



WOKINGHAM BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held in David Hicks 1 - Civic Offices on **WEDNESDAY 7 FEBRUARY 2018 AT 7.00 PM**

A handwritten signature in black ink, appearing to read 'Manjeet Gill', is written over a light grey rectangular background.

Manjeet Gill
Interim Chief Executive
Published on 30 January 2018

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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.
42.		APOLOGIES To receive any apologies for absence	
43.		MINUTES OF PREVIOUS MEETING To confirm the Minutes of the Meeting held on 4 December 2017.	5 - 10
44.		DECLARATION OF INTEREST To receive any declarations of interest	
45.		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	
46.		MEMBER QUESTION TIME To answer any member questions	
47.	None Specific	GENERAL DATA PROTECTION REGULATIONS To receive a presentation on the General Data Protection Regulations.	11 - 14
48.	None Specific	PROPOSED CHANGES TO THE CONSTITUTION FOLLOWING IMPROVEMENTS TO THE PROCUREMENT PROCESS To receive a report regarding a review of proposed additions to the Procurement and Contracts Rules and Procedures in the Council's Constitution.	15 - 42

49.	None Specific	CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2016-17 To receive a report regarding the Certifications of Claims and Returns – Annual Report 2016-17.	43 - 52
50.	None Specific	EXTERNAL AUDIT PLAN 2017-18 To receive an External Audit Plan 2017-18.	53 - 90
51.	None Specific	CORPORATE RISK REGISTER REFRESH – FEBRUARY 2018 To receive the Corporate Risk Register Refresh – February 2018.	91 - 104
52.	All Wards	CERTIFICATION OF CLAIMS AND RETURNS – CLAIMS AND RETURNS ORGANISED BY LOCAL AUTHORITIES To receive a report regarding Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.	105 - 108
53.	None Specific	TREASURY MANAGEMENT STRATEGY 2018-19 To receive the Treasury Management Strategy 2018-19.	109 - 150
54.	None Specific	2018/19 AUDIT AND INVESTIGATION PLAN To receive the 2018/19 Audit and Investigation Plan.	151 - 166
55.	All Wards	2017/18 QUARTER 3 AUDIT AND INVESTIGATION PROGRESS REPORT To receive the 2017/18 Quarter 3 Audit and Investigation Progress Report.	167 - 170
56.	None Specific	UPDATED ANTI FRAUD AND ANTI CORRUPTION POLICIES To consider the updated Anti Fraud and Anti Corruption Policies.	171 - 200

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 4 DECEMBER 2017 FROM 7.00 PM TO 8.35 PM**

Committee Members Present

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

Also Present

Madeleine Shopland, Democratic and Electoral Services Specialist
Helen Thompson, Ernst and Young
Malcolm Haines, Ernst and Young
Michael Bateman, Customer Relations Officer
Janet Day, Complaints Officer
Graham Ebers, Director Corporate Services
Martin Jones, Financial Planning Specialist
John Ogden, Lead Finance Specialist
Paul Senior, Interim Director People Services
Andrew Moulton, Assistant Director Governance

27. APOLOGIES

There were no apologies for absence received.

28. MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Committee held on 26 September 2017 were confirmed as a correct record and signed by the Chairman.

29. DECLARATION OF INTEREST

There were no declarations of interest submitted.

30. PUBLIC QUESTION TIME

There were no Public questions received.

31. MEMBER QUESTION TIME

There were no Member questions received.

32. COMPLAINTS AND COMPLIMENTS UPDATE

The Committee received an update on complaints and compliments.

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

- Between April and September 2017 68 corporate and social care complaints had been received. 7 complaints had been recorded as being resolved at Early Resolution. 49 Stage 1 corporate complaints had been received, of which 2 had been escalated to Stage 2. 12 Children's Services Social Care complaints had been received, of which 3 were out of scope. In addition 10 complaints had been received via the Local Government Ombudsman or the Housing Ombudsman.
- Members were informed that there had been a slight increase in Stage 1 complaints compared with the same period the previous year; however, the volumes were not so significant to warrant concern. A reduction of those complaints escalated to Stage 2 had also been seen which was in keeping with the focus of the complaints process now being on resolution at as early a stage as possible.

- Councillor Pollock asked how many complainants were satisfied with the response that they had received. He requested that this information be provided for future updates regarding complaints and compliments.
- Councillor Bray asked which department would deal with complaints relating to Civil Parking Enforcement. The Customer Relations Officer commented that the Customer Services Advisors tried to address any issues as much as possible as the first points of contact. Complaints would then be escalated to Highways Operations. The Committee requested an update on the number of complaints regarding Civil Parking Enforcement, in 6 months' time.
- The Complaints Officer reminded Members that the Children's Services Social Care complaints process was a statutory process. In response to a Member question she indicated that there were currently 100 children who were subject to a child protection plan, approximately 80 Looked After Children and a number of children that had Child in Need Plans.
- Members considered the number of complaints received in Q1 and 2 compared with the same periods in 2015 and 2016. Councillor Clark asked why 39 Stage 1 corporate complaints had been received in 2016 in comparison to 50 in 2015 and 49 in 2017. The Customer Relations Officer agreed to analyse the data and to feed back to the Committee.
- In Q1 & Q2 details of 42 formally recorded compliments had also been received.

