controls	4
8	Risk Management, Business Continuity and Emergency Planning	4 – 5
9	Risk Management in Projects and Partnerships	5
10	Strategic Approach to Risk Management	5 – 6
11	Implementation Guidance Risk Management	7 – 12
Appendix 1	Overview of Risk Management Framework	13
Appendix 2	Examples of Risk Categories	14
Appendix 3	Impact Scores	15
Appendix 4	Likelihood Scores	16

1.0 Introduction

- 1.1 Risk Management is about managing opportunities and threats to objectives and in doing so helps create an environment of “no surprises”. It is a crucial element of good management and a key part of corporate governance. It should be viewed as a mainstream activity and something that is an integral part of the management of the organisation; an everyday activity.
- 1.2 Risk Management is already inherent in much of what the Council does. Good practices like good safety systems, procurement and contract regulations, financial regulations and internal control are not labelled Risk Management but these and many other processes and procedures are used to manage risk.

2.0 Purpose of the Guidance

- 2.1 The purpose of this Enterprise Risk Management Guidance is to establish a framework for the systematic management of risk, which will ensure that the objectives of the Council’s Risk Management policy are realised.

The Purpose of this Guidance
Define what Risk Management is about and what drives Risk Management within the Council
Set out the benefits of Risk Management and the strategic approach to Risk Management
Outline how the Risk Management will be implemented
Formalise the Risk Management process across the Council

- 2.2 An overview of this framework is detailed in Appendix 1.

3.0 Approval, Communication, Implementation and Review

- 3.1 The Enterprise Risk Management Guidance has been adopted by the Corporate Leadership Team and has been approved by the Council via the Audit Committee. It has been issued to:

- All Members of the Council
- Corporate Leadership Team
- All Heads of Service
- Key Stakeholders
- Other interested parties such as External Audit

- 3.2 It has been placed on the Council’s intranet site so that all members of staff can have access and easily refer to it. It is included on all new staff’s corporate induction. Therefore all individual members of staff are aware of both their roles and responsibilities for Risk Management within the Council and their service (depending on their own role within the Council). Risk Management is included within the Council’s performance management framework so that staff and managers are aware of how Risk Management contributes to the achievement of the Council’s and Service objectives.

- 3.3 All elected Members have been issued with a copy of the Guidance. It is part of all newly elected Members’ induction to the Council it has been included as a

training area within the Members Training and Development Programme. The Guidance will be reviewed annually by the Audit Committee.

4.0 What is Enterprise Risk Management?

4.1 Risk is an unexpected event or action that can adversely affect the Council's ability to achieve its objectives and successfully execute its strategies. It can be a positive (an opportunity) or negative (a threat). Risk Management is the process by which risks are identified, evaluated and controlled.

4.2 It has critical links to the following areas:

- Corporate governance;
- Community focus;
- Structure and processes;
- Standards of conduct;
- Service delivery arrangements; and
- Effective use of resources.

4.3 Enterprise Risk Management can be defined as:

“The management of integrated or holistic risk and opportunity in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks”.

4.4 Risk Management therefore is essentially about identifying the opportunities, risks and weaknesses that exist within the Council. A holistic approach is vital to ensuring that all elements of the Council are challenged including decision making processes, working with partners, consultation processes, existing policies and procedures and also the effective use of assets – both staff and physical assets. This identification process is integral to all our strategic, service and work planning.

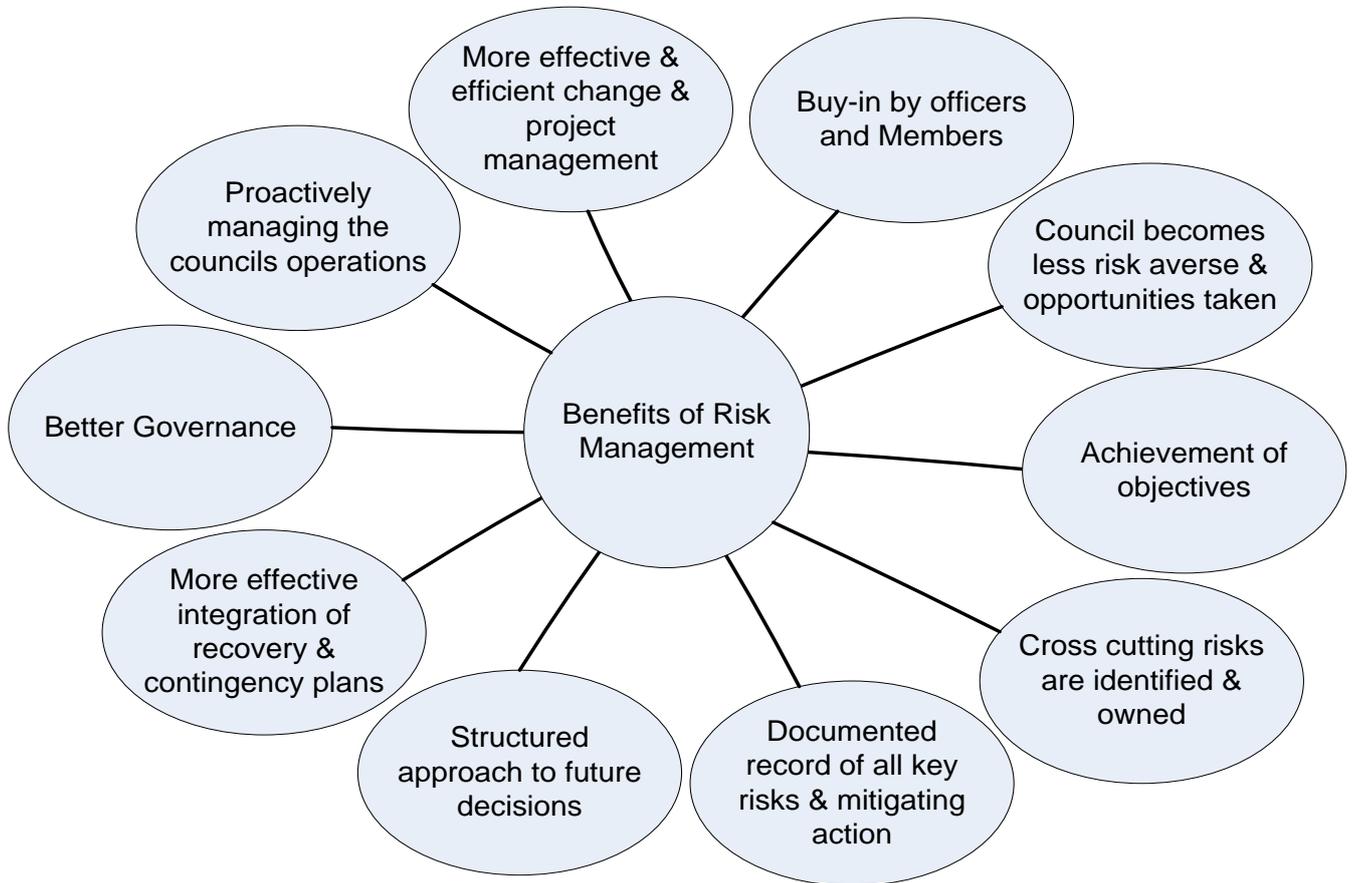
4.5 Once the risks have been identified the next stage is to prioritise them to identify the key risks to the organisation moving forward. Once prioritised it is essential that steps are taken to then effectively manage these key risks. The result is that significant risks that exist within the Council can be mitigated to provide the Council with a greater chance of being able to achieve its objectives. Included within this should also be a consideration of the positive or 'opportunity' risk aspect.

4.6 Risk Management will improve the business planning and performance management processes, strengthen the ability of the Council to achieve its objectives and enhance the value of the services provided.

4.7 In order to strive to meet our Vision, strategic principles and priorities, the Council has recognised the need to further embed Risk Management arrangements. The desired outcome is that risks associated with these objectives can be managed and the potential impact limited, providing greater assurance that the Vision will be achieved.

5.0 Benefits of Risk Management

5.1 Successful implementation of Risk Management will produce many benefits for the Council if it becomes a living tool. These include:



6.0 Critical Success Factors

6.1 To develop a framework which:

Reference	Critical Success Factors
1	Enables the Council's performance and take advantage of opportunities.
2	Focus on the major risks to our strategies and objectives.
3	Provide a clear picture of the major risks the Council faces, their nature, potential impact and their likelihood.
4	Establish a shared and unambiguous understanding of what risks will be tolerated.
5	Develop an awareness of our ability to control the risks we have identified.
6	Is embedded in our planning and decision-making processes.
7	Actively involve all those responsible for planning and delivering services.
8	Clarify and establish roles, responsibilities and processes.
9	Enable and empower managers to manage those risks in their area of responsibility.
10	Capture information about key risks from across the Council.
11	Include regular risk monitoring and review of the effectiveness of internal control.
12	Is non-bureaucratic, cost efficient and sustainable.

7.0 Relationship between Risk Management and Internal Controls

7.1 The Council recognises that Risk Management is an integral part of its internal control environment. The constitution states that internal controls are required to manage and monitor progress towards strategic objectives.

7.2 The system of internal control also provides measurable achievement of:

- Efficient and effective operations;
- Reliable financial information and reporting;
- Compliance with laws and regulations; and
- Risk Management.

7.3 Internal Audit, when evaluating risks during the course of its Internal Audit work, will categorise risks as per this Guidance and will analyse their likelihood and impact in accordance with the qualitative measures / tables contained in this Guidance, thus further integrating and embedding our Risk Management Guidance into the Council's internal control environment.

8.0 Risk Management, Business Continuity and Emergency Planning

- 8.1 There is a link between these areas. However it is vital for the success of Risk Management that the roles of each, and the links, are clearly understood. The Council recognises that there is a link between Risk Management, Business Continuity Management and Emergency Planning. This is demonstrated by the lead in all three issues being taken by the Corporate Leadership Team.

Business continuity management

- 8.2 Business continuity management is about trying to identify and put in place measures to protect the Council's priority functions against catastrophic risks that can stop it in its tracks. There are some areas of overlap e.g. where the I.T. infrastructure is not robust then this will feature as part of the relevant Risk Register and also be factored into the business continuity plans.

