



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held in David Hicks 2 - Civic Offices, Shute End, Wokingham RG40 1BN on **MONDAY 4 DECEMBER 2017 AT 7.00 PM**

Manjeet Gill
Interim Chief Executive
Published on 24 November 2017

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WOKINGHAM BOROUGH COUNCIL

Our Vision

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

Our Priorities

Improve educational attainment and focus on every child achieving their potential

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

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

Tackle traffic congestion in specific areas of the Borough

Improve the customer experience when accessing Council services

The Underpinning Principles

Offer excellent value for your Council Tax

Provide affordable homes

Look after the vulnerable

Improve health, wellbeing and quality of life

Maintain and improve the waste collection, recycling and fuel efficiency

Deliver quality in all that we do

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

Anthony Pollock (Chairman)	David Chopping (Vice-Chairman)	Prue Bray
UllaKarin Clark	John Halsall	Barrie Patman

ITEM NO.	WARD	SUBJECT	PAGE NO.
27.		APOLOGIES To receive any apologies for absence	
28.		MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 26 September 2017.	5 - 8
29.		DECLARATION OF INTEREST To receive any declarations of interest	
30.		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	
31.		MEMBER QUESTION TIME To answer any member questions	
32.	None Specific	COMPLAINTS AND COMPLIMENTS UPDATE To receive an update on complaints and compliments.	9 - 20
33.	None Specific	UPDATE ON HRA RENT AUDIT To receive an update on the HRA rent audit.	21 - 24
34.	None Specific	INTERNAL AUDIT AND INVESTIGATION Q2 PROGRESS REPORT 2017/18 To receive the Internal Audit and Investigation Q2 Progress Report 2017/18.	25 - 32

35.	None Specific	GOVERNANCE ARRANGEMENTS FOR 21ST CENTURY COUNCIL PROGRAMME To receive an update on 21st Century Council governance arrangements.	33 - 42
36.	None Specific	EXTERNAL AUDIT PROGRESS REPORT To receive an update on External Audit Progress.	Verbal Report
37.	None Specific	2017/18 AUDIT PLAN To receive an update on the 2017/18 Audit Plan.	Verbal Report
38.	None Specific	EXTERNAL AUDIT ANNUAL AUDIT LETTER 2016/17 To receive the External Audit Annual Audit Letter 2016/17.	43 - 72
39.	None Specific	TREASURY MANAGEMENT MID-YEAR REPORT 2017/18 To receive the Treasury Management Mid-Year Report 2017/18.	73 - 98
40.	None Specific	CORPORATE RISK REGISTER REFRESH - DECEMBER 2017 To receive the Corporate Risk Register Refresh – December 2017.	99 - 112
41.	None Specific	FORWARD PROGRAMME 2017-18 To receive the Forward Programme for the remainder of the municipal year 2017-18.	113 - 114

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

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**MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 26 SEPTEMBER 2017 FROM 7.00 PM TO 7.50 PM**

Committee Members Present

Councillors: Anthony Pollock (Chairman), David Chopping (Vice-Chairman), Prue Bray and UllaKarin Clark

Also Present

Madeleine Shopland, Democratic and Electoral Services Specialist

Adrian Balmer, Ernst and Young

Helen Thompson, Ernst and Young

Graham Ebers, Director of Corporate Services

Catherine Hickman, Lead Specialist Audit and Investigation

John Ogden, Lead Specialist (Finance)

Paul Ohsan Ellis, Strategy and Commissioning Support Manager

Jonathan Ross, Senior Specialist (Finance)

16. APOLOGIES

An apology for absence was submitted from Councillor Barrie Patman

17. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 13 June 2017 were confirmed as a correct record and signed by the Chairman subject to the following amendment.

'With regards to capital borrowing £147,386million had been borrowed externally' to read
'With regards to capital borrowing £147.386million had been borrowed externally.'

18. DECLARATION OF INTEREST

There were no declarations of interest submitted.

19. PUBLIC QUESTION TIME

There were no Public questions.

20. MEMBER QUESTION TIME

There were no Member questions.

21. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT 2016/17

Members received the External Audit Annual Governance Report 2016/17.

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

- The External Audit Plan 2016-17 had been presented to the Committee in February 2017.
- Ernst & Young expected to issue an unqualified audit opinion on the financial statements subject to the satisfactory completion of a number of items set out within the report.
- Adrian Balmer took the Members through the report. He highlighted areas of audit focus, including management override, expenditure and funding analysis and the Private Finance Initiative.
- Experts had been relied on for three major areas in the Audit Plan; Pensions Valuation, Property Valuation and the Private Finance Initiative.

- It was noted that misstatements in the financial statements and disclosures identified during the audit had been corrected by management.
- The Committee was informed that the Council had failed to comply with the requirements of the Local Audit and Accountability Act 2015 Period of Public Inspection Notice. The regulations stated that the period for public inspection notice must include the first 10 working days of July 2017. Councillor Bray questioned why this had not been achieved. The Lead Specialist (Finance) indicated that this had been the result of an oversight. However, the Council had achieved the requirement that the audit should be advertised for a period of 30 working days.

RESOLVED: That the External Audit Annual Governance Report 2016/17 be noted.

22. FINANCIAL STATEMENTS 2016/17

The Committee received the Financial Statements 2016/17.

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

- Members had previously received a training session on the draft accounts.
- Following the Local Government Finance Settlement in January the Council had suffered a reduction in formula grant of 50.6%.
- The deficit on the provision of services, including the Housing Revenue Account (HRA) was £6.0m which, after the required accounting adjustments (including capital financing) became a deficit of £0.3m on the General Fund and a deficit of £0.9m for the HRA. The General Fund balance at 31 March 2017 was £10.0m and for the HRA £4.9m.
- The usable capital receipts reserve as at 31 March 2017 stood at £8.0m and the usable capital grants and contributions reserve stood at £7.3m.
- School balances had decreased to £2.8m at 31 March 2017 from £4.6m at 31 March 2016, while the Dedicated Schools Grant central reserve had decreased to £1.4m at 31 March 2017 from £2.2m at 31 March 2016.
- Members were informed of a number of minor changes which had been made following the publication of the accounts.
- Ernst & Young had requested a number of minor changes to the Annual Governance Statement which had been previously considered by the Committee. The Committee received the amended Annual Governance Statement.

RESOLVED: That the Financial Statements and letter of representation for 2016/17 be approved.

23. CORPORATE RISK REGISTER REFRESH - SEPTEMBER 2017

The Director of Corporate Services presented the Corporate Risk Register.

- Risk 28 *'inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act'* had been removed from the Corporate Risk Register. Councillor Bray questioned whether this remained a risk on the service risk register and was informed that the risk had been des-escalated to service level. It was appreciated that there may be further changes to legislation in future.
- Risk 27 *'failure of Health and Social Care system'* had been amended to reflect the ongoing national programme Sustainable Transformation Partnerships' aligning effectively with Borough Governance.

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

24. 2017/18 INTERNAL AUDIT AND INVESTIGATION - Q1 PROGRESS REPORT

The Lead Specialist Audit and Investigations presented the 2017/18 Internal Audit and Investigation Q1 Progress Report which detailed the work carried out by the Shared Internal Audit and Investigations team between 1 April 2017 to 30 June 2017.

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

- The team was on target to achieve the amended audit plan. In addition the team was up to full complement.
- The Housing Rents audit shown as draft within the report, was near completion. Members expressed concern that the Housing Rent and Debtors audits had received or were likely to receive, the audit opinion of 3.
- Members expressed concern at the level of housing rent arrears. The Director of Corporate Services emphasised that 96% of housing rents had been collected in the last year and that a housing rents project had been established to make improvements regarding issues in this area. The Committee would be updated on housing rent arrears at its next meeting.

RESOLVED: That the 2017/18 Internal Audit and Investigation Quarter 1 Progress Report be noted.

25. REVIEW OF PROPOSED ADDITIONS TO THE PROCUREMENT AND CONTRACTS RULES AND PROCEDURES

The Committee received a report regarding proposed additions to the Procurement and Contracts Rules and Procedures within the Constitution.

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

- The Strategy and Commissioning Support Manager highlighted three proposed minor changes that sought to clarify particular procedures and to address weaknesses within the system that had become apparent following case law.
- It was also proposed that the threshold for legal involvement in contracts be increased to £100,000 from £50,000. Members were informed that Shared Legal Solutions had created model contracts that did not allow changes other than commercial terms (cost and specification) and that any contracts requiring modification other than standard terms would be referred to Shared Legal Solutions.
- Members were satisfied with the proposed amendments to the Procurement and Contract Rules and Procedures.

RESOLVED: That changes detailed within the report to the Council's Procurement and Contracts Rules and Procedures which form part of the Council's Constitution, be recommended to Council, via the Constitution Review Working Group.

26. FORWARD PROGRAMME 2017/18

The Committee considered the forward programme for the remainder of the municipal year.

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

- The Committee would receive an update on housing rent arrears at its December meeting. Members felt that it would be helpful if this update also contained information on work being carried out to improve debtors.
- In response to a question it was confirmed that Officers would be consulted with, with regards to the dates of committee meetings for the next municipal year.

RESOLVED: That the forward programme for the remainder of the municipal year be noted.



Complaints

April to September 2017

Q1 to Q2

6

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



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Summary: Complaints Received between April and September 2017 (Q1 & Q2)

- 7 complaints have been recorded as being resolved at 'Early Resolution'.
- We have received 49 'Stage 1' corporate complaints, of which 2 have been escalated to 'Stage 2'.
- We have received 12 Children's Services Social Care Complaints, 3 of which were out of scope.
- 10 complaints have been received via the Local Government Ombudsman (LGO) or the Housing Ombudsman (HO).