RESOLVED: That the update on complaints and compliments be noted.

33. UPDATE ON HRA RENT AUDIT

The Lead Specialist Finance updated the Committee on the HRA rent audit.

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

- 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 had been turned into an action plan with the completion of the outstanding audit recommendations being a key part of the plan.
- It was noted that there were six outstanding recommendations from the 2015/16 Rents Audit report of which two were high risk and four were medium risk.
- Experienced external support had been brought in to help make improvements with regards to the rents area.
- From September to December 2017, the main priority would be to deal with the current rent arrears. Universal Credit Full Service rolled out on 6 December 2017 and prioritising current tenant arrears would reduce the risk of future former tenant arrears. Members asked how many would be affected by the roll out of Universal Credit. The Lead Specialist Finance commented that it was likely to be in the low hundreds. Members were reminded that private tenants as well as Council tenants could be affected by the introduction of Universal Credit. The Council wanted to provide proactive consistent support and engagement where it was required.
- The Chairman commented that it would be useful for the Committee to receive an ongoing monitoring report on the impact of Universal Credit within the Borough. He requested that a report be provided at the Committee's February meeting and that this include an update on council tax collection rates.
- It was hoped that a payment culture would be developed. Statements of account were being sent to all those with a council tenancy.

- Councillor Pollock questioned whether text message reminders could also be sent and was informed that the Council was trying to gather mobile telephone numbers and email addresses in order to digitalise contact where possible.
- Whilst there had been some issues relating to IT, improvements were being made in these areas.
- In response to a question regarding the write off of older debts the Director Corporate Services commented that the size of the debt had be balanced against the likelihood of recovery.
- The Lead Specialist Finance also updated the Committee on the outcome of the audit on debtors. Members were informed that there had been six recommendations made; two high risk and four medium risk. Progress was being made against all recommendations but the focus was primarily on the high risk recommendations. A further update would be provided at the Committee's next meeting.

RESOLVED: That the progress made in completing the audit recommendations be noted.

34. INTERNAL AUDIT AND INVESTIGATION Q2 PROGRESS REPORT 2017/18

The Committee considered the Internal Audit and Investigation Progress Report which detailed the work of the team from 1 April to 30 September 2017.

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

- There were no new completed audits that had received the 3rd or 4th category of audit opinion during Quarter 2. In addition there had been no cases of Very High or High concerns being tolerated by management.
- The 2017/18 Audit and Investigations Plan which had been revised following the 21st Century Council restructure had resulted in reduced coverage of the corporate investigations area.
- Members were advised that the Investigations Team performance up to the end of September 2017 covered the recovery of 3 houses, totalling a value of £54,000 of notional savings.
- Earlier in the year the Council had received an Office of Surveillance Commissioner's inspection of the arrangements made by the Council to secure compliance with the statutory provisions which governed the use of covert surveillance. Two recommendations had been made within the report which were being actioned. The Assistant Director, Governance informed the Committee that the Regulation of Investigatory Powers Act (RIPA) policy would be presented at the Committee's February meeting.

RESOLVED: That the 2017/18 Internal Audit and Investigation Quarter 2 Progress Report be noted.

35. GOVERNANCE ARRANGEMENTS FOR 21ST CENTURY COUNCIL PROGRAMME

Andrew Moulton, Assistant Director, Governance informed the Committee of the outcome of the internal audit of the governance arrangements for the implementation of the 21st century Council programme.

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

- Members noted the key governance arrangements which had been established which were:
 - Officer Programme Board which was chaired by the interim Chief Executive;
 - Member/Officer Management Group with sub groups which focused on IT and Finance;
 - Existing decision making bodies such as Executive, Personnel Board which operated in line with the Council's constitution;
 - Risk management was embedded in the programme at all levels;
- The overall audit conclusion had been that controls were Substantially Complete and Generally Effective, which was the second highest of the audit opinions.
- It was noted that the Executive received quarterly update reports.
- Councillor Bray questioned why there was not an Opposition Member on the Member/Officer Management Group. The Director Corporate Services commented that there was now one significant meeting of Councillors and Officers and that Councillor Rachelle Shepherd-DuBey was part of this group.
- The Committee requested an updated governance structure when it became available.
- In response to a Member question Helen Thompson commented that consideration would be given to looking at the governance of the 21st century Council project as part of the external audit plan. The External Audit Plan 2017-18 would be presented at the Committee's next meeting.
- Councillor Patman asked about evidence of benefits realisation following the implementation of Phase 1 of the project. The Director Corporate Services stated that £2million had been saved following Phase 1 and that reporting to the appropriate bodies was carried out. He went on to comment that a lot of work had been undertaken to ensure that the implementation of Phase 1 was a success.