Emergency planning

- 8.3 Emergency planning is about managing the response to those incidents that can impact on the community (in some cases they could also be a business continuity issue) e.g. a plane crash is an emergency, it becomes a continuity event if it crashes on the office!

9.0 Risk Management in Projects, Partnerships and Health and Safety

- 9.1 It is recognised that Risk Management needs to be a key part of the ongoing management of projects, Health and Safety and partnerships.

Project / Programme management

- 9.2 There is a consistent and robust approach to Risk Management used in projects, both at Project Initiation Document stage and throughout the duration of the project.

Partnerships

- 9.3 The Council has a Partnership Protocol, of which Risk Management is a key aspect. The Partnership Protocol requires that this approach to risk management is adhered to. The Partnership Protocol is available on the intranet.

Health and Safety

- 9.4 The Council has a Health and Safety Policy, of which management of risk is a critical aspect. Health and safety risks are managed in accordance with Health and Safety Executive guidance and are recorded in WISER. The Health and Safety Policy is available on the intranet.

10.0 Strategic Approach to Risk Management

10.1 In order to formalise and structure Risk Management the Council has recognised that there are obvious and clear links between Risk Management and: strategic and financial planning; policy making and review; and performance management.

10.2 The links are as follows:

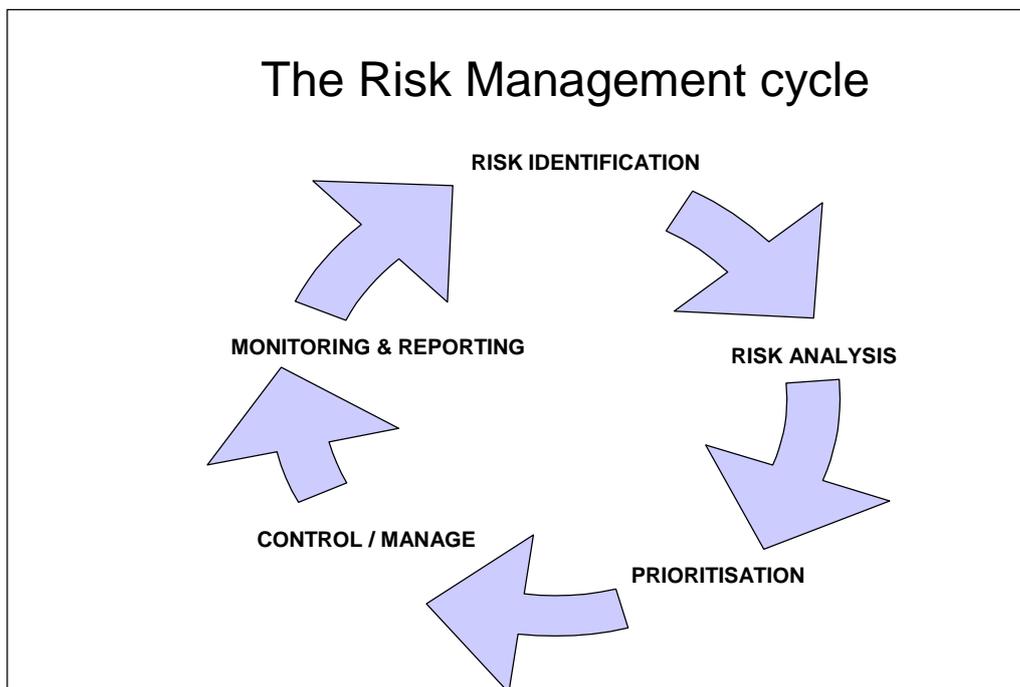
- Measurement of performance against the key objectives, performance indicators and key tasks.
- Management of Key Strategic Risks which could affect the delivery of the above Council objectives/targets is undertaken by the Corporate Leadership Team.

11.0 Implementation Guidance Risk Management

The risk management process

Implementing this Guidance involves a 5-stage process to identify, analyse, prioritise, manage and monitor risks as shown in figure 1. This section will outline the approach.

Figure 1: The Risk Management Cycle



Stage 1 – Risk Identification

The first step is to identify the 'key' risks that could have an adverse effect on or prevent key business objectives from being met. It is important that those involved with the process clearly understand the service or Council's key business objectives i.e. '*what it intends to achieve*' in order to be able to identify '*the risks to achievement*'. It is important to consider the relevant Service Plans in a broader context, i.e. not focusing

solely on specific detailed targets but considering the wider direction and aims of the service and what it is trying to achieve.

When identifying risks it is important to remember that as well as the 'direct threats', risk management is about 'making the most of opportunities' e.g. making bids for funding, successfully delivering major projects and initiatives, pursuing beacon status or other awards, taking a national or regional lead on policy development etc.

Using Appendix 2 as a prompt, various techniques can then be used to begin to identify 'key' or 'significant' business risks including: -

- A 'idea shower' session;
- Own (risk) experience;
- 'Strengths, Weaknesses, Opportunities and Threats' analysis or similar;
- Experiences of others - can we learn from others' mistakes?
- Exchange of information/best practice with other Councils, organisations or partners.

It is also recommended that a review of published information such as other Service Plans, strategies, financial accounts, press releases, and inspectorate and audit reports be used to inform this stage, as they are a useful source of information.

The process for the identification of risk should be undertaken for projects (at the beginning of each project stage), partnerships and for all major revenue and capital contracts. Details of who contributes to these stages are explained further in the 'Roles, Assignments and Responsibilities' section of the Enterprise Risk Management Policy.

Risks, both opportunity and threats, identified should be recorded in a Risk Register as per figure 2. This standard template for recording risks has been updated is on the risk management area of grapevine.

Figure 2: Risk Register Summary (example)

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite
<u>1</u>	Risk that the council does not have buy-in to successfully implement the corporate vision and priorities		<ol style="list-style-type: none"> 1. Vision and Priority 2. Joint Board 3. Joint Working Group 4. Council Plan 5. Programme and project management 6. Performance management framework 7. Service planning framework being implemented 8. ECLT & CLT 9. Monthly highlight report on Joint Board progress 10. Quarterly Council Plan Performance Monitoring 	<ol style="list-style-type: none"> 1. Following Council approval of the Council Plan this will inform Service Plans for each area. 	AC	KB	4	2	L	L
	There needs to be clarity and agreement on how the vision and priorities will be interpreted and delivered. The vision and priorities need to be articulated through the corporate and service plans. The service and resource planning is being redesigned so it will align to the vision and priorities of the council enabling us to deliver on our priorities.	<ul style="list-style-type: none"> • Organisational dissonance • disharmony across organisation • lack of clarity • different objectives / targets • delivery affected • fall behind neighbours • non-compliance with legislation 								

Stage 2 – Risk Analysis

The information that is gathered needs to be analysed into risk scenarios to provide clear, shared understanding and to ensure the potential root cause of the risk is clarified. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed.

There are 2 parts to a risk scenario:-

- The cause describes the situation and/or event (that may be perceived) that exposes the organisation to a risk; and
- The consequences are the events that follow in the wake of the risk.

Risk Scenario

Figure 3: Example of the structure of a risk scenario

Cause	Consequence
Statement of fact or perception about the Council, service or project that exposes it to an event. Include the event that could occur in a positive or negative impact on the objectives being achieved	The positive or negative impact: <ul style="list-style-type: none"> • How big? • How bad? • How much? • Who is affected?
LIKELIHOOD	IMPACT

Each risk scenario is logged on the respective Risk Register. These registers could be potentially strategic, against a specific Service Plan, or relating to a project or partnership. The purpose of the Risk Action Log (i.e. Further Actions to Mitigate Risk) is to store details of the risk, its likelihood and impact and mitigation activity for each risk.

For further information on the project Risk Register template and guidelines, please refer to the project management methodology.