11



68

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



3

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

Local Government
OMBUDSMAN

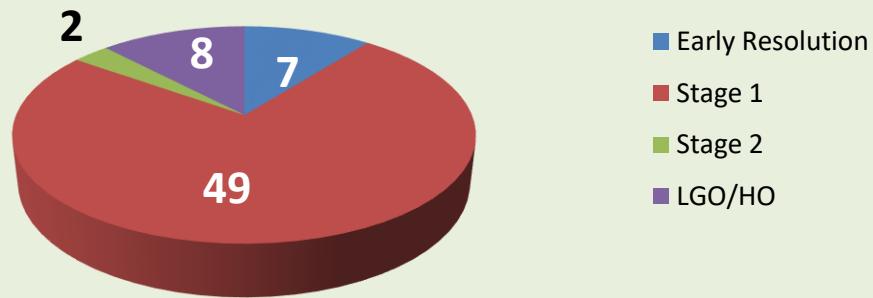
10

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

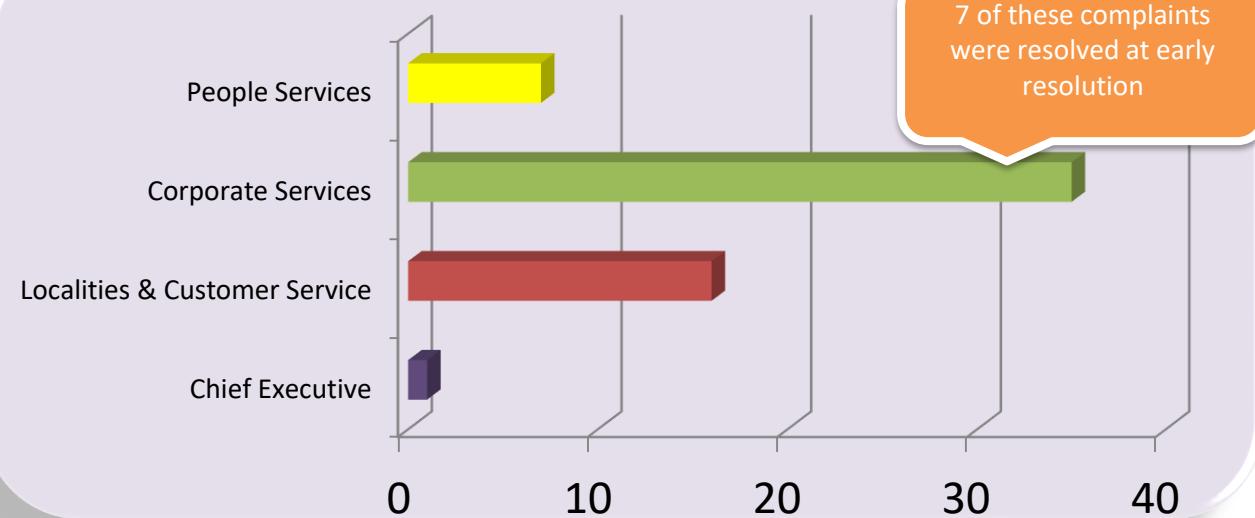
Corporate Complaints Snapshot



Complaints Received

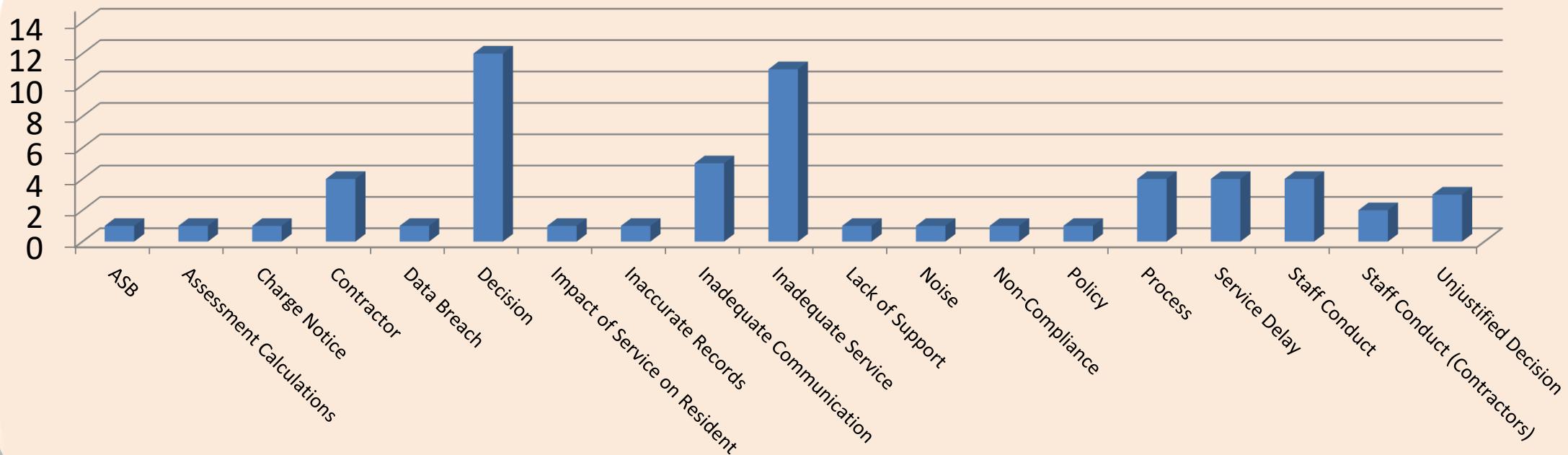


Complaint Service Location



12

Reasons for corporate complaints

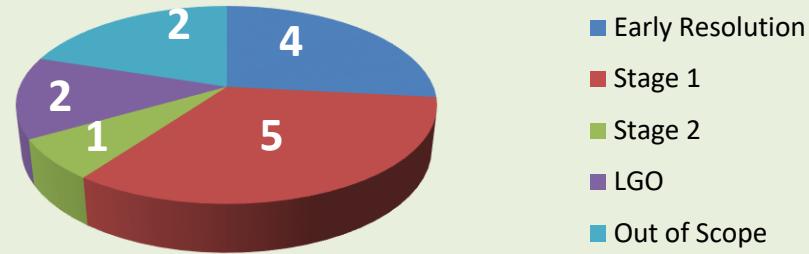


Children's Services Social Care Complaints



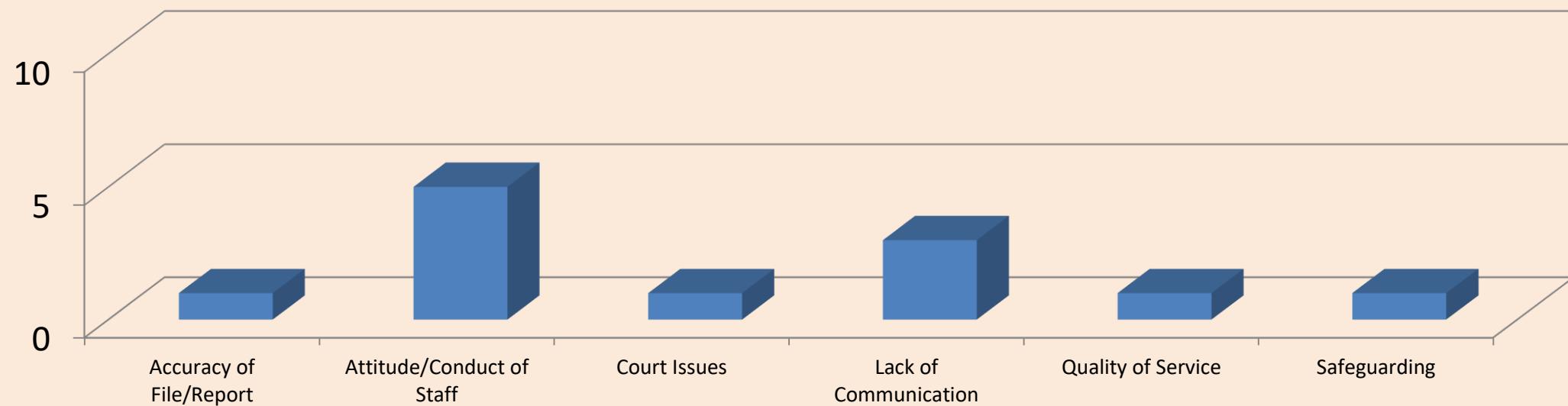
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Complaint Stages

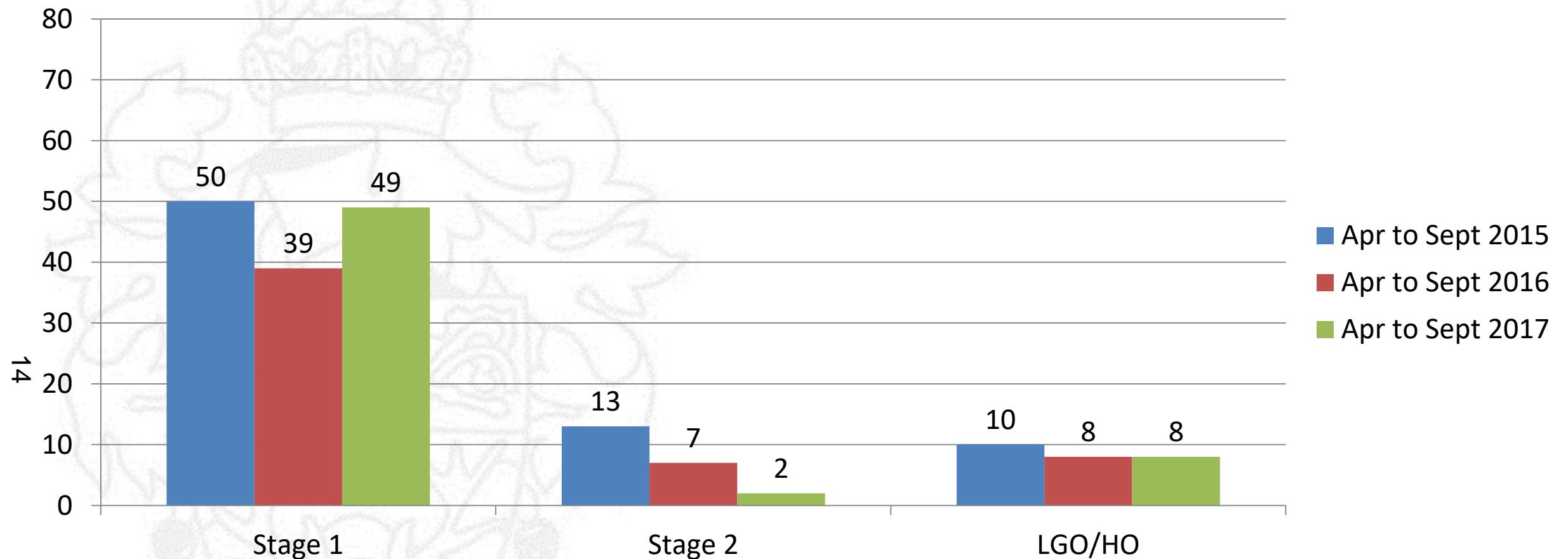


* **Other:** Initial meeting at Stage 0, early resolution

Reasons for children's complaints



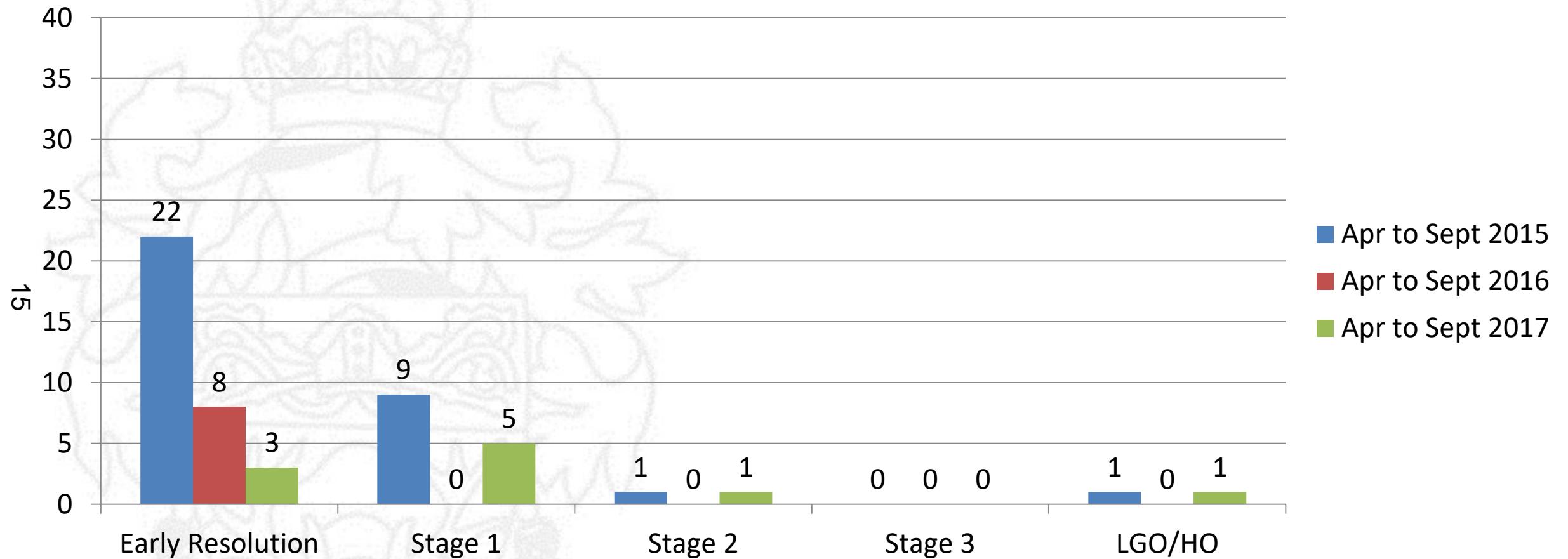
Corporate Complaints Received – Q1 & Q2 Comparison with Previous Years



Comments/Observations

- There has been a slight increase in Stage 1 complaints when compared with the same period last year; however, the volumes are not so significant to warrant concern.
- Despite the increase in Stage 1s, we have also seen a reduction of those complaints escalated to Stage 2. This is in keeping with the focus of the complaints process, which is resolution at an early a stage as possible.