RESOLVED: That the conclusions from the internal audit of governance arrangements for the 21st Century Council programme be noted.

36. EXTERNAL AUDIT PROGRESS REPORT

The Committee was updated on the progress of the external audit.

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

- Helen Thompson introduced Malcolm Haines to the Committee.
- It was noted that the Certification of Claims and Returns – Annual Report 2016/17 would be presented to the Committee in February.

RESOLVED: That the update on the progress of the external audit be noted.

37. 2017/18 AUDIT PLAN

Members were updated on the production of the 2017/18 Audit Plan.

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

- The new July deadline for submission of the accounts was a key change and would have an impact on the delivery of the External Audit Plan 2017-18.
- Helen Thompson commented that Ernst & Young had been running a series of workshops to discuss how councils and Ernst & Young could best work together to meet the deadline.

- Councillor Pollock questioned whether there was a risk that not all the required work could be completed by the earlier submission deadline. The Lead Specialist Finance commented that controls had been put in throughout the year to help mitigate the impact of the new deadline. Helen Thompson stated that Ernst & Young were looking at work they could undertake earlier in order to facilitate the process.
- Councillor Chopping commented that the local authority trading companies were reliant on receiving information from the Council in order to complete their accounts.

RESOLVED: That the update on the 2017/18 Audit Plan be noted.

38. EXTERNAL AUDIT ANNUAL AUDIT LETTER 2016/17

The Committee considered the External Audit Annual Audit Letter 2016/17.

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

- An unqualified opinion had been issued on the Council's Financial Statements.
- It was noted that the Audit Certificate had been issued on 27 September 2017.
- In response to a question from Councillor Pollock, Malcolm Haines explained what the Council being below the specified audit threshold of £350million meant.
- The Director Corporate Services thanked the Finance Officers for their hard work and support to enable deadlines to be met despite a range of pressures. Helen Thompson and the Committee also voiced their thanks.

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

39. TREASURY MANAGEMENT MID-YEAR REPORT 2017/18

The Committee received the Treasury Management Mid-Year Report 2017/18 which summarised the Treasury Management operations during the first six months of 2017/18. An amended covering report was circulated to Members.

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

- With regards to capital expenditure the following was forecast; General Fund (Non-Housing Revenue Account): £94.1million and Housing Revenue Account: £5.1million.
- In the first six months external debt had not increased as the Council had taken the opportunity to use internal funds and other sources to fund the capital programme. As at 30 September 2017 external debt had been; General Fund (Non- Housing Revenue Account): £65.8million and Housing Revenue Account: £81.5million.
- At present no external borrowing was anticipated this financial year.
- Returns on investments was expected to be approximately £2.8million.
- It was noted that no prudential codes had been broken.
- In response to a Member question the Financial Planning Specialist explained the table regarding the Capital Finance requirement: General Fund.

RESOLVED: That

- 1) the mid-year Treasury Management report for 2017/18 be noted;
- 2) the actual 2017/18 prudential indicators within the report be noted;
- 3) the report be recommended to Council for approval.

40. CORPORATE RISK REGISTER REFRESH - DECEMBER 2017

The Committee received the Corporate Risk Register – December 2017.

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

- Members were advised that there had been no significant changes made to the risk register since the Corporate Risk Register was presented to the Audit Committee in September 2017.
- The Director Corporate Services introduced Paul Senior, Interim Director of People Services who provided an update on children and adult services. Councillor Chopping asked whether there were any issues that the Committee should be aware of. Members were informed that there was scope for improvement with regards to the tightening of some processes. Systems and processes would be reviewed and the Committee would be updated on progress made on this, at its February meeting.

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

41. 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 following items were added to the agenda for the Committee's February meeting:
 - Update on review of People Services systems and processes.
 - Update on the impact of the roll out of Universal Credit within the Borough.
 - Update on the Council's preparedness for the change in data protection legislation.
 - RIPA policy.
 - External Audit Plan 2017-18.
- Members requested an update on the number of complaints regarding Civil Parking Enforcement, in six months' time.

RESOLVED: That the forward programme be noted.

General Data Protection Regulations (GDPR)

11

Replaces the Data Protection Act 1998

Enforced from: 25th May 2018

“If your organisation can’t demonstrate that good data protection is a cornerstone of your business policy and practices, you’re leaving your organisation open to enforcement action that can damage both public reputation and bank balance.”

Elizabeth Denham, UK Information Commissioner

GDPR Project

12

Why?

New legislation is being introduced.

Compliance is evidence driven.

Fines up to **€20,000,000.**

Who?

Project Team

Information Governance Group (IGG)

Subject Matter Experts in Services.

When?

Enforced from 25th May 2018.

Understood that 21st CC will be on-going.

Project plan and communications plan in place.

How?

- Analysis
- Review
- Catalogue
- Publish
- Monitor
- Share knowledge

What?

Legislatively set responsibilities (Art 37-39):
Point of contact (internal and external).
Independent / Impartial.
Audits compliance.
Involved with PIAs.