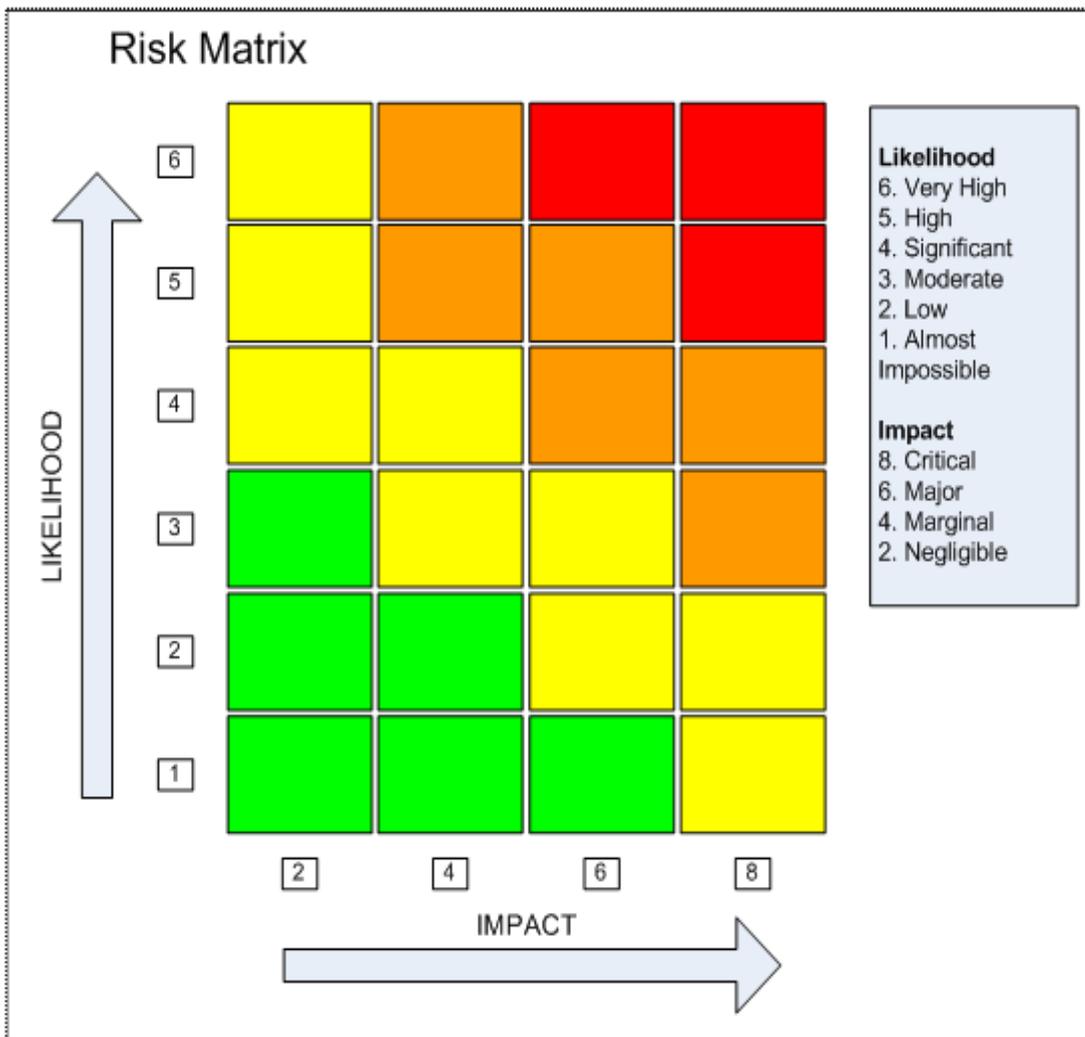
Stage 3 – Prioritisation

Following identification and analysis the risks will need to be evaluated, different scenarios should be explored. Their ranking is decided according to the potential likelihood of the risk occurring and its impact if it did occur. A matrix is used to plot the risks (Figure 4) and once completed this risk profile clearly illustrates the priority of each risk.

When assessing the potential likelihood and impact the risks must be compared with the appropriate objectives e.g. corporate objectives for the strategic risk profile, and service objectives for the Service Plan risk profile. The challenge for each risk is how much impact it could have on the ability to achieve the objective and outcomes. This allows the risks to be set in perspective against each other.

At the beginning of this stage a timeframe needs to be agreed, and the likelihood and impact should be considered within the relevant timeframe. Often a 3-year time horizon is used at strategic level, with perhaps a 1-year timeframe used at service level, to link with service delivery planning. The likelihood and impact should also be considered with existing controls in place, not taking future ones into account at that time.

Figure 4: Example of the Council risk matrix and filters



The matrix is also constructed around 4 filters - these being red (very high), orange (high), amber (medium) and green (low). The red and orange filtered risks are of greatest priority. Amber risks represent moderate priority risks. Green risks are low priority but should be monitored.

If there are numerous red, orange and amber risks to be managed it is prudent to cluster similar risks together. This is to aid the action planning process as a number of risks can be managed by the same or similar activity. Each cluster should be given a title e.g. recruitment and retention, staff empowerment etc. This technique of clustering should only be used when there are many risks to be managed e.g. in excess of 15 red and amber risks and where risks share common causes and consequences and therefore could be managed in a similar way.

Stage 4 – Control / Manage

This is the process of turning 'knowing' into 'doing'. It is assessing whether to control, accept, transfer or terminate the risk on an agreed 'risk appetite'. Risks may be able to be: -

Controlled - It may be possible to mitigate the risk by ‘managing down’ the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, impact and financial consequences of the risk event.

Accepted - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc.

Terminated - By ending all or part of a particular service or project.

It is important to recognise that, in many cases, existing controls will already be in place. It is therefore necessary to look at these controls before considering further action. It may be that these controls are not effective or are ‘out of date’.

The potential for controlling the risks identified will be addressed through Service Plans. Most risks are capable of being managed – either by managing down the likelihood or impact or both. Relatively few risks have to be transferred or terminated. These service plans will also identify the resources required to deliver the improvements, timescale and monitoring arrangements.

Existing controls, their adequacy, new mitigation measures and associated action planning information is all recorded on the Risk Register, including ownership of the risk and allocation of responsibility for each mitigating action. Full details of the risk mitigation measures that are to be delivered are likely to be recorded in the respective business plans and cross reference should be made to this in the Risk Registers.

A further judgement which should be made is the ‘target risk score’ and ‘target evaluation’, which is where the risk could be managed to, should the identified controls be successfully implemented.

Consideration should also be given here as to the ‘Cost-Benefit’ of each control weighed against the potential cost / impact of the risk occurring. N.B. ‘cost / impact’

High cost/low impact of mitigating risk	High cost/big impact of mitigating risk
Low cost/low impact of mitigating risk	Low cost/big impact of mitigating risk

Stage 5 – Monitoring & Reporting

The Corporate Leadership Team is responsible for ensuring that the key risks on the Corporate Risk Register are managed and the progress with the risk mitigation measures should be monitored at appropriate intervals. 2nd and 3rd Tier Managers are responsible for ensuring that the key risks in the Risk Registers linked to respective services are managed. It is recommended that the ‘red risks’ feature as a standing item on ‘3rd Tier Managers’ meeting agendas.

On a quarterly basis, the Corporate and service Risk Registers should be reviewed and where necessary risks re-prioritised. Risks should be amended so they reflect the

current situation, obsolete risks should be deleted and new risks identified. This ensures that the Risk Registers and resulting risk mitigation measures are appropriate for the current service and corporate objectives. The quarterly review of the Corporate Risk Register must be undertaken by Corporate Leadership Team and the service Registers should be reviewed / updated by the respective 2nd and 3rd Tier Managers with their management teams.

During the year new risks are likely to arise that have not previously been considered on the existing Risk Registers. Also the environment in which the risks exist will change making some risks more critical or others less important. Every quarter the respective Risk Registers and matrices at each level should be updated to reflect these changes. If such risks require Corporate Leadership Team ownership and management then they should be incorporated into the Corporate Risk Register. If the management of such risks is more appropriate at a service level then it should be included in the respective service Risk Register. This will need to be undertaken on a quarterly basis by Corporate Leadership Team and 2nd and 3rd Tier Managers.

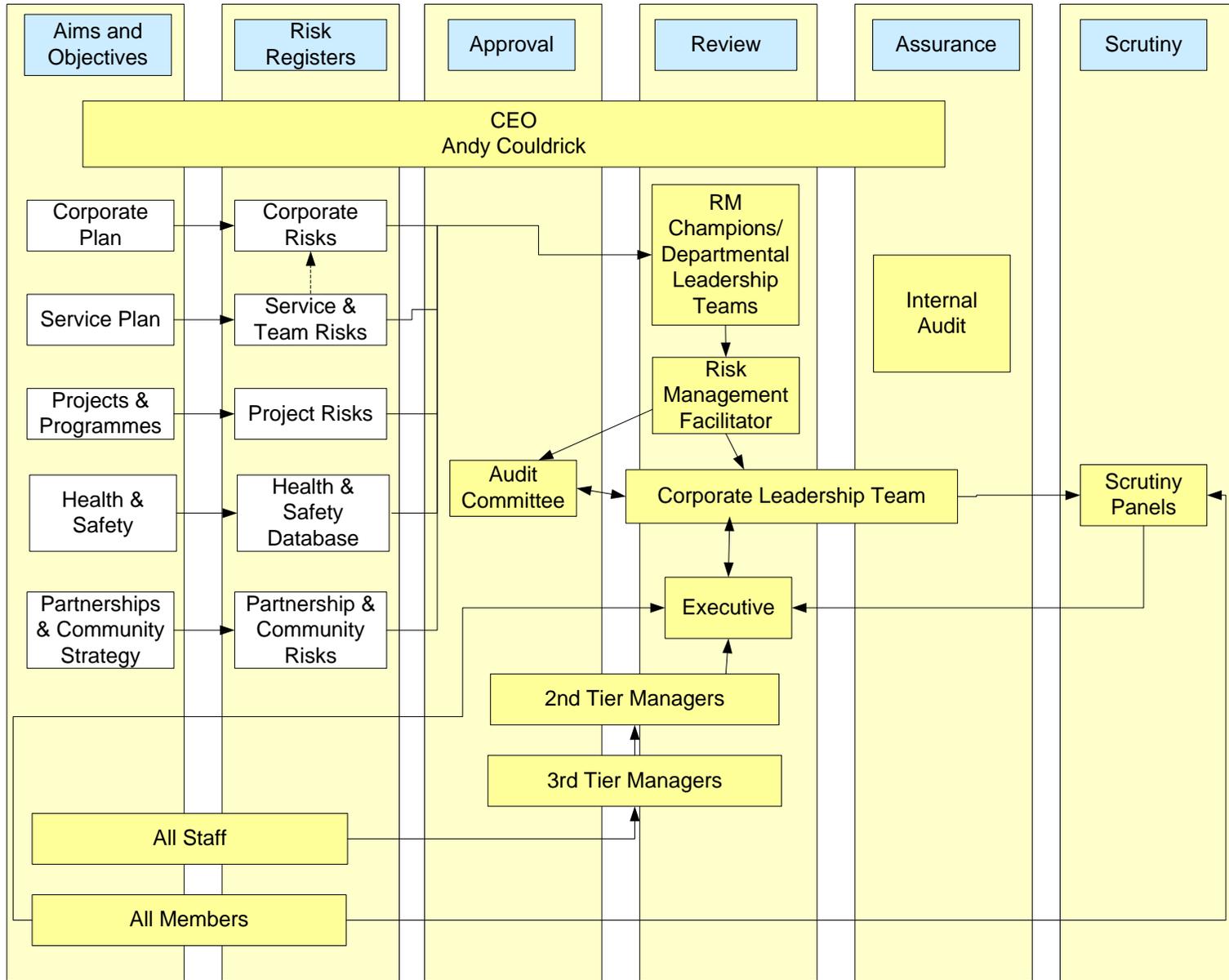
It is recognised that some service risks have the potential to impact on the corporate objectives and these will often be the red risks on the matrix. Every six months, the Directorate Risk Registers will be fed into the Corporate Leadership Team where a decision will be taken on whether to prioritise any of these risks on the strategic risk matrix and include them on the Corporate Risk Register (owned by Corporate Leadership Team). At the relevant Corporate Leadership Team session to review risk management, each "2nd Tier Manager will also feedback the headline risks from their individual areas.