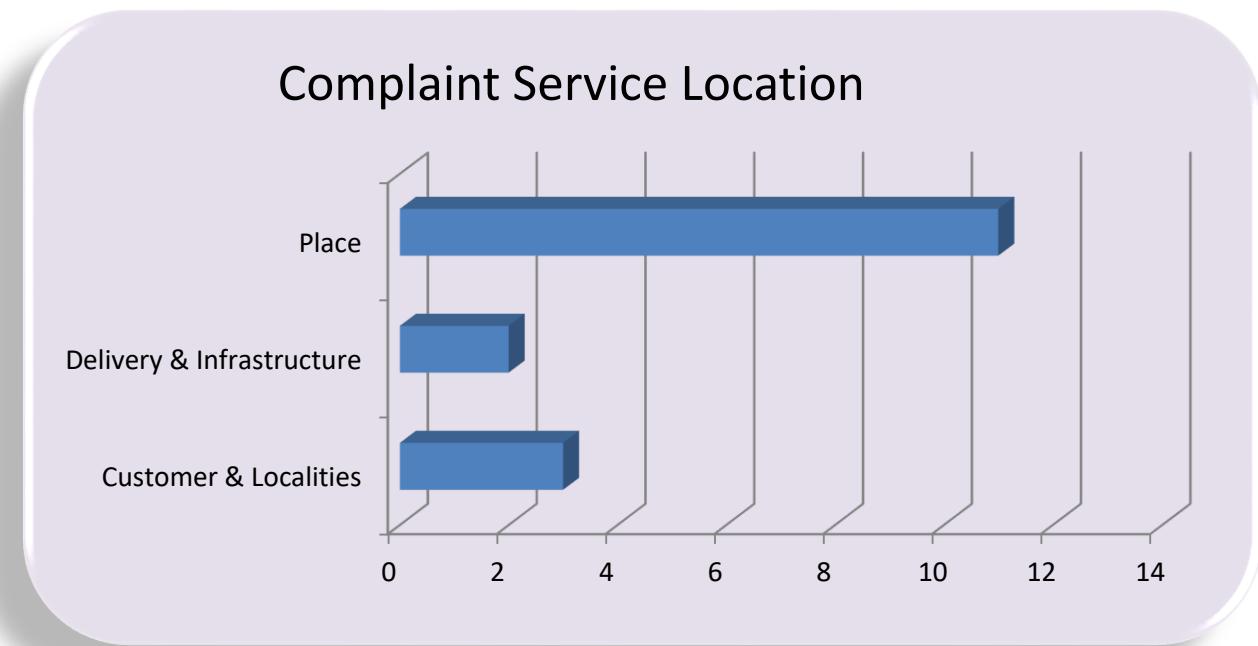
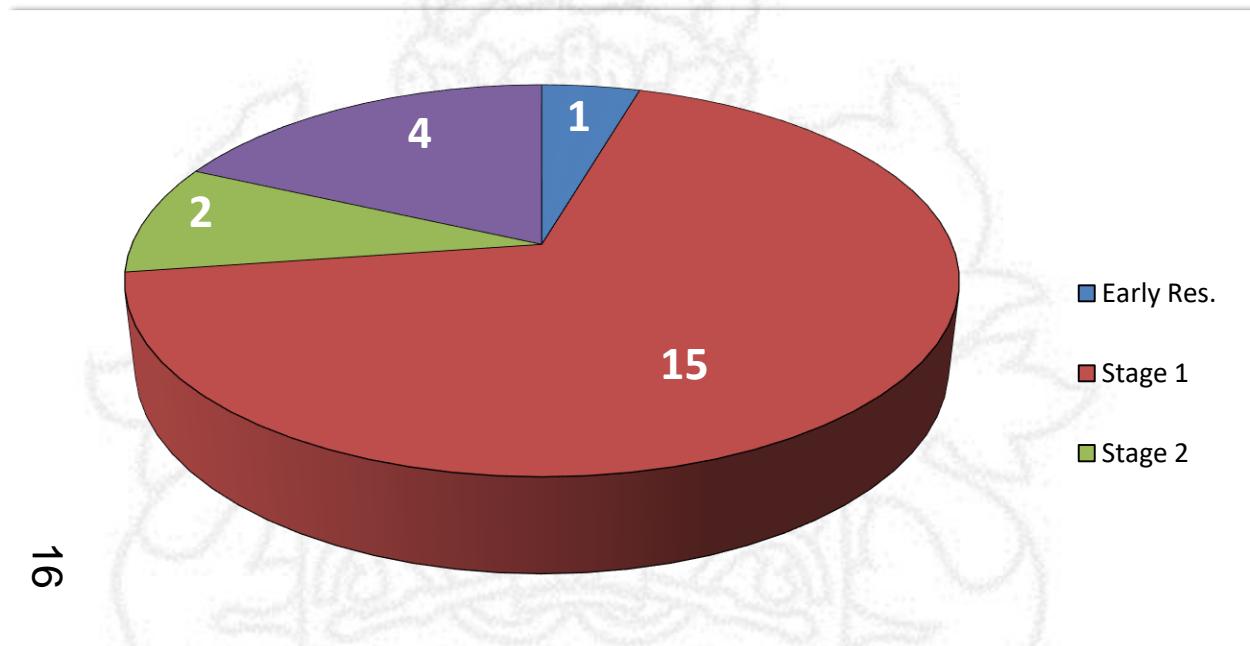
Children's Services Statutory Complaints Received – Q1 & Q2 Comparison with Previous Years



Comments/Observations

- The number of cases received has remained consistent with the financial year and have reduced when compared with 2015-'16.
- The one complaint that has been received via the LGO was a complaint which the authority considers to be 'out of scope' of the statutory complaints process.

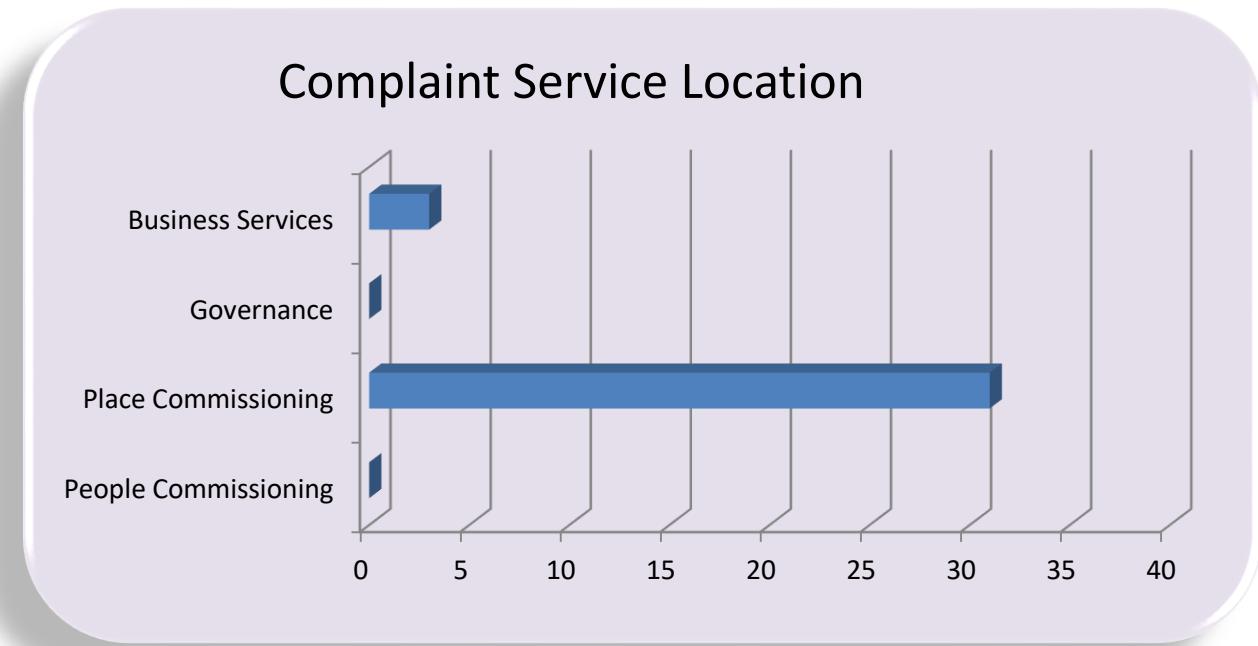
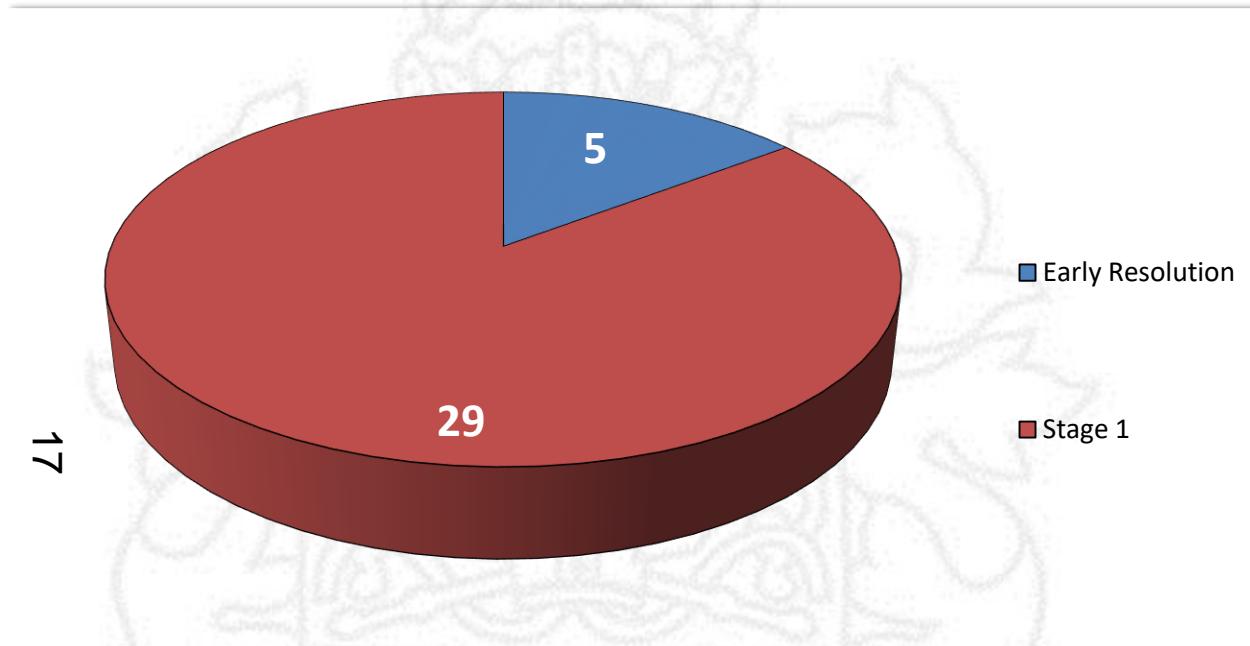
Localities & Customer Service



Comments/Observations

- The majority of complaints received relate to decisions reached on planning applications, which is consistent with previous financial years.
- Of the four cases with the LGO, three relate to planning applications and one relates to a complaint made about Customer Services. All of these cases are still ongoing.