10. Data Protection Officer

Gaps identified.
Risks quantified.
CLT briefed.
Programme underway.

1. Awareness

Processing activities listed.
Information Asset Register.
Retention Schedule.
Off-site storage
& basement items.

2. Information Held

Information Sharing Agreements.
Regular Audits required.
Review contract wording.

9. Third Parties

GDPR compliance focus



3. Legal Basis

Privacy Notices:-
transparent about collection of data.
Exceptions / Exemptions.

8. Breach Capability

4. Consent

Lists of consents used.
Flow of data travel.
Distribution lists reviewed.

Detection capability.
Breach notice – 72 hours.
Breach threshold raised.
Failure to notify ~ €10mil.

7. Privacy Dialogue

6. Privacy By Design

5. Rights Access

Clear and prominent notices.
Details processing purposes.
References 3rd Party.
Review: Forms, webforms, etc

Accountability Principle.
Staff training.
Policy documentation.
Privacy Impact Assessments.
Lessons learned.

Subject Access Requests.
Right to be forgotten.
Data portability.

Preparation and progress

Completed

- ✓ Project team set up to facilitate and co-ordinate requirements of new legislation.
- ✓ CLT and Leadership teams briefed.
 - ✓ Manager and team meetings attended.
- ✓ Produced templates and guidance for services. (Networking with other authorities for best practice).
- ✓ Breach reporting process
- ✓ Privacy Impact Assessment checklist

To do

- E-learning being produced, and plan initiated with Learning & Development and Project team. - April
- Monitoring and progress updates scheduled. Continuous support and guidance from project team to services.
 - Policies – March /April
 - Privacy Notices - May
 - Information Asset Register - Ongoing
 - Contract Clauses - March
 - ✓ Web Page Updates – May
 - Retention Schedule
- Quality checking and publishing to website beginning from 1st May.

Agenda Item 48.

TITLE	Review of proposed additions to the Procurement and Contracts Rules and Procedures
FOR CONSIDERATION BY	Audit Committee on 7 February 2018
WARD	None Specific
DIRECTOR	Graham Ebers, Director Corporate Services

OUTCOME / BENEFITS TO THE COMMUNITY

Enabling the consistent delivery of services to our communities in the most cost effective way by ensuring compliant procurements are undertaken.

RECOMMENDATION

The Audit Committee is asked to recommend to Council, via the Constitution Review Working Group, the changes detailed below to the Council's Procurement and Contracts Rules and Procedures (PCRP) which form part of the Council's Constitution (Chapter 13).

SUMMARY OF REPORT

The Council's Procurement and Contracts Rules and Procedures (PCRP) were developed in response to the new Public Contracts Regulations 2015 (PCR2015) and formally adopted, as Chapter 13 of the Constitution, at the Council Meeting on 19 Nov 2015.

The proposed changes detailed below have been reviewed and approved by the S151 Officer and Monitoring Officer.

From the 1st April the Council is adopting e-procurement software. This is in order to comply with mandatory requirements in PCR2015 and will also improve the procurement process.

E-procurement software has the following benefits:

- It automates the controls detailed in the PCRP
- It increases the transparency of procurements
- It automatically creates a contract register
- It makes it easier for suppliers to find opportunities (particularly lower value and so should be more attractive to SMEs)
- It removes the risk of any tampering with tenders
- It makes it effective to operate a dynamic purchasing system
- It enables automatic compliance with transparency data

Due to these benefits there are two substantive changes to the constitution that change the control environment: remove the provisions related to tender openings and introduce a threshold for tenders between £5k and £50k to mandate the use of electronic 'Quick Quotes'.

There have been a number of other “housekeeping” changes in relation to terminology and moving information from the appendices to the main body of the document, which have no material impact on controls.

Background

The PCR2015 requires that “...all communication and information exchange..., shall be performed using electronic means...” for local authority procurements by the 18th October 2018. To ensure we are fully compliant by the deadline, WBC intends to implement electronic means from 1st April 2018. There are significant benefits from this move to e-procurement software for the Council, with a number of areas where controls have been improved (largely via automation and improved transparency).

We have taken the opportunity to update the PRCP to bring it into line with the e-procurement system to help officers with a consistency of terminology.

There are updates to the job and departmental name changes following 21st Century Council implementation. Some information has been brought into the body of the PRCP from the Appendices.

Analysis of Issues

It is proposed to remove the formal tender opening “ceremony” as the e-procurement system automatically controls all the risks that this event is designed to prevent.

The current control for tender receipt is that paper copies of tender submissions are received by Democratic Services prior to the deadline and then a tender opening ceremony is convened where by representatives from the relevant service, democratic services and finance. Internal audit are notified of all tenders but only attend occasionally. At the tender opening officers check that the tenders:

- have been received prior to the deadline,
- have not been opened or tampered with,
- that the tenderer cannot be identified from the outside of the package,
- and date stamp the finance information page.