12.0 Risk Appetite

Risk appetite is the phrase used to describe how much risk the council is prepared to take in pursuit of its objectives. Due to its diverse range of services the council does not have a single risk tolerance and appetite for risk will vary between different services and activities, or even at different times.

Considering and setting risk appetite will enable the council to optimise its risk taking and accepting calculated risks by enabling risk-reward decision making. Equally, it reduces the likelihood of unpleasant surprises. Risk appetite is determined on each of the risks and is essentially the target we need to manage the risk against i.e. seeking to align the controls with the risk appetite. Organisational culture will be aligned to the risk appetite.

Overview of Risk Management Framework



121

Appendix 1

Appendix 2 – Example of Risk Categories

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives	IT infrastructure, Staff/client needs, security standards, Business Continuity.
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives	Land use, recycling, pollution
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation
Managerial/ Professional	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of Council tax & reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment

Impact

Score	Level	Description	
8	Critical	Critical impact on the achievement of objectives and overall performance. High impact on costs and / or reputation. Very difficult and possibly long term to recover.	<ul style="list-style-type: none"> • Unable to function without aid of Government or other external Agency • Inability to fulfil obligations • Medium - long term damage to service capability • Severe financial loss – supplementary estimate needed which will have a critical impact on the council’s financial plan and resources are unlikely to be available. • Death • Adverse national publicity – highly damaging, severe loss of public confidence. • Litigation certain and difficult to defend • Breaches of law punishable by imprisonment
6	Major	Major impact on costs and objectives. Serious impact on output and / or quality and reputation. Medium to long term effect and expensive to recover.	<ul style="list-style-type: none"> • Significant impact on service objectives • Short – medium term impairment to service capability • Major financial loss - supplementary estimate needed which will have a major impact on the council’s financial plan • Extensive injuries, major permanent harm, long term sick • Major adverse local publicity, major loss of confidence • Litigation likely and may be difficult to defend • Breaches of law punishable by fines or possible imprisonment
4	Marginal	Significant waste of time and resources. Impact on operational efficient, output and quality. Medium term effect which may be expensive to recover.	<ul style="list-style-type: none"> • Service objectives partially achievable • Short term disruption to service capability • Significant financial loss - supplementary estimate needed which will have an impact on the council’s financial • Medical treatment require, semi- permanent harm up to 1 year • Some adverse publicity, need careful public relations • High potential for complaint, litigation possible. • Breaches of law punishable by fines only
2	Negligible	Minimal loss, delay, inconvenience or interruption. Short to medium term affect.	<ul style="list-style-type: none"> • Minor impact on service objectives • No significant disruption to service capability • Moderate financial loss – can be accommodated • First aid treatment, non-permanent harm up to 1 month • Some public embarrassment, no damage to reputation • May result in complaints / litigation • Breaches of regulations / standards

123

Likelihood

Score	Level	Description				
6	Very High	Certain.	>95%	Annually or more frequently	>1 in 10 times	An event that is has a 50% chance of occurring in the next 6 months or has happened in the last year. This event has occurred at other local authorities
5	High	Almost Certain. The risk will materialise in most circumstances.	80 – 94%	3 years +	>1 in 10 - 50 times	An event that has a 50% chance of occurring in the next year or has happened in the past two years.
4	Significant	The risk will probably materialise at least once.	50 – 79%	7 years +	>1 in 10 – 100 times	An event that has a 50% chance of occurring in the next 2 years or has happened in the past 5 years.
3	Moderate	Possible the risk might materialise at some time.	49 – 20%	20 years +	>1 in 100 – 1,000 times	An event that has a 50% chance of occurring in the next 5 or has happened in the past 7 years.
2	Low	The risk will materialise only in exceptional circumstances.	5 – 19%	30 years +	>1 in 1,000 – 10,000 times	An event that has a 50% chance of occurring in the next 10 year or has happened in the past 15 years.
1	Almost Impossible	The risk may never happen.	< 5%	50 years +	>1 in 10,000 +	An event that has a less than 5% chance of occurring in the next 10 years and has not happened in the last 25 years.

Agenda Item 41.

TITLE	Treasury Management Mid-Year Report 2016-17
FOR CONSIDERATION BY	The Audit Committee on 5 December 2016
WARD	None specific
DIRECTOR	Graham Ebers, Director Corporate Services

OUTCOME / BENEFITS TO THE COMMUNITY

Effective and safe use of our resources to deliver service improvements and service continuity through capital investments.

RECOMMENDATION

The Audit Committee are asked to:

- 1) note the mid-year Treasury Management report for 2016/17.
- 2) note the actual 2016/17 prudential indicators within the report.
- 3) recommend the report to Council for approval.

SUMMARY OF REPORT

This report summarises the Treasury Management operations during the first six months of 2016/17. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices.

As at 30th September 2016 the Council is forecast to exceed its investment return budget by 12% and there has been no external loan taken out in the first six months. The Director of Finance and Resources confirms that as at 30th September 2016 there have been no breaches of the treasury strategy 2016/17.

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, any debt previously drawn may be restructured to meet Council risk or cost objectives.

Analysis of Issues

External Debt

In the first six months external debt did not increase as the Council took the opportunity to use internal funds and other sources to fund the capital programme. As at 30th September 2016 external debt was:

- General fund (Non- Housing Revenue Account): £46.6m
- Housing Revenue Account: £85.0m.

Capital Expenditure forecast year end outturn

As at 30th September 2016:

- General fund (Non- Housing Revenue Account) external debt: £84.6m
- Housing Revenue Account: £5.9m.

Investment forecast year end outturn

As at 30th September 2016:

- Returns on investments (external and internal companies): £1.6m

Appendices

The full Treasury Mid-Year report for 2016/17	Appendix A
The Council’s Prudential indicators	Appendix B
The Council’s Current Loan Portfolio	Appendix C
The Council’s Current Investments as at 30 th September 2016	Appendix D
A Glossary of Terms	Appendix E

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)	£150.2m External Loans £1.6m Return on Investments	Yes	Capital and Revenue
Next Financial Year (Year 2)	To be determined through the Medium term financial plan		Capital and Revenue
Following Financial Year (Year 3)	N/A		

Other financial information relevant to the Recommendation/Decision
--

None

Cross-Council Implications

None

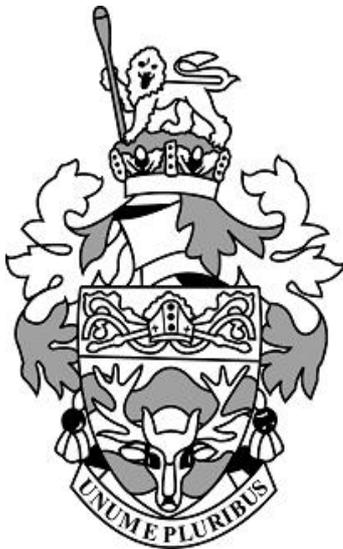
List of Background Papers

None

Contact Martin Jones	Service Finance & Resources
Telephone No 0118 9746877	Email martin.jones@wokingham.gov.uk
Date 22 November 2016	Version No. 2

This page is intentionally left blank

WOKINGHAM BOROUGH COUNCIL



WOKINGHAM BOROUGH COUNCIL

Treasury Management Mid-Year Treasury Management Report 2016-17

Contents

1. Introduction	3
2. The Economy and Interest Rates forecast.....	3
3. The Council's Capital Expenditure and Financing 2016/17	4
4. The Council's Overall Borrowing Need	5
5. External borrowing and compliance with treasury limits and prudential indicators	6
6. Compliance with treasury limits and prudential indicators for investments	8
7. Conclusion	9

Appendices

Prudential and Treasury indicators	Appendix B
Loan Portfolio	Appendix C
Investment Portfolio	Appendix D
Glossary of Terms	Appendix E

1. Introduction

This report presents the Council mid-year treasury position for 2016-17 in accordance with the Council treasury management practices.

It explains the current economic environment expectations for the near future. It then analyses the latest analysis of capital expenditure which is a key driver of treasury management, driving the borrowing requirement of the organisation. It then shows how the Council has financed its borrowing between internal and external borrowing and then how the Council has managed its short-term cash investments.

The Council's treasury management strategy is largely influenced by capital expenditure. Revenue expenditure is largely balanced with expenditure matching income, and short term borrowing and deposits. The large driver of the longer term treasury management strategy is therefore capital expenditure and financing.

There are two aspects of treasury performance – debt management and cash investment:

- debt management relates to the Council's borrowing;
- cash investment relates to the investment of surplus cash balances.

2. The Economy and Interest Rates forecast

The referendum vote on the EU referendum in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and business surveys, it is generally expected that although the economy will now avoid flat lining, growth will be weak through the end of 2016 and in 2017.

The Bank of England on August 4 addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. Capita Asset Services undertook a quarterly review of its interest rate forecasts after the MPC meeting of 4th August which cut the Bank Rate to 0.25% and gave forward guidance that it expected to cut the Bank Rate again to near zero before the year end. The bank of England in November's statement shifted to a "neutral" policy position, stating that central bank policy can respond "to either direction" as per changes in the economic outlook, removing its previous view that a rate cut was a possibility. The governor of the Bank of England (Mark Carney) has repeatedly stated that increases in the bank rate will be slow and gradual after they do start. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently.

The Council's treasury advisor, Capita Asset Services, has provided forecasts for PWLB rates based on the certainty rate (minus 20 bps) which has been accessible to most local authorities since 1 November 2012, as shown in table 1, below.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.10%	0.25%	0.25%	0.25%	0.25%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%

The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017. The MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise the bank rate.

The new Chancellor Phillip Hammond announced after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on November 23.

3. The Council's Capital Expenditure and Financing 2016/17

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).

The actual capital expenditure forms one of the required prudential indicators. During August 2016/17 the Council undertook an exercise to obtain more accurate forecasts of capital expenditure from budget managers. This provides the Council with a more realistic year end outturn giving the Council the opportunity to adjust its capital budget and related funding plans. Tables 2 and 3 below show the actual capital expenditure and the funding.