Corporate Services



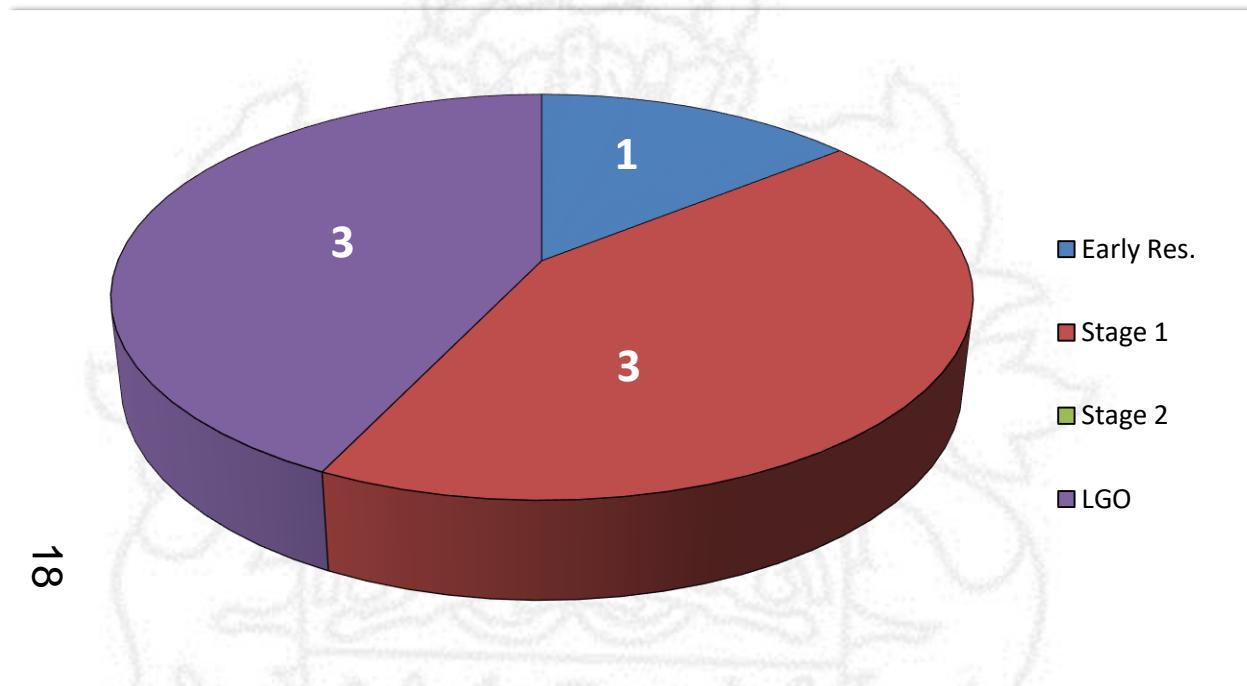
Comments/Observations

- All of the complaints received by Place Commissioning were in respect of Housing Operations. Approximately 80% of these complaints related to planned and reactive repairs at housing properties, which has consistently been received the highest volumes of complaints.
- The three complaints received by Business Services relate to the Revenues Team, all of which have been resolved.
- None of these complaints have been escalated to either Stage 2 or the Ombudsman services.

People Services – Corporate Complaints



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Comments/Observations

- All complaints received at early resolution stage and Stage 1 have been resolved without need for escalation.
- The three complaints received via the LGO were not considered through the council's internal process. Two were in relation to appeals, and on the other, it was mutually agreed between the council, the complainant and the Ombudsman that the LGO would take on the investigation.

Compliments for Q1 & Q2

- In Q1 & Q2, we have received details of **42** formally recorded compliments.
- We received positive feedback on a large number of services we provide.
- There was a higher volume of positive of feedback about parks in the borough and residents interactions with frontline staff.

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TITLE	Update on HRA rent audit
FOR CONSIDERATION BY	Audit Committee on 4 December 2017
WARD	None Specific
DIRECTOR	Graham Ebers Director Corporate Services

OUTCOME / BENEFITS TO THE COMMUNITY

Maximising both income that is used to invest in services and tenancy sustainment, which together, will increase resident satisfaction.

RECOMMENDATION

That the Audit Committee note the progress made in completing the audit recommendations.

SUMMARY OF REPORT

The report shows that over the previous three months, progress has been made on completing all the six audit recommendations with completion due by year-end.

Background

There are six outstanding recommendations from the 2015/16 Rents Audit report of which two are high risk and four are medium risk.

In September 2017, an external report (called 'Phase 1') was completed that recommended actions to turnaround performance (called 'Phase 2 – September 2017 to December 2017' and 'Phase 3 – from January 2018') of rent collection. The recommendations have been turned into an action plan with completing the outstanding audit recommendations being a key part of the plan.

Analysis of Issues

A summary of the six outstanding recommendations is shown below along with an update of work completed over recent months.

1 – Rent Officers do not always have the capacity to chase former tenants' debt as well as current tenants' arrears (high risk)

Update 20 November 2017 - The 'Phase 1' report to turnaround the Rental Income Service that was approved in September 2017, recommends using an external end of account lifecycle agency to seek to recover the debt and to recommend write-offs, but where debt is recoverable we will deal with robustly. This approach has been agreed by the Category Manager Housing Operations and Lead Finance Specialist (Deputy S151 Officer).

From September 2017 to December 2017, dealing with the current rent arrears is the first priority. Universal Credit Full Service rolls out on 6 December 2017 and prioritising current tenant arrears will reduce the risk of future former tenant arrears.

Prior to December 2017, we will have approached external end of account lifecycle agencies to discuss them tracing, recovering and recommending for write-off all accounts for the former tenant arrears debt.

2 - Progress has been made in reducing current tenant arrears. However, the older debt becomes the more difficult it is to collect (high risk)

Update 20 November 2017 - Please see the comment in the 'Background' section of this report. The phase 2 action plan included providing a procedure for the Rental Income Team that sets out arrears levels for serving Legal Notices and making applications to the County Court for Possession. This procedure has been completed, and shared with both the Rental Income Team staff and Tenant and Landlord Improvement Group. This procedure is the first step in ensuring a 'payment culture' among staff and residents returns and is the 'norm'. Also, this procedure provides assurance for our residents that they are being treated consistently.

Two staff members left the team in September and October 2017 at which point the two remaining staff members in the team were delivering a reactive rather than pro-active service. Additional temporary staff have since been recruited and at 20 November 2017, there are five staff members working in the team.

We initially expect performance to get worse in Q3 before turning around in Q4. This will be supported by statements of account being sent in w/c 4 December 2017 to all of the circa 2,700 residents with a council tenancy. This will be the first time statements have been sent since May 2015. We are currently working on information to enclose with the statements that includes an information leaflet about Universal Credit Full Service and promoting paying the rent during December 2017.

3 - Full documentation may be absent to support new sheltered housing tenancies (medium risk)

Update 20 November 2017 - In w/c 17 October 2017, the requirements were discussed and the solution agreed, with this work now in progress. All documents will be at Shute End at end of play of the week of the sign up, this will be monitored at the weekly operational meeting, where we will confirm done until further notice.

4 - Northgate is unable to produce bulk automatic reminder letters without manual intervention (medium risk)

Update 20 November 2017 - at present, the first letter that is sent to residents in rent arrears is manually requested, printed and enveloped by the Rents Officer. This work should be automated so a file is produced once a week and sent to a printing company to print and post the letters.

We have had meetings with IT on 29 September 2017 and 2 October 2017 and identified that Northgate is missing a large piece of script to be able to automate this work. On 9 November 2017, we started the work to automate this process through our internal IT Team, Northgate Consultant, and Rental Income Team meeting to understand the current process and the work required to change this. We anticipate this work being completed by year end.

5 - Passwords for Northgate may be insecure (medium risk)

Update 20 November 2017 – during November 2017, testing has been completed regarding using a longer more secure password. Final testing is to be completed and

all staff will be required to change their password in December 2017 that will complete this audit recommendation.

6 - The validity of the Direct Debit (DD) figures in the Northgate Rent Processing reports is compromised as closing and opening balances differ (medium risk)

Update 20 November 2017 - on 10 October 2017, the issue was identified and Finance and IT are currently working together to seek a resolution to the identified issue. On 16 November 2017, further work has been completed and it is envisaged this recommendation will be completed in December 2017.

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)	NA		
Next Financial Year (Year 2)	NA		
Following Financial Year (Year 3)	NA		

Other financial information relevant to the Recommendation/Decision
N/A

Reasons for considering the report in Part 2
N/A

List of Background Papers
N/A

Contact Simon Price	Service Housing
Telephone No 0118 974 3775	Email simon.price@wokingham.gov.uk
Date 24 November 2017	Version No. 1

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TITLE	2017/18 Internal Audit and Investigation Q2 Progress Report
FOR CONSIDERATION BY	Audit Committee on 4 December 2017
WARD	None Specific
LEAD OFFICER	Andrew Moulton, Assistant Director, Governance (and Chief Audit Executive)

OUTCOME / BENEFITS TO THE COMMUNITY

The Internal Audit and Investigation Progress Report details the work of the team from the 1 April 2017 to 30 September 2017. This is an update on the progress towards the formation of the Chief Audit Executive's annual audit opinion on the Council's internal control and governance framework, 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 2017/18 Internal Audit and Investigation Quarter 2 Progress Report (attached).

SUMMARY OF REPORT

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

The report provides the opportunity for the Assistant Director, Governance (and Chief Audit Executive) 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 Assistant Director, Governance (and Chief Audit Executive) to account for the performance of internal audit and investigation.
- It facilitates the Audit Committee in holding management to account for managing weaknesses identified during the course of internal audit and investigation activities.

Analysis of Issues

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

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

Other financial information relevant to the Recommendation/Decision

Not applicable

Cross-Council Implications

Not applicable

List of Background Papers

None

Contact: Andrew Moulton	Service: Assistant Director, Governance (and Chief Audit Executive)
Telephone No: 07747 777298	Email: Andrew.Moulton@wokingham.gov.uk
Date 15 November 2017	Version No. v1

Shared Audit and Investigation Service
Wokingham Borough Council Performance Report
2017/18 to 30 September 2017
Audit Committee 4th December 2017

2017/18 Quarterly Progress Report (to 30 September 2017)

1. Introduction

1.1 This report summarises the work of the Shared Audit and Investigation Service to 30 September 2017.

2. Internal Audit

Performance against Audit Plan to 30 September 2017

2.1 Appendix A(I) presents progress made against the revised 2017/18 Internal Audit and Investigation Plan, approved at the meeting of this Committee on 8th February 2017. Progress is reported as at the 30th September 2017 and the Audit and Investigation Plan is being managed 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 As at 30 September 2017 there were 10 audits carried forward from 2016/17, 9 have been completed to final report stage in the first part of the year and 1 was at draft report stage but it has subsequently been finalised after the reporting period. For 2017/18 audits, 1 is at final report stage, 1 is at draft report stage and there are 2 grant certifications.

Third Category Audit Opinion Reviews

2.3 There are no new completed audits that have received the 3rd or 4th category of audit opinion during quarter 2.

2.4 Where concerns are classified as being Very High or High that have been tolerated by management, these are highlighted to the Audit Committee. There have been no cases of Very High or High concerns being tolerated by management.

2.5 Contingency days to date have been spent on consultancy work requested by management in the following areas, which are supported by a summary of the findings:

Centralised Transport Unit

This was undertaken as a consultancy review at the request of the Interim Director of Environment. The review examined the provision of the adults' community transport service.

Children’s Disabilities Direct Payments and Personal Budgets

This Consultancy review was undertaken at the request of the Director of People Services. A management action plan is in place to address areas which improvements have been identified.

3. Corporate Investigations

- 3.1 The revised 2017/18 Audit and Investigations Plan, following the 21 Century Council restructure, resulted in reduced coverage of this work compared with previous years.
- 3.2 The Investigations Team performance up to the end of September 2017 covers the recovery of 3 houses totaling a value of £54,000 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”.
- 3.3 Work has been undertaken during the quarter to investigate Council Tax Reduction Scheme referrals. In addition, Table 1 gives a summary of other investigations requested to be undertaken by the Shared Audit and Investigation Service during the period.

Table 1

Investigation Type	Outcome
1 Serious Grievance	No case to answer
1 Fact Finding Investigation (Planning)	No case to answer
1 School Investigation (Review of decision)	No case to answer – supported by Ombudsman report
1 Whistleblow Allegation	No case to answer

Regulation of Investigatory Powers Act

- 3.4 On 17th January 2017 the council received an Office of Surveillance Commissioner’s inspection of the arrangements made by the council to secure compliance with the statutory provisions which govern the use of covert surveillance. Two recommendations were made within the report which are being acted upon. These included updating the council’s policy and procedures and arranging refresher training for appropriate officers across the council. Both recommendations will be completed by the end of December 2017.
- 3.5 No new investigations have been undertaken during 2017/18 that has required Regulation of Investigatory Powers Act surveillance approval to be requested. An Office of Surveillance Commissioners Inspection took place during the year.