This process takes around 15-20 minutes on average but for tenders where there are many tenderers and financial information is difficult to find in the submission, they have taken over an hour.

E-procurement automates these controls by operating an electronic lock-box for tenders. All tenders are date & time stamped, with any late tenders clearly identified and separated from the on-time tenders. No council officer can view any tenders prior to the deadline. This removes any risk of information from tenders being shared inappropriately. Once the deadline has passed, the lock-box is opened and no-one (tenderers or officers) can amend any of the submitted tender documents. There is a complete audit trail of all actions by all participants and there is no way for these controls to be overridden. The e-procurement system’s controls are stronger than the existing manual controls and therefore the elements in the constitution related to tender opening should be deleted. Another aspect of tender opening is the verification of budget sufficiency against the tendered prices, allowing any issues to be resolved prior to contract award. E-procurement handles this through a bespoke event, which allows

assigned Finance Officers to review the tenders and indicate their approval; only specified Officers, defined within the system, may make this approval.

The PCR2015 does not prescribe a procurement process for procurement under the value of £50k, but requires any tender that is advertised and greater than £25k to be placed on Contracts Finder. Currently, for tenders under £50k, Officers are required by PCR2015 to obtain 3 written quotes. As individual Officers operate this manual process, it lacks transparency. Our transparency obligations require all contracts over £5k to be published but, for contracts under £50k, this relies on individuals manually recording the information correctly.

E-procurement has a 'Quick Quote' function where officers can quotes from suppliers through the e-procurement system. This has several advantages:

- More potential suppliers can easily be contacted.
- Records are automatically maintained of opportunities, quotes and outcomes.
- The system automatically creates a contract record.
- The system automatically enables compliance with transparency records

We are therefore proposing to create a £5k to £50k threshold within the Constitution to ensure that we are able to comply with transparency obligations and provide greater visibility to the quotation process used for purchases under £50k.

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
None

Cross-Council Implications
These changes apply to the council procurement process and therefore has the ability to impact across all the council’s services. The changes help to ensure that council officers are complying with the PRCP and procurement law.

Reasons for considering the report in Part 2
None

List of Background Papers

Procurement and Contracts Rules and Procedures (Constitution - Chapter 13)
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Contact Paul Ohsan Ellis	Service Strategy and Commissioning
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Date 30 January 2018	Version No. 1

PROCUREMENT AND CONTRACTS RULES AND PROCEDURES

1 Purpose and Significance

- 1.1 These [Procurement](#) and Contract Rules and Procedures (“PCRPs”) provide a compliance framework for managing the Council’s expenditure on goods, services and works and are, in effect, the instructions of the Council to ALL officers for undertaking expenditure on behalf of the Council. For the avoidance of doubt: responsible individuals (2.3.1) must not commit to expenditure unless these PCRPs have been followed.

These procurement rules and procedures are made in accordance with section 135 of the Local Government Act 1972

- 1.2 As money spent by the Council is public money, the purpose of these PCRPs is to ensure that the Council:
- purchases goods, services and works of the appropriate quality for its needs
 - uses resources efficiently and obtains value for money in its purchasing decisions
 - furthers its corporate objectives, including collaboration with other authorities
 - is open, fair, transparent and fully compliant with EU public procurement legislation and UK Law, as laid out in the [Public Contracts Regulations 2015](#) (“PCR2015”)
 - helps to safeguard against fraud, bribery, corruption and dishonesty
- 1.3 Failure to follow these PCRPs for all procurement decisions and processes will undermine the achievement of the objectives in 1.2. Additionally, in an increasingly litigious and regulated environment, non-compliance is seen as an increased risk; including the likelihood of greater exposure to claims from suppliers, as well as heavy fines and non-financial penalties from regulatory authorities.
- 1.4 The PCRPs detailed here should guide users through the processes to follow for any procurement. However, they are not intended to be a ‘how to’ guide; they signpost relevant policies, guidance and legislation and whenever specific advice is needed, consult the:
- Procurement team (~~via your Procurement Business Partner~~) (~~part of Strategy & Commissioning Support~~) for day-to-day advice in respect of the operation of these rules and procedures
 - [Shared Legal Solutions](#) (“SLS”) team for advice on issues of precedence and the law relating to Council contracts.
- 1.5 There is a series of policies, which should be read in conjunction with these PCRPs. They may be updated from time to time but will always constitute a key component of the PCRPs. See Appendix 2 for a list of applicable policies and Section 5 below for an explanation of other associated documentation.