Table 2: General fund capital expenditure and financing	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast
	£'000	£'000	£'000
Capital expenditure			
Financed in year	57,747	48,467	33,685
Funded by borrowing (borrowing requirement)	73,103	56,611	50,945
Total	130,850	105,078	84,630

Table 3: HRA capital expenditure and financing	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast
	£'000	£'000	£'000
Capital expenditure			
Financed in year	9,827	9,991	5,909
Funded by borrowing (borrowing requirement)	0	0	0
Total	9,827	9,991	5,909

4. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). It represents the 2016/17 capital expenditure financed by borrowing, and prior years' unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

The Council's general fund underlying borrowing need (CFR) is not allowed to rise indefinitely. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This ensures the general fund pays for the capital asset and is a proxy for depreciation. The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- an additional revenue contribution to the statutory minimum revenue provision (MRP) each year through a Voluntary Revenue Provision (VRP).

This differs from the treasury management arrangements which relates to cash transfers. External debt can be borrowed or repaid at any time, but this does not change the CFR.

The Council's CFR forecast for 2016/17 year end is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. However no borrowing is actually required against these schemes as a borrowing facility is included in the contract.

Table 4: Capital financing requirement: General Fund	2016/17 Budget £'000	2016/17 Quarter 1 Year end forecast £'000	2016/17 Quarter 2 Year end forecast £'000
Opening balance	113,308	118,580	118,580
Capital expenditure funded by Borrowing	73,103	56,611	50,946
Sub Total	186,411	175,191	169,526
Less Minimum Revenue Provision			
MRP Charge	(3,310)	(3,024)	(3,024)
PFI Principal Charge	(215)	(215)	(215)
Sub Total	(3,525)	(3,239)	(3,239)
Closing Balance	182,886	171,952	166,287
Movement	69,578	53,372	47,707

Table 5: Capital financing requirement: HRA	2016/17 Budget £'000	2016/17 Quarter 1 Year end forecast £'000	2016/17 Quarter 2 Year end forecast £'000
Opening balance	93,876	93,876	93,876
Repayment of Loan Principle	(3,476)	(3,476)	(3,476)
Closing Balance	90,400	90,400	90,400

Table 6: Capital financing requirement: General fund and HRA	2016/17 Budget £'000	2016/17 Quarter 1 Year end forecast £'000	2016/17 Quarter 2 Year end forecast £'000
Opening balance	207,184	212,456	212,456
Movements	66,102	49,896	44,231
Closing Balance	273,286	262,352	256,687

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.

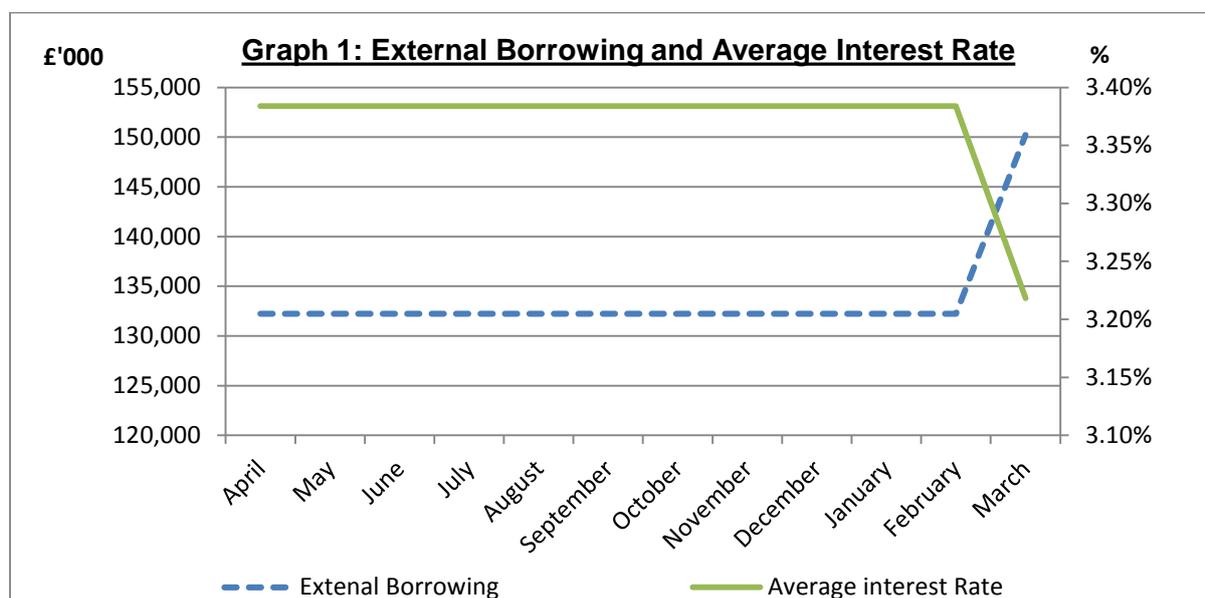
Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. 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 [PWLB] or the money markets.

5. External borrowing and compliance with treasury limits and prudential indicators

Table 7, below, demonstrates the current and forecast for 2016/17 external borrowing.

Table 7: External Borrowing	Actuals @ 30-09-16 £'000	Quarter 2 16/17 Year end forecast £'000
Market	24,000	24,000
PWLB	107,482	125,482
Local Enterprise Partnership	750	750
Total borrowing	132,232	150,232

Included in the total borrowing is an estimated £18m loan to be taken out prior to 31 March 2017. This will be at a special rate of 40 bases point lower than the PWLB rate. (Local Enterprise Partnership Agreement)



Graph 1 shows the £18m loan will increase the external borrowing to £150.2m. The loan however is likely to be at a significantly lower rate than our current loans. This will mean the average interest rate will drop to 3.2% from 3.39%

During the first six months of the 2016/17 financial year, the Council operated within the treasury limits as set out in treasury management strategy. The position for the treasury management prudential indicators is shown in table 8, below. These show that all prudential indicators have been complied with. Further detail on each of these indicators is included in Appendix B.

**Forecast year-end position
@ 30-09-16**

Table 8: Prudential Indicator – Debt

	Does gross borrowing exceed CFR?	Has the limit/boundary been broken
Gross external borrowing	NO	
Authorised limit		NO
Operational boundary for external debt		NO
HRA debt limit		NO
Maturity structure of borrowing		NO
Upper limits on interest rate exposure		NO
The percentage of financing costs set aside to service debt financing costs		NO

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.

6. Compliance with treasury limits and prudential indicators for investments

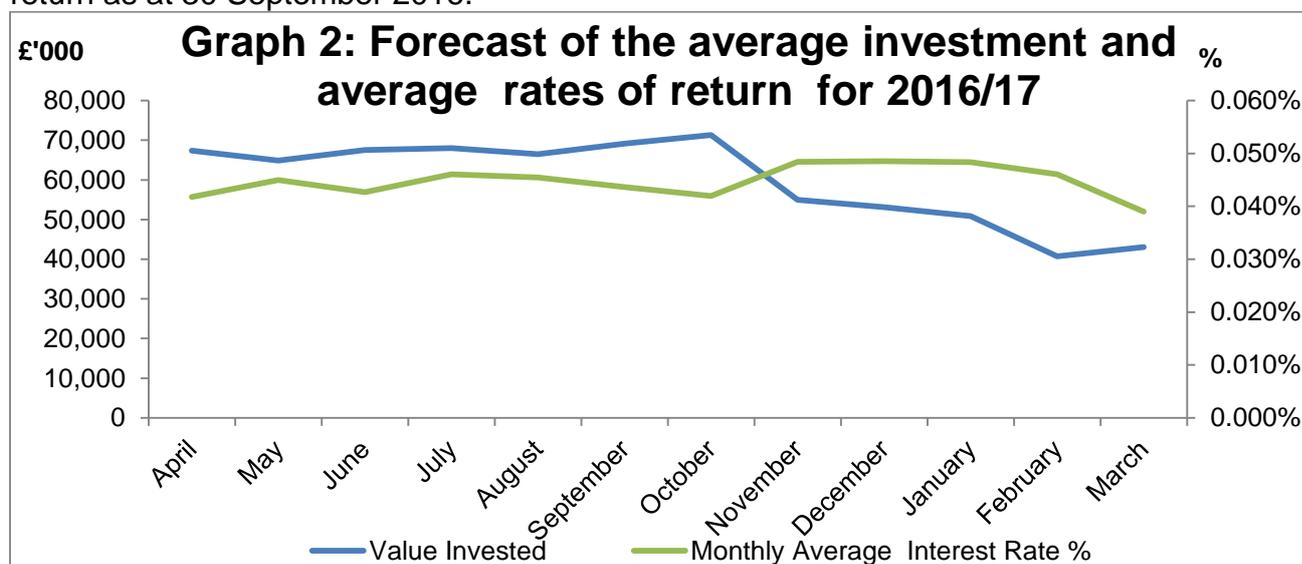
The treasury management team ensure the cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return. The return on investments contributes to the Council's budget for both the general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

Table 9, below, shows the counterparties where cash deposits are held. Further detail is available in appendix D.

Table 9: Investment Type

	Actuals invested @ 31-03-16	Actuals invested @ 30-09-16 £'000
Money Market funds	0	0
Local Authorities	37,000	52,000
Fund Mangers	21,413	12,575
Internal Companies investments	12,128	15,961
Total	70,541	80,536

Graph 2 shows analysis of forecast of the average values invested and the rate of return as at 30 September 2016.



During the first six months of the 2016/17 financial year the Council operated within the treasury limits as set out in investment strategy. The position for the investment prudential indicators is shown in table 10 and full details are available in appendix B.

**Table 10: Prudential Indicator – Investment
Forecast year-end position @ 30-09-16**

	Has the limit/boundary been broken	Is the budget forecast to achieve at year end
Upper limits on interest rate exposure	NO	
Investment interest received		Yes

7. Conclusion

The Director of Finance and Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2016/17 and that no difficulties are envisaged for the remaining 6 months in complying with the prudential indicators. The Council is operating in a stringent financial climate, but is still managing to deliver within budgeted interest levels.