**2017/18 Wokingham Borough Council Internal Audit Plan Status
(as at 30 September 2017)**

AUDIT TITLE	DIRECTORATE	STATUS	DRAFT AUDIT REPORT OPINION	FINAL AUDIT REPORT OPINION
<u>2017/18 Audits</u>				
<u>Key Financial Systems</u>				
Housing Benefit and Council Tax Reduction Scheme	Corporate Services	WIP		
Fixed Asset Register	Corporate Services	WIP		
Cash and Bank Reconciliation	Corporate Services	WIP		
<u>Operational Risks</u>				
Procurement Cards	Corporate Services	DRAFT	2	
Shared Property Services	Corporate Services	WIP		
<u>Servicing the Business</u>				
Shinfield Infant and Nursery School	Corporate Services	FINAL	2	1
21 st Century Council - Governance	Corporate Services	WIP		
Health and Safety	Corporate Services	WIP		
Beechwood Primary School	Corporate Services	WIP		
Loddon Primary School	Corporate Services	WIP		
Rivermead Primary School	Corporate Services	WIP		
Colleton Primary School	Corporate Services	WIP		
St Crispin's Secondary School	Corporate Services	WIP		
Troubles Families Grant	Corporate Services			C
Grant Certification: Bus Subsidy Operators Grant	Corporate Services			C
Integrated Transport Grant	Place	WIP		
<u>Consultancy</u>				
Centralised Transport Unit				
Children's Disabilities Direct Payments and Personal Budgets				
Balfour Beatty Living Places payment process				
<u>2016/17 Audits Carried Forward</u>				
<u>Key Financial Systems</u>				
Payroll	Finance & Resources	FINAL	2	2
Debtors	Finance & Resources	FINAL	3	3
General Ledger	Finance & Resources	FINAL	2	1
Cash and Bank Reconciliation	Finance & Resources	FINAL	1	1
Cashiers	Finance & Resources	FINAL	2	2
Housing Rents	Finance & Resources	DRAFT	3	
Benefits/CTRS	Finance & Resources	FINAL	1	1
Budgetary Control and Reporting	Finance & Resources	FINAL	2	2
BACS/CHAPS and Cheques	Finance & Resources	FINAL	1	1

Auditor Judgement				
Contract Management (Top Ten Spend)	Cross Cutting	FINAL	2	2
Consultancy				
Children's Services - Health and Safety				
Governance of the Local Authority Trading Companies (Holding, Optalis and WHL)				
Contract Auditing				
Highways Infrastructure Assets				
Schools Pensions Contributions				

<u>Audit Opinion – Legend</u>	
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 minor. <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 moderate 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 concerns that are predominantly of a major 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 ♦ Reported concerns are predominantly of a catastrophic or major impact/likelihood. <p>(Risk management processes and controls are weak).</p>
C	Certification
E	Exempt from classification

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TITLE	Governance Arrangements for 21st Century Council Programme
FOR CONSIDERATION BY	Audit Committee on 4 December 2017
WARD	None specific
LEAD OFFICER	Andrew Moulton, Assistant Director Governance

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 conclusions from the internal audit of governance arrangements for the 21st Century Council programme.

SUMMARY OF REPORT

The purpose of this report is to inform the Committee of the outcome of the internal audit of the governance arrangements for the implementation the 21st Century Council programme. It should be noted that the Executive also receives quarterly update reports reporting on progress of implementation and revenue return on investment.

The key features of the governance arrangements are:-

- Officer Programme Board chaired by the interim 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
- Risk management embedded in the programme at all levels.

The overall audit conclusion was that controls are Substantially Complete and Generally Effective (second highest out of 4 opinions).

Background

On 29th 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 are leading to a radical change in how the Council operates 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 established in 2016 is provided at Appendix 1.

Details of the terms of reference for each part (as per 2016) is provided at Appendix 2.

These arrangements have been subject to an internal audit. The main conclusions were:-

Good evidence was in place to support:

- The project planning and authorisation for its implementation;
- A structured approach to implementing the Programme;
- Communication of the structure and implementation approach;
- A comprehensive governance structure in place.

Scope for improvement was identified in the following areas:

- Governance documentation;
- Roles and responsibilities (to the extent that some arrangements have been consolidated since 2016 (i.e. IT sub group merged into main Member/Officer group); and
- Risk management.

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
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None

Cross-Council Implications

This change programme impacts on the whole Council.

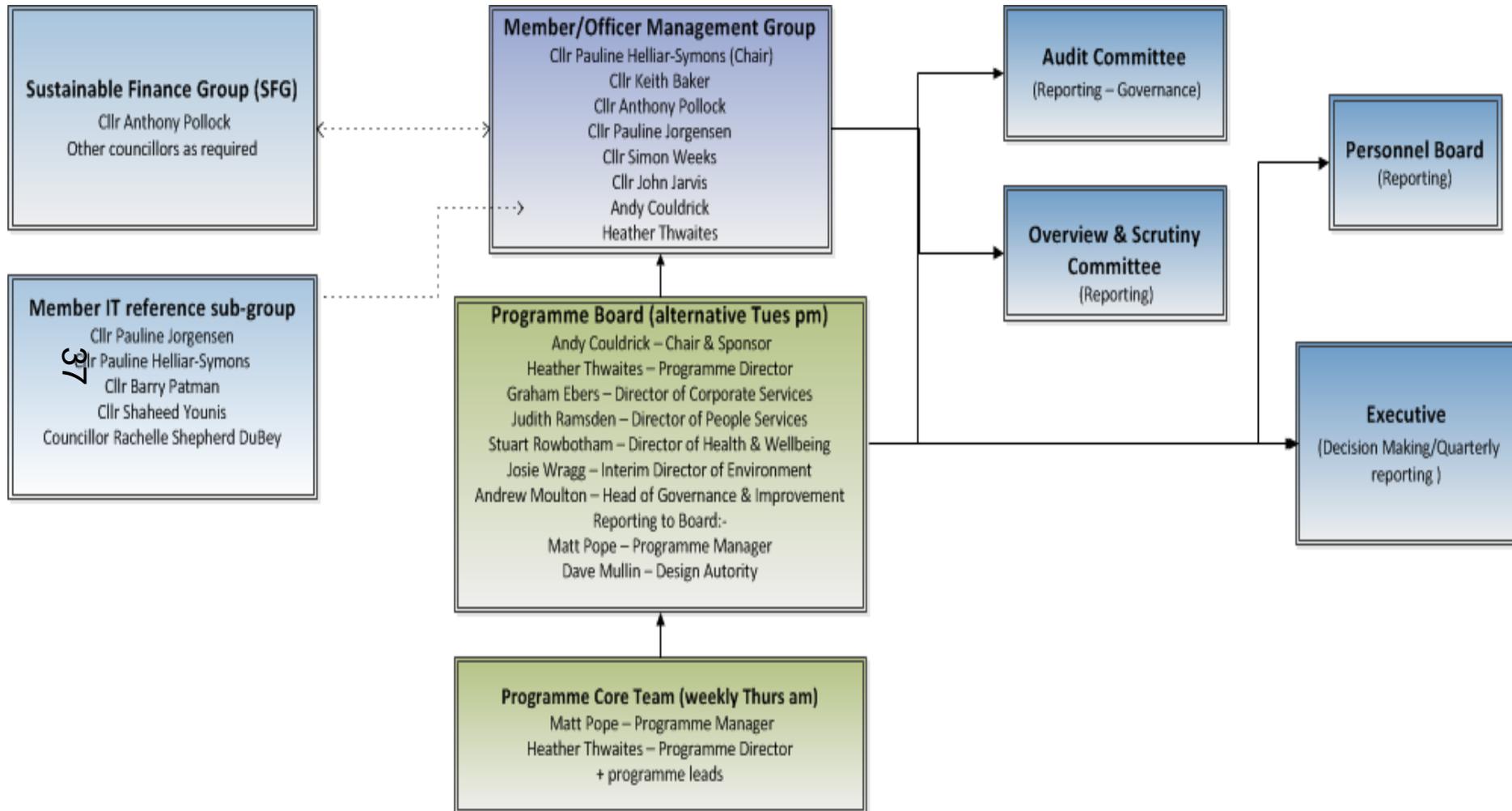
List of Background Papers

<p>21st Century Council Business Case – see Executive papers 29 September 2016 Governance Arrangements reported to Audit Committee – see Audit Committee papers 5 December 2016 Update to Executive – 26 January 2017 Update to Executive – 25 May 2017 Update to Executive – 28 September 2017</p>
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Contact Andrew Moulton	Service Governance & Improvement
Telephone No 07747 777298	Email Andrew.moulton@wokingham.gov.uk
Date 21 November 2017	Version No. 2

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



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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

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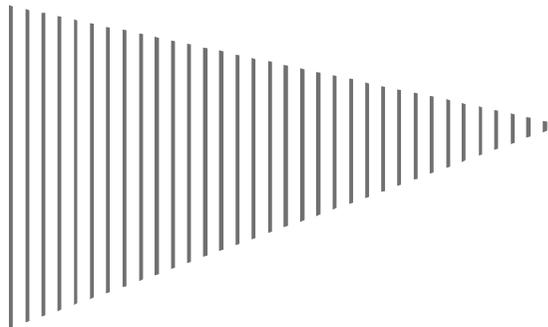
Wokingham Borough Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

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Agenda Item 38.

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

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

The “Terms of Appointment (updated 23 February 2017)” 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.

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 2017.

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 2017 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).	The Council was below the specified audit threshold of £350 million. Therefore, we were not required to perform any audit procedures on the consolidation pack.

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 26 September 2017.
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 27 September 2017.

In December 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

Associate Partner
For and on behalf of Ernst & Young LLP

Purpose

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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 2016/17 Audit Results Report to the 26 September 2017 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 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 9 February 2017 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 2016/17 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 Council was below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the Annual Governance Statement, 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 27 September 2017.

Our detailed findings were reported to the 26 September 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>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;</p> <p>We reviewed accounting estimates for evidence of management bias;</p> <p>We evaluated the business rationale for any significant unusual transactions; and</p> <p>We evaluated the appropriateness of accounting policies against Code guidance and for changes from the prior period.</p> <p>We did not identify any:</p> <ul style="list-style-type: none"> • material weaknesses in controls or evidence of material management override; • instances of inappropriate judgements being applied; or • any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Other Financial Statement Risk	Conclusion
<p>Expenditure and Funding Analysis</p> <p>Amendments were made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p> <p>The Code no longer requires statements or notes to be prepared in accordance with Service Reporting Code of Practice. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.</p> <p>This change in the Code required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made. In past years we have observed, and the Council has recognised, that the process for generating the financial statements from the ledger is complex. This change in reporting requirement could provide an opportunity to streamline this process which could reduce the time taken to produce the financial statements moving forward.</p>	<p>We reviewed the 'Expenditure and Funding Analysis', CIES and new notes to ensure disclosures are in line with the Code. The disclosures made were generally in line with the Code.</p> <p>We reviewed the working papers supporting the derivation of these figures, and how the ledger system was re-mapped to reflect the Council's organisational structure. We agreed the restated comparative figures back to the Council's supporting working papers and ledger.</p> <p>We had no matters to report.</p>

Other Financial Statement Risk	Conclusion
<p>Private Finance Initiative (PFI)</p> <p>The PFI Accounting Models produce a number of material balances within the financial statements.</p> <p>We planned to undertake a number of specific procedures to provide assurance that the accounting models produce materially correct information in the Council's accounts.</p>	<p>We:</p> <ul style="list-style-type: none">▶ Used one of EY's PFI experts to review the accounting model and contract on which entries in the financial statements are based. The PFI expert used an internally created tool to simulate the entries within the model▶ Reviewed the accounting entries in the financial statements to ensure they agree to the accounting model. <p>We did not identify any material differences between the figures posted from the PFI model and the figures which were obtained from the internally generated model.</p>

Other Key Findings	Conclusion
<p><u>Pension disclosures:</u></p>	<p>We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. Both PWC and our internal pension experts have noted issues with the discount rate being used by the external actuary Barnett Waddingham. We concluded that this could lead to unacceptable assumptions in future years. This is a national issue and relevant to all clients who use Barnett Waddingham.</p>
<p><u>Property valuations:</u></p>	<p>We undertook appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to Wokingham Borough Council's property, plant and equipment focusing in particular on specialist assets which are valued on a depreciated replacement costs (DRC) basis as these valuations are often the most subjective and open to different interpretations. We asked our EY internal property valuation experts to assist us with providing assurance in this area. EY Property Valuations raised a number of questions of the internal valuer on key assumptions applied on DRC valuations. Key questions focused on 2 key areas: depreciation assumptions including useful life determination and depreciated replacement cost and basis. There were some non-material adjustments made as a result of this work.</p>

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £6.395 million (2015/16: £6.494 million), which is 2% of gross revenue expenditure reported in the accounts adjusted for any other items of expenditure which would be reported below the line.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £0.0320 million (2015/16: £0.0325 million)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits.
- Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. We can confirm that there were no uncorrected mis-statements from the 2016/17 audit.