2 General Principles

2.1 Application and Scope

- 2.1.1 The PCRPs apply to all Council expenditures on [goods](#), [services](#) and [works](#). For the avoidance of doubt, 'services' includes:
- services of external consultants or temporary workers through external agencies
 - the purchasing of services for individuals, including social care and children's services, (e.g.: a package of care or a foster placement)
 - when we increase volume on a spot contract or go beyond a block contract and for extensions, i.e.: existing arrangements (see Section 2.2 Estimating Contract Value)
 - Service Level Agreements ("[SLAs](#)"); Memorandums of Understanding ("[MoUs](#)"); [Grants](#) that are awarded by the Council with certain conditions or outcomes attached
- 2.1.2 The PCRPs do not apply to contracts for:
- the appointment of permanent or fixed-term employees
 - the purchase/rental or sale of any interest in land, existing buildings or other immovable property. These are covered in the Finance Regulations 12.1.5.13.
 - [MoUs](#) and [Grants](#) that are awarded by the Council without particular conditions or outcomes attached.
- 2.1.3 Maintained schools are required by Section 48 of the School Standards and Framework Act 1998 to comply with the LEA's Financial Scheme; which, in turn, refers to the Council's Finance Regulations and PCRPs. Schools also need to have regard to the current School Governance Regulations.
- 2.1.4 Council owned trading companies are required to use these PCRPs for all procurement activities undertaken; adapting them as required (with advice from Procurement where appropriate) to meet their own governance arrangements. Teckal arrangements have now been codified into PCR2015 but the interpretation can be complex; contact Procurement for advice.

2.2 Estimating Contract Value

All contract opportunities are required to state a [total ascertainable value](#) (or a value range) so that potential suppliers can assess their suitability for the opportunity and the appropriate procurement process can be utilised. The estimate includes both revenue and capital elements of any contract. There are several requirements in PCR2015 (Regulation 6) that specify how the value of the opportunity should be calculated.

Where no definition of total value is possible, the estimated contract value shall be calculated as 24 x the monthly value.

Refer to the [Estimate of Value](#) document and contact Procurement for advice.

2.3 Responsibilities and Compliance

- 2.3.1 The PCRPs apply to every officer of the Council and anyone acting on its behalf. It is the responsibility of Directors to ensure that the Rules and Procedures are adhered to.
- 2.3.2 Failure to comply with these Rules and Procedures may result in disciplinary action.
- 2.3.3 Breaches of these Rules and Procedures should be reported to the [Monitoring Officer; Section 151 officer](#) and the [Service Manager — Shared Audit & Investigation Service Assistant Director - Governance](#)
- 2.3.4 Any officer or member of staff who suspects any [fraud, corruption or misconduct](#) in relation to any procurement or contract must immediately report that suspicion to the [Monitoring Officer, Section 151 Officer](#) and the [Service Manager — Shared Audit & Investigation Service Assistant Director - Governance](#).

2.4 Conflicts of Interest

- 2.4.1 Where a tenderer has provided advice during a preliminary market consultation or has had any involvement in the preparation of a tender document (“Prior Involvement”) the following measures must be taken to ensure that competition is not distorted by the participation of that tenderer in the subsequent procurement process:
- Details of the Prior Involvement of a tenderer in a particular procurement process must be communicated to all tenderers taking part in that procurement process; including details of relevant information exchanged between the Council and the tenderer as part of the Prior Involvement
 - The time limit for the receipt of tenders must be adequate (so that the tenderers who have not benefitted from Prior Involvement have sufficient time to properly formulate their responses)
- What is considered “relevant information” and “adequate” timescales will vary case-by-case. It is the responsibility of the Officer involved to make a considered judgement of what these mean for their particular instance.
- 2.4.2 Any tenderer who has had Prior Involvement in a particular procurement can only be excluded from the procurement process where the Council has documented a decision ([Material Decision](#)) that there are no means available to prevent distortion of competition. The Council shall give the excluded tenderer an opportunity to prove how the Prior Involvement will not distort competition before it makes that decision.
- 2.4.3 Any Council Officer or other person acting on the Council’s behalf who has, directly or indirectly, a financial, economic or other personal interest, which might be perceived to compromise their impartiality and independence in the context of any procurement process, shall disclose such interest and shall not take part in that procurement process. Disclosure of the interest should be made via the standard, annual self-declaration procedure.
- 2.4.4 The Localism Act includes rules covering any disclosable pecuniary interest in a procurement activity by Members. The Local Government Association has produced an informative guide: “[A councillor's guide to procurement](#)”

3 The Procurement and Contract Rules

3.1 Pre-Procurement Approvals

The Pre-Procurement Approval steps indicated below must be completed before a formal procurement procedure is started; that is, before the publication of any Prior Information Notice or advertisement requesting Expression of Interest, Request for [Participation Quotation](#), Invitation to Tender, or similar.

3.1.1 Procurement Business Case (including options appraisal)

A formal [business case](#) is required for any procurement with a total value above £50k (refer to section 2.2 for estimating value) with the varying levels of approval shown in the table below:-

	No formal business case required	Head of Service & Director Approval	Executive Approval
Goods and Services	< £50k	£50k - £500k	> £500k
Schedule 3 Services	< £50k	£50k - £615k	> £615k
Works	< £50k	£50k - £4,551k	> £4,551k

All Business cases should include the following elements in an appropriate form: -

- A brief justification linked to service or corporate objectives
- Vision and description of objectives to be achieved / specific need to be addressed
- Appraisal of options
- Statement of benefits and justification of expenditure, including financial costs and benefits, where relevant over the life of the contract.
(Works business cases should include a financial feasibility assessment in terms of investment payback, return on investment or discounted cash flow value).
- Timetable
- Procurement Approach and Commentary
- Source and approval of funding and whether it is revenue or capital.
- Overall approvals as indicated in table above

The value of a Business Case shall not be distorted or split with the aim of avoiding any threshold. The exact nature of any Business Case will vary depending on the requirements of the services being procured but all should consider the elements listed above to an appropriate degree. In consultation with Procurement, Directorates may design their own templates and requirements for Business Cases, in particular where regularly recurring or rapid procurements are required.