This page is intentionally left blank

Prudential and treasury indicators as at 30th September 2016**General Fund**

Prudential Indicators Capital	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast
	£'000	£'000	£'000
Capital expenditure	130,850	105,077	84,630
Capital Financing Requirement (CFR)	182,886	171,952	166,287
Annual change in CFR	69,578	53,372	47,707
In year borrowing requirement	73,103	56,611	50,945

Prudential Indicators Borrowing	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast
	£'000	£'000	£'000
Ratio of financing costs to net revenue stream	3.8%	3.6%	3.4%

The percentage of the revenue budget set aside each year to service debt financing costs is shown above. The quarter two forecast is below budget as a result of favourable returns compared to budget.

This is calculated as follows: Financing cost Divide by Net revenue stream

As per budget 2016/17: £4,293 / £113,918 = 3.8%

HRA

Prudential Indicators Capital	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast
	£'000	£'000	£'000
Capital expenditure	9,827	9,991	5,909
Capital Financing Requirement (CFR)	90,400	90,400	90,400

Prudential Indicators Borrowing	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast
	£'000	£'000	£'000
Ratio of financing costs to net revenue stream	18.8%	18.6%	18.6%

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

This is calculated as follows: Financing cost Divide by Total income received

As per budget 2015/16: £2,851 / £15,164 = 18.8%

General Fund & HRA

Prudential Indicators - Capital Expenditure & CFR	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast
	£'000	£'000	£'000
Capital expenditure	140,677	115,069	90,539
Capital Financing Requirement (CFR)	273,286	262,352	256,687
Annual change in CFR	66,102	49,896	44,231
In year borrowing requirement	73,103	56,611	50,945

Upper limit -Debt Only	2016/17 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
Fixed rate exposures	180,000	107,482	107,482
Variable rate exposures	40,000	24,000	24,000

Internal Borrowing	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast
	£'000	£'000	£'000
CFR (year-end position)	273,286	262,352	256,687
Less External Borrowing	(197,119)	(150,232)	(150,232)
Less Other long term liabilities	(10,000)	(10,000)	(10,000)
Internal Borrowing*	66,167	102,120	96,455
Movement	(5,499)	46,306	40,641
% of internal borrowing to CFR	24.21%	38.92%	37.58%

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.

Upper limit -Investments Only	2016/17 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
Fixed rate exposures	(80,000)	(41,114)	(56,120)
Variable rate exposures	(40,000)	(12,432)	(12,432)

Upper limit for principal sums invested over 364 days	2016/17 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
In house	0	0	0
Fund managers	10,000	0	0

Internal investments: interest Received	2016/17 Budget	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast	Quarter 3 16/17 Year end forecast
	£'000	£'000	£'000	£'000
HRA Internal loan from The General fund	399	399	399	399
Wokingham Housing	0	320	503	79
Age Concern	0	3	3	3
	399	722	905	481

Internal investments:	Quarter 1 16/17 Year end forecast	Quarter 2 16/17 Year end forecast
	£'000	£'000
HRA Internal loan from The General fund	8,874	8,874
Wokingham Housing	8,095	13,562
Optalis	50	50
Wokingham Enterprise Ltd	75	75
Total	17,094	22,561

General Fund Loan portfolio @ 30th September 2016

PWLB/Market	Loan no	Principle £'000	Interest Rate %	Maturity Date
General fund				
PWLB - GF	485805	976	4.88	01/08/2022
PWLB - GF	488876	2,343	4.95	01/02/2034
PWLB - GF	491320	2,929	3.85	01/08/2051
PWLB - GF	491456	1,431	4.35	30/09/2046
PWLB - GF	491474	5,587	4.40	01/08/2052
PWLB - GF	493309	9,764	4.60	31/03/2054
Market - GF	3b	4,882	4.35	24/02/2077
Market - GF	2c	4,882	4.60	11/01/2077
Market - GF - KA Finanz	1c	4,882	4.88	06/02/2066
Market - GF	4	1,953	3.68	16/02/2066
Market - GF	5	4,882	3.73	19/10/2076
Market - GF	6	1,953	3.77	19/10/2076
Local Enterprise Partnership	A	120	0.00	01/12/2016
Local Enterprise Partnership	B	380	0.00	01/12/2017
Local Enterprise Partnership	C	250	0.00	01/12/2017
Total		47,214		

Housing Revenue Fund Loan portfolio @ 30th September 2016

PWLB/Market	Loan no	Principle £'000	Interest Rate %	Maturity date
Housing Revenue account				
PWLB - HRA	485805	24	4.88	01/08/2022
PWLB - HRA	488876	57	4.95	01/02/2034
PWLB - HRA	491320	71	3.85	01/08/2051
PWLB - HRA	491456	35	4.35	30/09/2046
PWLB - HRA	491474	135	4.40	01/08/2052
PWLB - HRA	493309	236	4.60	31/03/2054
PWLB - HRA	501033	1,750	1.50	28/03/2018
PWLB - HRA	501034	3,482	2.21	28/03/2021
PWLB - HRA	501035	8,516	3.30	28/03/2032
PWLB - HRA	501036	1,988	1.99	28/03/2020
PWLB - HRA	501037	7,231	3.26	28/03/2031
PWLB - HRA	501038	4,199	2.40	28/03/2022
PWLB - HRA	501039	6,378	3.15	28/03/2029
PWLB - HRA	501040	5,415	3.01	28/03/2027
PWLB - HRA	501041	3,476	1.24	28/03/2017
PWLB - HRA	501043	9,276	3.34	28/03/2033
PWLB - HRA	501044	1,000	3.37	28/03/2034
PWLB - HRA	501045	3,744	2.82	28/03/2025
PWLB - HRA	501046	5,981	3.08	28/03/2028
PWLB - HRA	501047	6,789	3.21	28/03/2030
PWLB - HRA	501048	3,971	2.92	28/03/2026
PWLB - HRA	501049	4,116	2.70	28/03/2024
PWLB - HRA	501050	3,484	2.56	28/03/2023
PWLB - HRA	501051	3,098	1.76	28/03/2019
Market - HRA	3b	118	4.35	24/02/2077
Market - HRA	2c	118	4.60	11/01/2077
Market - HRA - KA Finanz	1c	118	4.88	06/02/2066
Market - HRA	4	47	3.68	16/02/2066
Market - HRA	5	118	3.73	19/10/2076
Market - HRA	6	47	3.77	19/10/2076
WBC General Fund *		8,874	4.50	
Total		93,892		

* Note this is an internal loan from the general fund to the HRA and is not included in the total external loans.

Total external borrowing loans @ 30th September 2016

External Borrowing	Actuals @ 30-09-16	Quarter 2 16/17 Year end forecast
	£'000	£'000
Market	24,000	24,000
PWLB	107,482	125,482
Local Enterprise Partnership	750	750
Total borrowing	132,232	150,232

Note: Included in the total borrowing is an estimated loan £18m loan to be taken out prior to 31 March 2016. This will be at a special rate of 40 bases point lower than the PWLB rate. (Local Enterprise Partnership Agreement)

This page is intentionally left blank

Investment portfolio

Current Investment's @ 30/09/16

Institution	Amount £'000	Rate	Date Deal made	Maturity Date	Trade Date	Broker
Current lending						
Barnsley BC	2,000	0.55%	03/12/2015	03/11/2016	03/12/2015	Sterling
Birmingham CC	3,000	0.50%	22/01/2016	22/11/2016	22/01/2016	Tradition
Conwy County Borough Council	3,000	0.55%	10/12/2015	30/11/2016	10/12/2015	Tradition
Woking Borough Council	5,000	0.58%	16/02/2016	16/01/2017	05/04/2016	Tradition
Leeds BS	2,000	0.44%	26/07/2016	26/01/2017	01/08/2016	Tradition
West Dunbartonshire Council	5,000	0.55%	16/02/2016	14/02/2017	03/05/2016	Tradition
Salford CC	2,000	0.55%	06/05/2016	23/02/2017	23/05/2016	Sterling
Fife Council	5,000	0.60%	22/03/2016	21/03/2017	19/04/2016	Tradition
North Ayrshire Council	3,000	0.60%	04/04/2016	03/04/2017	11/04/2016	Tradition
Eastleigh BC	5,000	0.54%	09/06/2016	18/04/2017	15/07/2016	Tradition
Lancashire CC	5,000	0.58%	09/06/2016	04/05/2017	09/06/2016	Tradition
Blaenau Gwent County Borough Council	3,000	0.58%	24/05/2016	16/05/2017	16/06/2016	Tradition
Corby Borough Council	3,000	0.60%	16/06/2016	15/06/2017	04/07/2016	Tradition
Salford CC	3,000	0.35%	04/08/2016	26/06/2017	25/08/2016	Tradition
Glasgow City Council	3,000	0.32%	22/09/2016	27/03/2017	27/09/2016	Prebon
Total	52,000					
Money Market Funds						
Invesco	0	Variable	Call			
Goldman sachs Govt	0	Variable	Call			
Deutsche Global (Henderson)	0	Variable	Call			
Goldman sachs	0	Variable	Call			
Total	0					
Grand total	52,000					

	Mkt Value £'000	Interest Received £'000	Cumulative rate %
Fund Managers @ 30/09/16			
Royal London Asset Management (Rlam)	631	11	0.48%
Aberdeen Asset Management	11,943	20	0.04%
	12,574	30	

Internal investments:**Actuals
invested
@ 30-09-16****£'000**

HRA Internal loan from The General fund	8,874
Wokingham Housing	6,962
Optalis	50
Wokingham Enterprise Ltd	75
Total	15,961

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.

Capital Financing Requirement (CFR) - 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.

Department for Communities and Local Government (DCLG) - Is a ministerial department, supported by 11 agencies and public bodies. They are working to create great places to live and work, and to give more power to local people to shape what happens in their area.

European Central Bank (ECB) - The central bank for the euro and administers monetary policy of the eurozone, which consists of 19 EU member states and is one of the largest currency areas in the world.

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

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.

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

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 Authority Lender Option Borrower Option (LOBO) - The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates, such as every 5 years.

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.

Monetary Policy Committee (MPC) - 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.

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

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

Public Works Loan Board (PWLB) - 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.

TITLE	Internal Audit and Investigation Q2 Progress Report
FOR CONSIDERATION BY	Audit Committee on 5 December 2016
WARD	None Specific
LEAD OFFICER	Catherine Hickman, Service Manager Shared Audit and Investigation Service (and Head of Internal Audit)

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit and Investigations Progress Report details the work of the team from 1 April 2016 to 30 September 2016. This is an update on the progress towards the formation of the Head of Internal Audit 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 as set out in Appendix A.