A close-up, shallow depth-of-field photograph of a stack of gold coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the embossed details on the coins. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

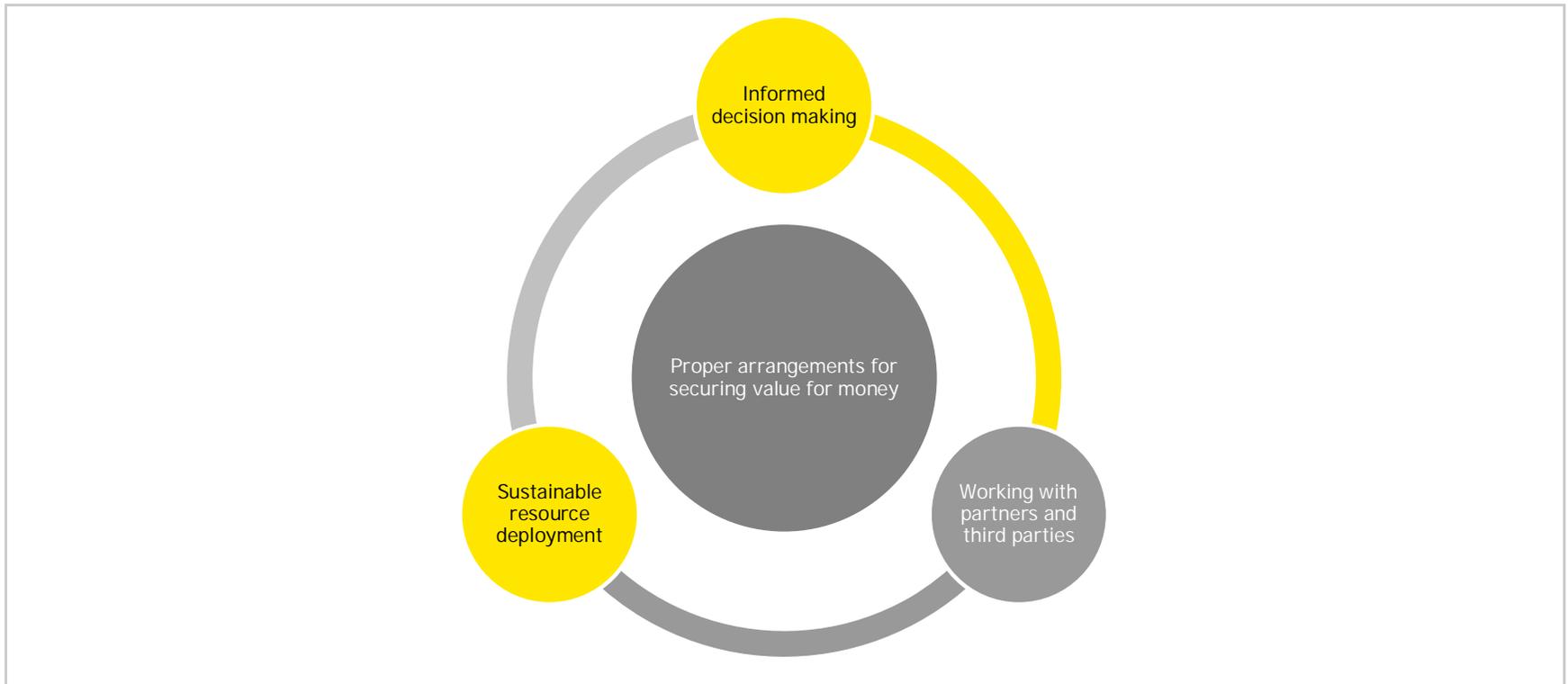
Value for Money

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 did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 27th September 2017.

What were our findings?

Reductions in central government funding, coupled with demand lead pressures on services, mean that the Council is continuing to experience financial pressures. For example in 2016/17 Wokingham Borough Council's Revenue Support Grant was reduced by 50%. The Council is moving towards a future of financial sustainability and is currently engaged in an ambitious and extensive capital programme. The Council returned a small net underspend in 2016/17 of £55,000 against a net budget of £136 million.

We noted as part of our review of the financial statements that Wokingham Borough Council's financial sustainability in respect of Usable Reserves (General Fund and Earmarked Reserves) has improved in year from approximately £43 million as at end of March 2016 to £54 million as at end of 2017. In addition Short-term Investments and Cash and Cash equivalents accounted for £57 million. Again this is an improvement on the prior year with the prior year equivalent figure being approximately £39 million. Offsetting these assets is the overall borrowing position of £148 million. The Council is moving towards a future of seeking to achieve greater financial sustainability and is currently engaged in an ambitious and extensive capital programme. The borrowing position and detailed repayment schedules, including future revenue amounts from the investment, has been carefully considered. Given the scale of the investment this will continue to be an area of focus for us in future VFM planning.

As part of the changing circumstances in which many local government organisations now find themselves they are being asked to make do with less central government funding. In response many councils are having to take difficult decisions in respect of staffing levels and different ways of working. Given the size of the reductions as noted above Wokingham Borough Council is no exception. The Council has embarked on a significant change programme called 21st Century Council. Split into different phases the programme will change the way in which the Council operates with all departments subject to review and change. Phase 1 was implemented in the summer of 2017 with Phase 2 being introduced in the autumn of 2017. Given the nature of the change and the plans we will continue to monitor this area as part of our VFM planning in 2017/18. We will continue to seek regular updates on this area from senior officers.

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.

The Council was below the specified audit threshold of £350 million. Therefore, we were not required to perform any audit procedures on the consolidation pack.

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 identified a small number of areas where further disclosure was required to reflect the position at the Council. The Council amended the annual governance statement to include these areas.

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 2016/17 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 26th September 2017. 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 adopted a mainly substantive approach and have therefore not tested the operation of controls.

We noted as part of the audit that Wokingham Borough Council had not complied with the requirements of the local Audit and Accountability Act in respect of publicly advertising the audit during a common period. For 2016/17 the common period was 3 July to 14 July 2017. Due to an administrative oversight, the audit was not advertised during the appropriate period. However, once identified, the Council did ensure that the inspection period was appropriately advertised for a period of 30 working days.

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. 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
<p><i>IFRS 9 Financial Instruments</i></p>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> • How financial assets are classified and measured • How the impairment of financial assets are calculated • Financial hedge accounting • The disclosure requirements for financial assets. <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> • Reclassify existing financial instrument assets • Remeasure and recalculate potential impairments of those assets; and • Prepare additional disclosure notes for material items <p>The Council is awaiting clarification of the exact requirements before investing time in the above work.</p>
<p><i>IFRS 15 Revenue from Contracts with Customers</i></p>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p>

Area	Issue	Impact
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Council is has yet to commence work in this area due to the timing of implementation.</p>
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council will need to take a number of steps as outlined below:</p> <ul style="list-style-type: none"> • Critically review and amend the closedown process to achieve draft accounts production by 31 May for 2017/18 • Bring forward the commissioning and production of key externally provided information such as IAS 19 pension information and asset valuations • Provide training to departmental finance staff regarding the requirements and implications of earlier closedown • Re-order tasks from year-end to monthly/quarterly timing, reducing year-end pressure • Establish and agreed working materiality amounts with auditor

Area	Issue	Impact
		<p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> • Issued a thought piece on early closedown; • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales; • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017. <p>Locally we have and will continue to:</p> <ul style="list-style-type: none"> • Together with the Council agree areas for early work which have in the past included testing of major income and expenditure streams at month 9, reviewing calculation and allocation of depreciation charges, discussing and agreeing material estimation procedures by March of each financial year; • Hold regular discussions through the year on the Council's proposals to bring forward the closedown timetable.

Appendix A

Audit Fees



Appendix A Audit Fees

Our proposed final fee for 2016/17 is greater than the scale fee set by the PSAA and reported in our 26th September 2017 Annual Results Report.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work	107,596*	105,617	105,617	105,617
Total Audit Fee – Certification of claims and returns	TBC**	11,787	11,787	7,183

* As a result of additional work on Property, Plant and Equipment and the use of internal experts to conclude on that work we have charged an additional fee of £1,979. In line with the protocol in respect of any additional fees charged this will need to be approved by the PSAA before we can raise the invoice for payment.

** We are currently completing the work on the Housing Benefit certification and will report our findings from this work to the December 2017 Audit Committee.

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

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Agenda Item 39.

TITLE	Treasury Management Mid-Year Report 2017-18
FOR CONSIDERATION BY	Audit Committee on 4 December 2017
WARD	None specific
DIRECTOR	Graham Ebers, Director of Corporate Services
LEAD MEMBER	Oliver Whittle, Executive Member for Finance

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 2017/18;
- 2) note the actual 2017/18 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 2017/18. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices.

As at 30th September 2017 the Council is forecast to exceed its investment return budget and there has been no external loan taken out in the first six months.

The Director of Corporate Services confirms that as at 30th September 2017 there have been no breaches of the treasury strategy 2017/18.

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 the council's 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 2017 external debt was:

- General fund (Non- Housing Revenue Account): £65.8m
- Housing Revenue Account: £81.0m.

Capital Expenditure forecast year end outturn

As at 30th September 2017:

- General fund (Non- Housing Revenue Account): £94.1m
- Housing Revenue Account: £5.1m.

Investment forecast year end outturn

As at 30th September 2017:

- Returns on investments (external and internal companies): £1.8m

Appendices

The full Treasury Management strategy Mid-Year report for 2017/18	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 2017	Appendix D
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)	£147.8m External Loans £1.8m 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

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Date 22 November 2017	Version No. 1

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WOKINGHAM BOROUGH COUNCIL



WOKINGHAM BOROUGH COUNCIL

Treasury Management Mid-Year Treasury Management Report 2017-18

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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's mid-year treasury position for 2017-18 in accordance with the Council's 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

Following strong UK economic growth in 2016, growth in 2017 has been more weak; with quarterly growth at just 0.3%, meaning that growth in the first half of 2017 was the slowest since 2012. This has largely been caused by the sharp increase in inflation, caused by the devaluation of sterling after the referendum, increasing the cost of imports.

As a result, on the second of November, the official bank rate was lifted from 0.25% to 0.5%, the first increase since July 2007. The monetary policy committee also expect the bank rate to increase twice more in the next three years to reach 1% by 2020.

Economic forecasting remains difficult with so many external influences weighing on the UK. The overall longer run trend is for PWLB rates to rise, albeit gently.

The Council's treasury advisor, Link Asset Services (formerly 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.

	Now	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%
5yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%
10yr PWLB rate	2.10%	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.50%	2.50%	2.70%
25yr PWLB rate	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%
50yr PWLB rate	2.40%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%

The November inflation report included an increase in the peak forecast for inflation from 3.0% to 3.2% very soon, with a slow decrease in the inflation rate to just over the 2% target in three years' time.

Chancellor Phillip Hammond will announce his new budget on November 22, the first since the general election, which will be important, as the Government begins to implement its revised target of achieving a budget surplus by 2025, eased from 2020 previously.

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

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

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

The actual capital expenditure forms one of the required prudential indicators. Tables 2 and 3 below show the actual capital expenditure and the funding.