Further guidance on the production of a [Business Case](#) is available from Procurement.

A Business Case must also be produced for ALL direct award waivers, adhering to the same approval levels. They must be supported with the Suppliers proposal, including terms and conditions and full quotation details in line with the [Waivers Policy](#) (see Appendix 2).

3.1.2 Budget Approvals

In addition to an approved business case, where required, for the procurement, there must be budget available before procurement can commence.

~~If/ once a budget has been allocated for the expenditure, the following levels of approval are required in order to begin the procurement process. These represent the minimum levels of approval that are required; in specific circumstances, such as a new, unusual or particularly risky procurement, higher levels of consultation and approval may be appropriate.~~

The approval of the Director is sufficient for any budget approval within their Service remit. The Director may choose to consult more widely as appropriate to the nature of the particular procurement.

3.1.3 Legal Approval

As soon as the Business Case and Budget have been approved, the likely nature of the contractual Terms & Conditions (“T&Cs”) should be determined (see Table 3.3.1 below) and, as appropriate, SLS should be engaged prior to the commencement of the procurement.

SLS needs to be [formally instructed](#) to engage in the procurement process; but, in specific circumstances, a waiver may be in place that allows the use of pre-approved documentation. Check with your [Service Manager Assistant Director](#) to verify if any such [waiver](#) exists.

3.2 Overview of Required Procurement Procedures

ALL procedures in the PCR2015 (including Schedule 3 Services) are subject to “the principles of transparency and equal treatment of economic operators [*tenderers*]”. Accordingly, there is no mechanism for negotiation with any individual tenderer, at any stage of a procurement procedure.

Procedures are available to allow for negotiation, dialogue and innovation but they may only be used in specific circumstances and involving all parties equally. These procedures are difficult to manage effectively and should generally be avoided.

For procurements exceeding £50k, the default procedures are the [Open](#) or [Restricted](#) procedures only or the use of existing frameworks from other procurement bodies; in order to use another procedure, officers need to consult with Procurement and raise a waiver. For Services that need to manage urgent requirements (e.g.: emergency placements), a blanket waiver (clearly specifying the circumstances in which such a procedure is appropriate) may be available. Check with your [Service Manager Assistant Director](#) to verify if any such [waiver](#) exists.

3.2.1 **Goods & Services** – The following table gives an overview of the Procurement and Contract requirements for expenditure on [Goods](#) and [Services](#) (excluding [Schedule 3 Services](#) - see below) at various contract values:

Goods & Services Contract Value	Below OJEU £181k			Above OJEU
	£0k – £25k	£25k - £50k	£50k - £181k	> £181k
Approved business case for the procurement at the appropriate level			✓	✓
Fully compliant OJEU process Any applicable process may be utilised.				✓
Pre-qualification questionnaire (PQQSQ) (Restricted Process)	prohibited	prohibited	prohibited	✓
Invitation to Tender (ITT) Open (single step) process			✓	
Request for Quotation (RFQ) Quick Quotes process ¹ , with credit check & references		✓ (min 3 quotes)		
Simple quotation and selection process Purchase Order	✓ Min 3 Quotes			
Legal & Procurement Support teams to be notified before start of procurement undertaking			✓ Relationship Managers & if >£100k SLS	✓ SLS & Procurement
Formal specification & evaluation criteria			✓	✓
Simplified specification & evaluation	(if necessary)	✓		
All documents available on the date of publication of notice or advertisement		if advertised	✓	✓
Publish in OJEU ²				✓
Advertise in Contracts Finder ² (within 24 hrs of 1 st advert anywhere else)		>£25k if advertised anywhere	✓	✓
Invitation to Tender (ITT)			✗	✗
Formal tender opening process			✗	✗
Formal tender evaluation process			✓	✓

¹ If you wish to advertise your Quick Quote, use the ‘Create Project’ ‘Advertised Quotation (<50K)’ process

² Handled automatically by the e-Procurement system

Award notified in OJEU ²				✓
Award notified in Contracts Finder ²		if >£25k	✓	✓
Signed contracts lodged with SLS			✓	✓
Standstill period			recommended	✓
Service Area to add contract data to central Contracts Register	Contracts > £5k	✗	✗	✗
Complete Reg84 Report				✓