SUMMARY OF REPORT

The report summarises the work completed by Internal Audit and Investigations 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 investigations.
- 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 11 November 2016	Version No. v1

Shared Audit and Investigation Service
Wokingham Borough Council Performance Report
2016/17 to 30 September 2016
Audit Committee 5 December 2016

2016/17 Quarterly Progress Report (to 30 September 2016)

1. Introduction

1.1 This report summarises the work of Internal Audit and Investigation to 30 September 2016.

2. Internal Audit

Performance against Audit Plan to 30 September 2016

2.1 Appendix A(I) presents progress made against the 2016/17 Internal Audit Plan to 30 September 2016. Progress on the Audit Plan was affected due to a number of audits that have been deferred to later in the year at the request of management. We are actively managing and realigning the Audit Plan to take account of developments regarding the 21st Century Council initiative to ensure that our audit work is focussed on assisting the organisation to achieve its objectives and to add value.

2.2 There were 6 audits carried forward from 2015/16 and 5 are at final report stage with 1 at draft report stage. For 2016/17 audits, 5 are at final report stage, 8 are at draft report stage, 11 are work in progress and there have been 5 grants certified.

Third and Fourth Audit Category Opinion Reviews

2.3 There are no audit reviews receiving 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 have been completed to Final Report stage during quarter 2.

2.4 Since April 2016 management have been given the opportunity to implement agreed countermeasures within one month of the issue of the draft report that could result in a change to the overall audit opinion awarded at final report stage. There have been no audits at final report stage in 2016/17 where there has been a change in overall audit opinion awarded.

2.5 Contingency days to the end of September 2016 have been spent on unplanned work requested by management in the following areas. All are currently in progress and the outcome of the reviews will be reported in the next quarterly report:

- Children's Services – Health and Safety
- Governance of the Local Authority Trading Companies
- Contract Auditing
- Community Infrastructure Levy
- Highways Infrastructure Assets
- Schools Pensions Contributions
- Schools Procurement Cards

2.6 There are outstanding management responses to the following draft internal audit report;

- Risk of failure of health/and or social care system

2.7 The following audits have been deferred:

- IT Disaster Recovery
- Server Room Controls (Physical, Environmental and Security)
- IT Software Licences & IT Asset Management
- Risk of inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act
- Risk of serious harm or death of a vulnerable adult for whom the Borough has a responsibility for

Other audit work

2.8 There have been three requests from management for advice on demand covering the following; Housing Benefit Cancelled Cheque, Public Health Funding, Receipts for membership of SHINE (Older Adults Physical Activity Programme).

3. Investigations

3.1 The Investigations Team performance up to the end of September 2016 is comprised of £17,177 actual overpayments that are potentially recoverable and £20,500 of notional savings which are 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" as shown in Table 1 below.

Table 1 : Investigation Team Activity

Area of Work	2016/17 Total (to 30th September 2016)
Council Tax Reduction Scheme (CTRS)	£15,781
Council Tax Discount/Exemption	£1,396
Total Actual Overpayment Identified	£17,177
Housing (Notional)	£18,000
Blue Badges recovered (Notional)	£2,500
Notional Total	£20,500

3.2 In terms of other Investigation activity, the following pieces of work were undertaken:-

- 60 Council Tax Reduction Scheme (ongoing investigations)
- 3 Monitoring Officer investigations (1 ongoing)
- 2 Disciplinary investigations (1 ongoing)
- Reactive response has been made in respect of any referrals of Blue Badge misuse.
- Preparations to submit data to National Fraud Initiative. The matches will be released in January 2017.

3.3 In addition to the reactive investigation of fraud, the Investigations Team has performed a review of properties categorised as unfurnished and unoccupied to identify homes that have returned back into use to ensure that the Council maximises revenue from the New Homes Bonus. The results of this will be reported in Q3.

3.4 External work for other local authorities is also continuing.

This page is intentionally left blank

SHARED AUDIT AND INVESTIGATION SERVICE**Appendix A(l)****PROGRESS OF WOKINGHAM BOROUGH COUNCIL 2016/17 INTERNAL AUDIT PLAN (to 30 September 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	
<u>2016/17 Audits</u>				
<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	DRAFT	2	
Compliance with the Constitution	Governance & Improvement	FINAL	2	2
<u>Management/Member Requests</u>				
Highways SDL Risk Registers	Environment	WIP		
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	DRAFT	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	Finance & Resources	DRAFT	2	
Southlake	Finance & Resources	WIP		
Bearwood Primary	Finance & Resources	WIP		
Lambs Lane	Finance & Resources	WIP		
St Dominics Savio	Finance & Resources	WIP		
Shared Building Services	Finance & Resources	WIP		
<u>Servicing the Business</u>				
Grant Certifications: Troubled Families	Children's Services	FINAL	C	C
Grant Cert: Bus Service Operators Grant	Environment	FINAL	C	C
Grant Cert: Highways Infrastructure & Maintenance Grant	Environment	FINAL	C	C
Effectiveness of System of Internal Audit	Governance & Improvement	FINAL	E	E
Grant Cert: Disabled Facility Grant	Health & Wellbeing	FINAL	C	C
Grant Cert: Social Care Capital Grant	Health & Wellbeing	FINAL	C	C

Contingency

Children's Services - Schools Health and Safety	Children's Services	WIP	
Governance of the Local Authority Trading Companies	Cross Cutting	DRAFT	2
Contract Auditing	Cross Cutting	WIP	
Community Infrastructure Levy	Environment	DRAFT	2
Highways Infrastructure Assets	Finance & Resources	DRAFT	3
Schools Pensions Contributions	Finance & Resources	WIP	
School Procurement Cards	Finance & Resources	WIP	

2016/17 Deferred Audits

IT Disaster Recovery	Finance & Resources
Server Room Controls (Physical, Environmental and Security)	Finance & Resources
IT Software Licences & IT Asset Management	Finance & Resources
Risk of inability to cope with increased burdens	Health and Wellbeing
Risk of serious harm or death of a vulnerable adult for whom the Borough has a responsibility for	Health and Wellbeing
Direct Payments	Health and Wellbeing

Legend

1 - Complete and Effective	<ul style="list-style-type: none"> • 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. <p>(Risk management processes are strong and controls are adequate and effective).</p>
2- Substantially Complete and Generally Effective	<ul style="list-style-type: none"> • 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. <p>(Risk management processes are good and controls are adequate although only partially effective).</p>
3 - Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	<ul style="list-style-type: none"> • 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. <p>(Risk management processes and controls are adequate but not effective in mitigating the identified risks).</p>
4-There is no effective Risk Management process in place	<ul style="list-style-type: none"> • 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. <p>(Risk management processes and controls are weak).</p>
C E	Grant Certification Complete Exempt from classification

This page is intentionally left blank

TITLE	2016/17 Revised Internal Audit Plan
FOR CONSIDERATION BY	The Audit Committee on 5 December 2016
WARD	None Specific
LEAD OFFICER	Catherine Hickman, Service Manager Shared Audit and Investigation Service

OUTCOME / BENEFITS TO THE COMMUNITY

The Council's Internal Audit Plan details the Internal Audit 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
- sets out that the team's resources are being properly utilised.

RECOMMENDATION

The Audit Committee is asked to approve the amendments to the 2016/17 Internal Audit Plan (Appendix A) in the light of 21 Century Council developments and discussions at CLT on 13 September 2016.

SUMMARY OF REPORT

1. At CLT on 13 September 2016, it was agreed that the content of the 2016/17 Internal Audit Plan would be reviewed in light of work being undertaken in respect of the Council's 21st Century initiative and the impact it will have on the originally agreed 2016/17 Internal Audit Plan. In addition, audit resource has been seconded to the programme which will impact on the delivery of the 2016/17 Internal Audit Plan. In order to make the most from limited internal audit resources we align our work with the key risks facing the Council. To ensure that the Plan responds to the dynamic risk environment (particularly in respect of 21st Century Council) we have gained approval from CLT to revise the 2016/17 Internal Audit Plan.
2. These amendments have now been incorporated into the revised Plan attached at Appendix A which shows those audits to be undertaken to the end of the financial year and those postponed with days reconciling back to the originally agreed audit days.
3. There are some elements of the existing audit plan that are essential and need to be completed; namely the key financial systems and the governance building blocks*.
4. The area where capacity is most likely to be available is around key operational risks and IT where directorate risks have changed since the Internal Audit Plan was constructed in February 2016.
5. Discussions have taken place with the Director, 21st Century Programme and Head of

Governance and Improvement Services to determine areas of audit/consultancy activity. Areas discussed are; reviewing overall governance arrangements, risk management, programme planning (consultancy work) and financial profiling. Given the scale and level of risk involved in the programme, Audit Committee will be looking for assurance in these areas.

6. The IT audits as listed in the original Internal Audit Plan have been impacted by 21st Century Council. These have been delayed at the request of the Head of Service/Chief Executive.
7. Attached at Appendix A is the proposed revised Internal Audit Plan. Those audits highlighted in green are either underway or completed. The final section lists those audits that have been included in the contingency audit days in the original plan approved by Audit Committee on 10th February 2016 and are underway or completed. They are detailed here for completeness.
8. For the audits agreed, we will need managements' support to ensure the work can be undertaken in a timely way.

*There has been a request by the Head of Service to differ procurement due to the delayed roll out of the changes to the Procurement Regulations since 1st April 2016.