Table 2: General fund capital expenditure and financing

	2017/18 Budget	Quarter 1 17/18 Year end forecast	Quarter 2 17/18 Year end forecast
Capital expenditure	£'000	£'000	£'000
Financed in year	70,322	54,499	45,790
Funded by borrowing (borrowing requirement)	82,527	64,444	48,347
Total	152,849	118,943	94,137

Table 3: HRA capital expenditure and financing

	2017/18 Budget	Quarter 1 17/18 Year end forecast	Quarter 2 17/18 Year end forecast
Capital expenditure	£'000	£'000	£'000
Financed in year	5,100	5,100	5,100
Funded by borrowing (borrowing requirement)	0	0	0
Total	5,100	5,100	5,100

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 2017/18 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 2017/18 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**

	2017/18 Budget	Quarter 1 17/18 Year end forecast	Quarter 2 17/18 Year end forecast
Opening balance £'000	119,013	160,022	160,022
Capital expenditure funded by Borrowing	82,527	64,444	48,347
Sub Total	201,540	224,467	208,369
Less Minimum Revenue Provision			
MRP Charge	(3,350)	(3,090)	(3,024)
PFI Principal Charge	(215)	(215)	(215)
Sub Total	(3,565)	(3,305)	(3,239)
Closing Balance	197,975	221,162	205,130
Movement		61,140	45,108

**Table 5: Capital financing requirement:
HRA**

	2017/18 Budget	Quarter 1 17/18 Year end forecast	Quarter 2 17/18 Year end forecast
Opening balance	90,400	90,400	90,400
Capital expenditure funded by Borrowing	0	0	0
Closing Balance	90,400	90,400	90,400
Less Minimum Revenue Provision			
Repayment of Loan Principle	(1,750)	(2,548)	(2,548)
PFI Principal Charge	0	0	0
Sub Total	(1,750)	(2,548)	(2,548)
Closing Balance	88,650	87,852	87,852
Movement		87,852	87,852

**Table 6: Capital financing requirement:
General fund and HRA**

	2017/18 Budget	Quarter 1 17/18 Year end forecast	Quarter 2 17/18 Year end forecast
Opening balance £'000	209,413	250,422	250,422
Capital expenditure funded by Borrowing	82,527	64,444	48,244
Sub Total	291,940	314,867	298,769
Less Minimum Revenue Provision			
MRP Charge	(5,100)	(5,638)	(5,572)
PFI Principal Charge	(215)	(215)	(215)
Sub Total	(5,315)	(5,853)	(5,787)
Closing Balance	286,625	309,014	292,982
Movement		58,592	42,560

The capital expenditure funded by borrowing requirement includes the funding of the following:

- Town centre regeneration
- Loans to group companies
- Forward funded schemes

The above borrowing will be reduced when capital receipts are recovered, loans repaid and when 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 2017/18 external borrowing.

Table 7: External Borrowing

	Actuals as at 30-09-17 £'000	Quarter 1 17/18 Year end forecast £'000	Quarter 2 17/18 Year end forecast £'000
Market	24,000	24,000	24,000
PWLB*	122,459	120,709	120,709
Local Enterprise Partnership**	1,380	1,000	1,000
Total borrowing	147,839	145,709	145,709

Note:* reduction due to a HRA self-financing loan repayment

Note:** reduction due to a Local Enterprise Partnership loan repayment

During the first six months of the 2017/18 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 on the following page 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.

Table 8: Prudential Indicator – Debt

Forecast year-end position as at 30-09-17	Has the limit/boundary been broken
Gross external borrowing exceeding CFR	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	Quarter 1	Quarter 2
	Actuals invested	Actuals invested
	£'000	£'000
Local authorities	60,000	63,000
Money market funds	3,500	0
Fund managers	631	631
Internal companies investments (including the HRA)	26,359	30,091
Total	90,490	93,722

During the first six months of the 2017/18 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: Investments return	Quarter 1	Quarter 2
	Forecast outturn	Forecast outturn
	£'000	£'000
Local authorities	206	434
Money market funds	5	9
Fund managers	0	0
Internal Companies investments (including the HRA)	1,308	1,608
Total	1,519	2,051

Current forecast of investment return shows we will over achieve the budget. This is due to loans made to our housing companies.

7. Conclusion

The Director of Corporate Services confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2017/18 and that no difficulties are envisaged for the remaining six 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.

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Prudential and treasury indicators as at 30th September 2017General FundTable B1 - Capital expenditure and In year borrowing requirement

General fund	2017/18 Budget	Quarter 1	Quarter 2
		17/18 Year end forecast	17/18 Year end forecast
	£'000	£'000	£'000
Capital expenditure	152,849	118,944	94,136
Capital Financing Requirement (CFR)	197,975	224,122	205,130
Annual change in CFR	78,962	61,140	45,108
In year borrowing requirement	82,527	64,444	48,347

Table B2 - financing costs %

General fund	2017/18 Budget	Quarter 1	Quarter 2
		17/18 Year end forecast	17/18 Year end forecast
	£'000	£'000	£'000
Ratio of financing costs to net revenue stream	3.17%	3.10%	2.81%

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 divided by net revenue stream

As per budget 2017/18: £3,666k/ £130,349k = 2.81%

HRATable B3 - Capital expenditure and In year borrowing requirement

HRA	2017/18 Budget	Quarter 1	Quarter 2
		17/18 Year end forecast	17/18 Year end forecast
	£'000	£'000	£'000
Capital expenditure	5,100	5,100	5,100
Capital Financing Requirement (CFR)	90,400	90,400	90,400
Annual change in CFR	(1,750)	(2,548)	(2,548)
In year borrowing requirement	0	0	0

Table B4 - financing costs %

HRA	Quarter 1		Quarter 2
	17/18 Year end forecast		17/18 Year end forecast
	£'000	£'000	£'000
Ratio of financing costs to net revenue stream	18.94%	18.48%	18.48%

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 2017/18: £2,781k / £15,049k = 18.48%

General Fund & HRA

Table B5 - Capital expenditure and In year borrowing requirement

General fund & HRA	2017/18 Budget	Quarter 1	Quarter 2
		17/18 Year end forecast	17/18 Year end forecast
	£'000	£'000	£'000
Capital expenditure	157,949	124,044	99,236
Capital Financing Requirement (CFR)	288,375	314,522	295,530
Annual change in CFR	77,212	58,592	42,560
In year borrowing requirement	82,527	64,444	48,347

Table B6 - Upper limit - Debt only

General fund and HRA	2017/18 Budget	Quarter 1 Actual	Quarter 2 Actual
	£'000	£'000	£'000
Fixed rate exposures	180,000	147,386	147,386
Variable rate exposures	40,000	0	0

Table B7- Internal Borrowing

General fund and HRA	2017/18 Budget	Quarter 1 17/18 Year end forecast	Quarter 2 17/18 Year end forecast
	£'000	£'000	£'000
CFR (year-end position)	286,625	309,014	292,982
Less External Borrowing	(203,200)	(145,709)	(145,709)
Less Other long term liabilities	(8,600)	(10,000)	(10,000)
Internal Borrowing*	74,825	153,305	137,273
Movement	0	78,480	62,448
% of internal borrowing to CFR	0	49.61%	46.85%

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

Table B8 - Upper limit - Investments Only

General fund and HRA	2017/18 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
Fixed rate exposures	(80,000)	(68,874)	(79,874)
Variable rate exposures	(40,000)	(18,086)	(25,794)

Upper limit for principal sums invested over 364 days	2017/18 Budget	Quarter 1 (Apr-Jun) Actual	Quarter 2 (Jul-Sep) Actual
	£'000	£'000	£'000
In house	0	0	0
Fund managers	(10,000)	(631)	(631)

Table B9 - Internal investments: interest received

	2017/18 Budget	Quarter 1 17/18 Year end forecast	Quarter 2 17/18 Year end forecast
	£'000	£'000	£'000
HRA Internal loan from The General fund		(449)	(449)
Wokingham Housing		(584)	(884)
	(600)	(1,033)	(1,333)

Table B10 - Internal investments: Investments held

	Quarter 1 17/18 Year end forecast	Quarter 2 17/18 Year end forecast
	£'000	£'000
HRA Internal loan from The General fund	8,874	8,874
Wokingham Housing	17,485	25,193
Total	26,359	34,067

General Fund Loan portfolio at 30th September 2017

PWLB/Market	Loan no	Principle £'000	Interest Rate %	Maturity Date
General fund				
PWLB Loans	485805	976	4.88	01/08/2022
PWLB Loans	488876	2,343	4.95	01/02/2034
PWLB Loans	505948	6,000	2.30	31/03/2034
PWLB Loans	505949	8,000	2.34	31/03/2035
PWLB Loans	505950	4,000	2.37	31/03/2036
PWLB Loans	491456	1,431	4.35	30/09/2046
PWLB Loans	491320	2,929	3.85	01/08/2051
PWLB Loans	491474	5,587	4.40	01/08/2052
PWLB Loans	493309	9,764	4.60	31/03/2054
Market Loans	1c	4,882	4.88	06/02/2066
Market Loans	4	1,953	3.68	16/02/2066
Market Loans	5	4,882	3.73	19/10/2076
Market Loans	6	1,953	3.77	19/10/2076
Market Loans	2c	4,882	4.60	11/01/2077
Market Loans	3b	4,882	4.35	24/02/2077
Local Enterprise Board		380	0.00	01/12/2017
Local Enterprise Board		250	0.00	01/12/2017
Local Enterprise Board		750	0.00	01/12/2019
Total		65,844		

Housing Revenue Fund Loan portfolio at 30th September 2017

PWLB/Market	Loan no	Principle £'000	Interest Rate %	Maturity Date
HRA				
HRA Self Financing	501033	1,750	1.50	28/03/2018
HRA Self Financing	501051	3,098	1.76	28/03/2019
HRA Self Financing	501036	1,988	1.99	28/03/2020
HRA Self Financing	501034	3,482	2.21	28/03/2021
HRA Self Financing	501038	4,199	2.40	28/03/2022
PWLB Loans	485805	24	4.88	01/08/2022
HRA Self Financing	501050	3,484	2.56	28/03/2023
HRA Self Financing	501049	4,116	2.70	28/03/2024
HRA Self Financing	501045	3,744	2.82	28/03/2025
HRA Self Financing	501048	3,971	2.92	28/03/2026
HRA Self Financing	501040	5,415	3.01	28/03/2027
HRA Self Financing	501046	5,981	3.08	28/03/2028
HRA Self Financing	501039	6,378	3.15	28/03/2029
HRA Self Financing	501047	6,789	3.21	28/03/2030
HRA Self Financing	501037	7,231	3.26	28/03/2031
HRA Self Financing	501035	8,516	3.30	28/03/2032
HRA Self Financing	501043	9,276	3.34	28/03/2033
PWLB Loans	488876	57	4.95	01/02/2034
HRA Self Financing	501044	1,000	3.37	28/03/2034
PWLB Loans	491456	35	4.35	30/09/2046
PWLB Loans	491320	71	3.85	01/08/2051
PWLB Loans	491474	135	4.40	01/08/2052
PWLB Loans	493309	236	4.60	31/03/2054
Market Loans	3b	118	4.35	24/02/2077
Market Loans	2c	118	4.60	11/01/2077
Market Loans	1c	118	4.88	08/02/2066
Market Loans	4	47	3.68	16/02/2066
Market Loans	5	118	3.73	19/10/2076
Market Loans	6	47	3.77	19/10/2076
General fund loan		8,874	4.50	
Total		90,416		

* 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 at 30th September 2017

		Quarter 1	Quarter 2
	Actuals @ 30-09-17	17/18 Year end forecast	17/18 Year end forecast
	£'000	£'000	£'000
Market	24,000	24,000	24,000
PWLB*	122,459	120,709	120,709
Local Enterprise Partnership**	1,380	1,000	1,000
Total borrowing	147,839	145,709	145,709

Note:* reduction due to a HRA self-financing loan repayment

Note:** reduction due to a Local Enterprise Partnership loan repayment

	Quarter 1	Quarter 2
External Borrowing interest cost	17/18 Year end forecast	17/18 Year end forecast
	£'000	£'000
Principle owing	147,839	147,839
£ interest to be paid in 17/18	4,852	4,852
Average % rate in 17/18	3.28%	3.28%

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Current investments as at 30/09/2017

Institution	Amount £'000	Rate	Date Deal made	Maturity Date	Trade Date	Broker
Current lending						
Conwy County Borough Council	3,000	0.40%	03/11/2016	02/11/2017	30/11/2016	Tradition
London Borough of Enfield	4,000	0.40%	01/12/2016	28/11/2017	01/12/2016	Tradition
Lancashire CC	5,000	0.50%	04/05/2017	15/01/2018	04/05/2017	Tradition
East Lincolnshire Council	5,000	0.40%	20/02/2017	16/01/2018	20/04/2017	Sterling
North Ayrshire Council	5,000	0.40%	23/01/2017	22/01/2018	03/04/2017	Tradition
Barnsley BC	3,000	0.40%	27/02/2017	16/02/2018	16/05/2017	Sterling
Fife Council	5,000	0.52%	28/02/2017	27/02/2018	18/04/2017	Tradition
Islington Council	5,000	0.45%	03/04/2017	28/02/2018	02/05/2017	Tradition
Highland Council	5,000	0.45%	06/04/2017	21/03/2018	16/05/2017	Tradition
Blackburn Council	5,000	0.40%	15/06/2017	29/03/2018	15/06/2017	Tradition
Lincolnshire County Council	3,000	0.30%	04/07/2017	29/03/2018	07/07/2017	Tradition
Thurrock Borough Council	5,000	0.47%	03/04/2017	29/03/2018	03/04/2017	Tradition
Rugby	3,000	0.35%	06/07/2017	29/06/2018	24/07/2017	Tradition
Rugby	2,000	0.35%	18/07/2017	13/07/2018	18/08/2017	Tradition
Aberdeenshire Council	5,000	0.37%	12/07/2017	03/08/2018	03/08/2017	Tradition
Total	63,000					
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	63,000					

Table D1 - Fund managers

	Mkt Value £'000	Interest Received £'000	Cumulative rate %
Fund Managers at 30/09/17			
Royal London Asset Management (Rlam)	631	0	0.48%
Aberdeen Asset Management	0	0	0.00%
	631	0	

Table D2- Internal investments:

	Actuals invested @ 30-09-17 £'000
HRA Internal loan from The General fund	8,874
Wokingham Housing	21,217
Total	30,091

Table D3 - Investments return

	Quarter 1 Forecast outturn £'000	Quarter 2 Forecast outturn £'000
Local authorities	206	434
Money market funds	5	9
Fund managers	0	0
Internal companies investments (including the HRA)	1,308	1,608
Total	1,519	2,051

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.