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

Appendix A

Contact: Catherine Hickman	Service: Service Manager - Shared Audit and Investigation Service.
Telephone No: 07917265742	Email: Catherine.Hickman@wokingham.gov.uk
Date 23 November 2016	Version No. v1

Wokingham Borough Council
2016/17 Revised Internal Audit and Investigation Plan
 (Per CLT Minutes of 16/10/16)

Mandatory Key Systems

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

1101	Finance and Resources	Payroll	15
1102	Finance and Resources	Debtors	10
1103	Finance and Resources	Creditors	10
1104	Finance and Resources	General Ledger	7
1105	Finance and Resources	Cash & Bank Reconciliation	7
1106	Finance and Resources	Cashiers	5
1107	Finance and Resources	Treasury Management	10
1108	Finance and Resources	Housing Rents	12
1109	Finance and Resources	Benefits/CTRS	15
1110	Finance and Resources	Council Tax & NNDR	15
1111	Finance and Resources	Capital Programme, Accounting, Expenditure Monitoring	12
1112	Finance and Resources	Budgetary Control and Reporting	15
1113	Finance and Resources	Fixed Asset Register	10
1114	Finance and Resources	BACS/CHAPS/Cheques	7

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)

1115	Cross Cutting	Performance Management (KPI's)	10
1117	Cross Cutting	Risk Management	15
1118	Cross Cutting	Corporate Governance including Corporate / Service Planning	15

Key Corporate Risks

These reviews are of the Council's Corporate Risk Register.

1119	Children's Services	Risk of inability to match supply and demand for school places	5
1120	Children's Services	Risk of serious or significant harm to a vulnerable child or young person with whom the council is working	15
1121	Health and Wellbeing	Risk of serious harm or death of a vulnerable adult for whom the Borough has a responsibility for	10
1122	Finance and Resources	Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning	15
1124	Health and Wellbeing	Risk of failure of Health and/or Social Care system	15
1125	Health and Wellbeing	Risk of inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act	10

Key Operational Risks

These are the high rated operational risks on the Directorate Risk Registers to be audited in 2016/17.

1126	Children's Services	Early Years provision	10
1133	Finance and Resources	Failure to deliver new ICT arrangements	12
1135	G&I	Project Management	10
1136	G&I	Management of staff	10
1137	G&I	Compliance with Constitution	15
1138	G&I	Information Management	10
1140	Environment	Highways and Transport Resource / skills shortages	10
1142	Environment	Increasing congestion	15
1143	Environment	Increases in supplier costs/reduction in external revenue	7

Management/Member Requests

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

1144	Health and Wellbeing	Gas Servicing Safety Review (Housing)	10
------	----------------------	---------------------------------------	----

Auditor Judgement

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

1146	Finance and Resources	Shared Property Services	15
1147	Cross cutting	21st Century Council	25
1148	Cross cutting	Contract Management	20
1149	Finance and Resources	Schools Audits	35

IT Audit

These are specialist IT audits.

Servicing the Business

These are other audit related activities performed by Internal Audit

1153	Cross Cutting	Grant Certifications: DfT, Troubled Families	15
1154	Cross Cutting	Facilitating the AGS/Corporate Governance	10
1155	Cross Cutting	Development of New Systems / Special Projects	10
1156	Cross Cutting	Effectiveness of System of Internal Audit	10
1157	Cross Cutting	Advice on Demand	20
1158	Cross Cutting	Contingency (including Management / Member requests)	50
1159	Cross Cutting	Follow ups (High Risk Only)	15

Contingency

1160	Health & Wellbeing	Governance of Local Government Trading Companies	
1161	Environment	Infrastructure Repairs	
1165	Environment	Personal Budgets - PA's	
1166	Environment	Civil Parking Enforcement Project	
1167	Cross Cutting	Children's H & S - Schools	
1168	Finance & Resources	Children's H & S - Non Schools	
1169	Finance & Resources	Highways Infrastructure Assets	
1171	Children's Services	Highways SDL Risk Registers	
1173	Children's Services	Contract Auditing	
1149	Cross Cutting	School's Pension Contributions	
1149	Environment	School's Procurement Cards	
	Total Days		594

Key:-

 Audit In Progress or Completed

Increase/Decrease and Removal of audits from original audit plan.

Procurement	15
Risk of inability to match supply and demand for school places (5 day reduction)	5
Risk that the council does not have buy in to successfully implement corporate vision and priorities	10
Failure of learning and achievement	10
BHFT	10
Lack of compliance to procurement regulations	10
Land Charges	10
Failure to secure adequate highway/drainage infrastructure to support new development	10
Poorly developed sustainability practices	10
Increase in congestion (Increase 5 days)	-5
Temporary Staff (Use of Corporate Agency Contract)	10
Failure of early help	10
Failure of partners to deliver commissioned services	10
IT audits	25

Net overall reduction in Audit Plan days **140**

Adjusted Audit Plan total plus net overall reduction in Audit Plan days **734**

Original Audit Plan Total **734**

This page is intentionally left blank

Agenda Item 44.

TITLE	Auditor Appointment 2018/19
FOR CONSIDERATION BY	Audit Committee on 5 December 2016
WARD	None specific
DIRECTOR	Graham Ebers, Director of Corporate Services

OUTCOME/BENEFITS TO THE COMMUNITY

To ensure sound finances and value for money through ensuring the authority's annual accounts are audited and proper governance arrangements are in place.

RECOMMENDATION

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

SUMMARY OF REPORT

Members are presented with 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.

Background

High quality independent audit is key to public accountability, assuring taxpayers that their money has been well managed, and inspiring trust and confidence in the organisations responsible for managing public money.

The Council is currently audited by Ernst & Young under a contract let by the Audit Commission. Following the abolition of the Audit Commission, the Local Audit and Accountability Act 2014 implemented transitional arrangements which cover the period up to and including the audit of the accounts for 2017/18. These are managed by Public Sector Audit Appointments Ltd (PSAA), an independent not for profit company established by the Local Government Association (LGA).

Under the above act local government bodies need to appoint an auditor for the 2018/19 audits by 31 December 2017.

Summary of options

Option A

The Council would opt into Public Sector Audit Appointments process. The PSAA would then manage the procurement process, as well as maintaining quality standards and managing potential conflicts of interests. They would award contracts by 30 June 2017 and inform the Council of our appointed auditor.

Option B

If the Council does not opt into the PSAA process an independent auditor panel would need to be established either independently or in conjunction with other authorities (as specified in the local audit and accountability act 2014). The members of the panel must be wholly or a majority of independent members, a category which excludes current and former elected members (or officers) and their close families and friends. The makeup of the panel would mean that elected members would not have a majority input to the process of assessing bids and choosing which audit firm to award a contract for the Council's external audit. In addition to setting up the auditor panel the Council would also have to setup and manage the related tender process.

Analysis of Issues

The purpose of PSAAs is to procure high quality audit services at the most competitive rate achievable, and let contracts based on price, while maintaining a competitive audit environment. By appointing auditors at a larger scale, auditors will have to enter into fewer procurement processes which are costly and time-consuming for both parties. The use of PSAA should therefore allow audit firms to spend more time auditing and so enable them to reduce their contract cost. That said, there is no guarantee that PSAA will provide the authority with a cheaper price than contracting directly.

The number of firms eligible to undertake local public audit is regulated through the Financial Reporting Council and the Recognised Supervisory Bodies. Only appropriately accredited firms will be able to bid for appointments whether that is through PSAA or an auditor panel. Current indications are that ten firms are eligible to register to bid, all of which have a national presence. This means that a local audit panel would seek tenders from the same firms as PSAA, and local firms could not be invited to bid.

The scope of the audit will be specified nationally, as the National Audit Office (NAO) is responsible for writing the Code of Audit Practice (see background papers) which all firms appointed to carry out the Council’s audit must follow. The ability of a local audit panel to tailor the audit is therefore significantly reduced. PSAA’s audit contracts from 2018/19 will not cover certification work. The Department for Work and Pensions is developing its arrangements for housing benefit subsidy claim certification from 2018/19 on this basis. An independent panel could include such work within in its audit scope, however as the arrangements for this work are still unknown they may not be achieving value for money by doing so, if local firms would be able to completed these. The Council currently procure local firms to carry out other certification work at a lower price than larger audit firms quoted at. The services that an auditor can provide to a client are the same, whatever the appointment method.

Although independent a local audit panel could still contain elected members. Use of the PSAA would be wholly independent of the council, running the tendering exercise, evaluating bids and appointing auditors. Independence is an important feature of audit appointments, and underpins strong corporate governance in the public sector.

If Wokingham decides to set up its own panel, it could do this either independently or with selected other local authorities. Although there have been previous discussions about a Berkshire wide panel, Slough has already opted into the PSAA and discussions with other authorities are not well developed. Setting up an auditor panel would likely be more complicated than opting into national arrangements, which could be done by via a report to full Council. Setting up the panel would also require a report to full Council, as well as sourcing and appointing people to the panel, and managing the administration.

In order to ensure good perceptions of the local authority it is important to be confident and clear of any variation from the trend of other organisations. In a recent LGA survey, more than 200 bodies expressed an interest in joining the PSAA scheme. In the two weeks since the invitation was first issued 28 authorities opted in, three of which are unitary authorities, including Slough Borough Council. Research into the work of other local authorities in this area suggests that most of these are planning to opt in to PSAA.

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	Revenue
Next Financial Year (Year 2)	N/a	Yes	Revenue
Following Financial Year (Year 3)	N/a	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

It is anticipated that fees in the future will be manageable within existing revenue budgets, although this is kept under review.

Cross-Council Implications

A good financial standing positively supports all services as they negotiate with suppliers

List of Background Papers

Links to relevant papers:

Local Audit and Accountability Act 2014

<http://www.legislation.gov.uk/ukpga/2014/2/contents/enacted>

National Audit Office Code of Audit Practice

<https://www.nao.org.uk/code-audit-practice/>

Contact Graham Ebers	Service Finance and Resources
Telephone No 0118 974 6557	Email Graham.Ebers@wokingham.gov.uk
Date 24 November 2016	Version No. 1

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2016/17 MUNICIPAL YEAR**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 8 February 2017	1.	Certification of Claims and Returns – Annual Report 2015/16	Ernst & Young
	2.	Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.	Graham Ebers, Director of Finance and Resources
	3.	Treasury Management Strategy 207/18	Graham Ebers, Director of Finance and Resources
	4.	Corporate Risk Register Update	Business Improvement
	5.	Internal Audit and Investigation Q3 Progress Report 2016/17	Shared Audit and Investigation Service
177	6.	2017/18 Internal Audit Charter	Shared Audit and Investigation Service

To be scheduled: Appointment of Audit Panels

This page is intentionally left blank