Agenda Item 40.

TITLE	Corporate Risk Register Refresh – December 2017
FOR CONSIDERATION BY	Audit Committee on 4 December 2017
WARD	None Specific
DIRECTOR	Graham Ebers, Director Corporate Services

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.

SUMMARY OF REPORT

The report shows the latest Council Corporate Risk Register (CRR) following review by officers. The details of the CRR are 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 significant changes to the risk register as part of this update since the CRR was presented to the Audit Committee in September this year.

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 Andrew Moulton	Service Governance Services
Telephone No 0118 974 6630	Email andrew.moulton@wokingham.gov.uk
Date 15 November 2017	Version No. V1

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Corporate Risk Register
 Summary Page
 Updated 21/11/17

APPENDIX A

Key

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

		2	4	6	8
LIKELIHOOD	6	M	H	VH	VH
	5	M	H	H	VH
	4	M	M	H	H
	3	L	M	27	7,8,14
	2	L	M	18, 20	23
	1	L	L	2	M
		2	4	6	8
		<u>IMPACT</u>			

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/Target
2	Risk of inability to match supply and demand for school places		<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 Secondary school provision strategy implemented Primary school provision strategy 2015 to 2018 agreed Refreshed Secondary School Strategy approved by Executive in July 2017 	Review/refresh Primary School Strategy Review date April 2018, go live date Sept 18.	PS	MA	6	1	L	L
<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).</p> <p>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 									

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target
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 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"> • 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 • Recruitment and retention problems • Removal and replacement of senior managers 	<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 • Berkshire West Safeguarding Board operating effectively • Optalis contract as emergency provider in case of external provider failure • Care Governance Quality Assurance system for providers • Market Failure Protocol in place 	<p>Mitigations are currently being reviewed – a verbal update will be provided at the Audit Committee meeting on 4 December 2017</p>	PS	JMS	8	3	H	L

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target
14	Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning		<ul style="list-style-type: none"> Reduce capital programme in line with delay in receipts Increase borrowing Closer monitoring of on-site schemes Quarterly refresh of capital programme Refreshed corporate asset management plan Annual capital bidding system and capital programme in place Programme Board for Town Centre Regeneration Project Forward Funding Asset Review Programme Meeting the Council's strategic capital requirement, incorporating Strategic Development Locations (SDL) in the medium term financial plan. Resource planning for Strategic Development Locations (SDL) infrastructure needs. 	<p>The Council has initiated a Capital Review Group (CRG) with senior representatives from all services areas. A robust project appraisal framework and ranking criteria have been established. A fully funded 3-year capital programme has been presented to and agreed by the Corporate Leadership Team.</p> <p>The CRG will meet on a quarterly basis – to ensure effective ongoing management of the overall programme.</p> <p>John Ogden Review date</p>	GE	OW	8	2	M	H
	<p>The Council has significant investment aspirations including Strategic Development Locations (SDL's), Town Centre Regeneration, school rebuilds and housing provision. This is in the context of limited resources and a complex funding source. The Council needs to ensure it guards against any unmet critical needs and prioritise its aspirations over the long term.</p> <p>Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning.</p>	<ul style="list-style-type: none"> Insufficient school places Financial shortfall Negative PR Loss of rental income Scheme slippage / downsizing 								
18	Risk of a significant fine and reputational damage due to loss of confidential/ sensitive data		<ul style="list-style-type: none"> Information Security Management System - governance for this area including SIRO & IGG roles Encrypted IT equipment Secure storage/ lockers at council offices Robust policies in this area Mandatory refresher programme recently undertaken 	<p>Continuing IGG programme of work & quarterly updates to CLT. Compliance checks carried out by the IGG members who monitor areas and note any potential issues or concerns, and advise staff if they have any questions.</p> <p>Improved management of the Council's retention schedule and implementing</p>	GE	OW	6	2	M	L
	<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</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 								

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
	<p>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"> Increased number of complaints Loss of trust from partner organisations/contractors. 	<ul style="list-style-type: none"> Archiving of physical records Training for staff on document / information handling and basic information security practice Secure e-mail solution Document marking scheme 	<p>retention codes to systems so that we do not hold data longer than necessary. Automatic deletion once retention periods are met rather than manual deletion. The physical records going to archive also now must have a retention period catalogued.</p> <p>Information Asset Registers in place and under constant review by nominated Information Asset Owners to ensure we know what information is held and where. Links in with retention.</p> <p>Reviewing and overseeing our partners/contractors where a shared service exists (or ALMO) to ensure that they meet sufficient training, security and handling of data as stated in the contract or ISA, especially in cases where WBC remains the Data Controller. Publicising <i>all</i> ISAs on the Councils website, so that citizens know how their data may be shared. Also allows staff to know which organisation information can be shared with safely.</p> <p>Consideration for more 'opportunistic TLS' connections with partner organisations to ensure emails go securely and efficiently. Consideration for restricting how GCSx/Secure emails are sent to prevent unsecure emails being sent.</p> <p>Updating and reviewing process, training material, policies, privacy notices, website,</p>							

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
				<p>grapevine/replacement as part of the 21st CC to comply with the EU GDPR that comes into effect in May 2018 so that staff understand new legislation/regulations, or who to speak to, to get advice and guidance.</p> <p>Documenting of Privacy Impact Assessments (PIA) at the beginning of major projects containing sensitive/personal data.</p> <p>Sally Watkins Review Date</p>							
20	<p>Risk that the council, embarking on a major change programme, the 21 Century Council, fails to maintain service delivery standards, to manage information security, to deliver associated savings, or to effect the change, in structures and behaviours, to deliver the vision for the new Council's operating model</p> <p>There needs to be clarity and understanding, among officers and politicians, about the new model and its implementation. Buy-in and commitment from staff will be necessary as ways of working change. Effective leadership, management, engagement and training will be critical factors.</p> <p>Risk that the council does not deliver its vision and</p>	<ul style="list-style-type: none"> • Service delivery failure • Organisational dissonance • Confusion or discontent within the organisation • Lack of clarity • Non-compliance with legislation 	<ul style="list-style-type: none"> • C21 Council Business Case and Implementation Plan • Joint Board • C21C Member-Officer Working Group • Council Plan • Programme and project management • Performance management framework • ECLT & CLT ownership and leadership • Monthly highlight report on Joint Board progress • Programme Board Risk Register and risk management • Departmental 21st Century Council Risk Registers 	<p>Lessons Learned from Phase 1 being incorporated into the plan and approach for Phase 2.</p> <p>Governance arrangements examined by Audit Committee.</p> <p>Overall programme considered by Overview & Scrutiny management committee.</p>	MG	CHT	6	2	M	L	

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
	priorities as a result of service failure.										
23	<p>Risk of Health and Safety Failure Leading to Death or Serious Injury</p> <p>If the council fails to protect the health and safety of its employees and other persons who come into contact with the services provided by the authority there is a risk of serious injury or death.</p> <p>There is a risk that a health and safety failing could result in an intervention by a relevant enforcement agency and potential enforcement action or conviction.</p>	<ul style="list-style-type: none"> Enforcement notices and HSE fines for intervention Unlimited fine Custodial Sentence Publicity Order (Corporate Manslaughter only) Remedial Order (Corporate Manslaughter and HSWA) Publicity Order (Corporate Manslaughter only) Removal of key staff Reputational damage Service delivery loss due to depleted resources Damage to individuals wellbeing An avoidable death or injury 	<ul style="list-style-type: none"> Risk profile - Awareness of high risk areas Ongoing compliance with statute policies and procedures Seeking Assurance programme Compliance with Health and Safety policies and procedures Management and Member performance monitoring reporting from Health and Safety staff Contracts with third parties include a Health and Safety clause, setting out what the Council expects from the contractor in relation to Health and Safety obligations Incident reporting, following Health and Safety process should death or serious injury occur Training of managers and staff - Health and Safety training Annual historical benchmarking review of all Corporate Manslaughter and relevant Health and Safety cases in order to identify the key risk area Review across the Council of the arrangements in place to protect staff against violence at work 	<p>Health and Safety training to be included in the Management Induction Programme for all new managers.</p> <p>Training for managers and staff who procure and manage contracts to ensure that the Council as a client discharges its H&S duties.</p> <p>To set up a Lone Working and Work-related Violence Task & Finish Group with representatives from all services to develop a short term and long term improvement plan.</p> <p>Latest statutory Health & Safety report for 2016/17 refers to current plans.</p>	MG	CHT	8	2	M	L	

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target
27	Sustainable Transformation Partnerships (STPs) align effectively with Borough governance		<ul style="list-style-type: none"> Local multi-agency project board steering integration projects Oversight by Health and Well-Being board Healthwatch scrutiny Berkshire West Integration Board coordinating wider health and social care system Regular and direct Senior Management scrutiny of service pressures and provision Close working between the Council and Health Partners at all levels Ongoing collaboration and joint working with health service partners Sustainability and Transformation Plans being developed for the Berkshire, Oxfordshire and Buckinghamshire STP region. 	<p>STP alignment. Berkshire West Integration Board (West Berks, Reading and Wokingham) comprising portfolio holders and executive management (Chief Executives etc) reviewing health & social care system locally. Review date January 2018</p>	MG	JMS	6	3	M	L
<p>Degree and scale of change to the health and social care system combined with financial pressure on health and adult social care budgets in the face of increasing pressures on services from demographic pressures and new Care Act duties will destabilise or cause wholesale system failure.</p> <p>Health and social care provision requires significant and sometimes complex pathways, accountabilities and funding. There are significant co-dependencies with other health and support services. Pressure on Health Services may result in a shift to meeting unfunded higher levels of need through social care 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.</p>	<ul style="list-style-type: none"> Vulnerable residents receive inadequate or unsafe responses and services. Risk to health and wellbeing of vulnerable people Negative impact on health of local population. More costly unplanned or acute interventions required. Failure to meet legal responsibilities. Reputational damage. Unfunded service/contract liabilities. 									

**WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME –
2017/18 MUNICIPAL YEAR**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 7 February 2018	1.	Certification of Claims and Returns – Annual Report 2016/17	Ernst & Young
	2.	Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.	Graham Ebers, Director Corporate Services
	3.	Treasury Management Strategy 2018/19	Graham Ebers, Director Corporate Services
	4.	Corporate Risk Register Update	Graham Ebers, Director Corporate Services
	5.	Internal Audit and Investigation Q3 Progress Report 2017/18	Shared Audit and Investigation Service
	6.	E-procurement and constitutional updates	Strategy & Commissioning

To be scheduled: Update on the Council's preparedness for change in data protection legislation

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