3.2.2 **Schedule 3** – The following table gives an overview of the Procurement and Contract requirements for expenditure on [Schedule 3 services](#) at various contract values. These are for specific services such as health, social care, education, cultural and certain other service contracts as defined by Common Procurement Vocabulary (CPV) codes:

Schedule 3 Services Contract Value	Below OJEU £615k			Above OJEU
	< £5k	£5k - £50k	> £50k	> £615k
Light Touch Regime (“LTR”)				✓
Any appropriate process may be used			✓	✓
Quick Quotes Process ³ Formal specification & evaluation criteria		Min 3 Quotes	✓	✓
Simple quotation and Purchase Order	✓			
Legal & Procurement Support teams to be notified before start of procurement undertaking			✗ Relationship Managers & if >£100k SLS	✗ SLS & Procurement
All documents available on the date of publication of notice or advertisement		if advertised	✓	✓
Advertise in OJEU – contract notice or PIN ⁴ ALL documents available at date of notice				✓
Advertise in Contracts Finder ⁴ (within 24 hrs of 1st advert anywhere else)		> £25k, if advertised anywhere	✓	✓
Pre-qualification questionnaire (PQQSQ) (Restricted Procedure)	prohibited	prohibited	Optional (but prohibited below £181k)	✓
Invitation to Tender (ITT)			✓	✗
Formal tender opening process			✗	✗
Formal tender evaluation process			✓	✓
Publish contract award notices ⁴ (can publish notices grouped quarterly)		If > £25k	✓	✓
Standstill period			recommended	✓
Service Area to add contract data to central Contracts Register		Contracts >£5k	✗	✗
Complete Reg84 Report				✓

For ALL procurements, any appropriate process may be used and there is flexibility in the types of award criteria that can be defined but any procedure used must ensure equal treatment of tenderers and transparency. There are no prescribed timescales for procedures but they must be “reasonable and proportionate”.

The procedure can deviate from the LTR as long as there is no breach of equal treatment & transparency and the reasons are documented & communicated.

3.2.3 **Works** – The following table gives an overview of the Procurement and Contract requirements for expenditure on [Works](#) at various contract values:

Works Contract Value	Below OJEU £4,551k			Above OJEU
	< £5k	£5k - £50k	£50k - £4,551k	> £4,551k
Approved business case for the procurement at the appropriate level			✓	✓
Full OJEU process				✓
Invitation to Tender (ITT)			✓ (if not Construction Line)	✓
Optional Construction Line “Tender”		✓	✓ (if no ITT)	n/a
Pre-qualification questionnaire (PQQSQ) (Restricted Process)		prohibited	Optional (but prohibited below £181k)	✓
Request for Quotation (RFQ) Quick Quotes process ³ , credit check and references for selected supplier		✓ (min 3 quotes)		

³ If you wish to advertise your Quick Quote, use the ‘Create Project’ ‘Advertised Quotation (<50K)’ process

⁴ Handled automatically by the e-Procurement system

Simple quotation and Purchase Order	✓			
Legal & Procurement Support teams to be notified before start of procurement undertaking			✗ Relationship Managers & if >£100k SLS	✗ SLS & Procurement
Formal specification & evaluation criteria			✓	✓
Simplified specification & evaluation	(if necessary)	✓		
All documents available on the date of publication of notice or advertisement		if advertised	✓	✓
Publish in OJEU. ALL documents to be available prior to issue of the OJEU notice				✓
Advertise in Contracts Finder ⁵ (within 24 hrs of 1st advert anywhere else)		> £25k, if advertised anywhere	✓	✓
Formal tender evaluation process			✓	✓
Award notified in OJEU ⁵				✓
Award notified in Contracts Finder ⁵		if > £25k	✓	✓
Signed contracts lodged with SLS			✓	✓
Standstill period			recommended	✓
Service Area to add contract data to central Contracts Register		Contracts > £5k	✗	✗
Complete Reg84 Report				✓

3.2.4 Abnormally Low Tenders

The Council has a duty to investigate any tenders that appear to be abnormally low. We are obliged to require tenderers to explain the price or costs proposed in the tender and assess the information provided in consultation with the tenderer. The situation can be complex since PCR2015 regulations lay out specific elements to be considered, conditions to limit when the Council may reject a tender and obligations for when it must reject a tender. Contact [Procurement](#) for help in interpreting the specific rules.

3.3 Contracting Requirements

3.3.1 Overview of Contract Terms & Conditions

Having selected an appropriate supplier, the following sources of T&Cs may be appropriate for various contract values. These represent the minimum requirements for any given contract value; for low value contracts, more stringent T&Cs (e.g. simplified Contract Terms instead of a standard PO) may be relevant in some circumstances:

Contract Value	Duration	Risk	Procurement Cards	Standard Purchase Order Terms	Template Contract	Formal Contract Terms (via SLS)	Suppliers' Terms
< £50k	<12mth	any	✓	✓	if necessary		By exception and only with input of Shared Legal Solutions
	>12mth	any	n/a	✓	if necessary		
£50k – £100k	any	any	n/a	n/a	✓		
>£100k	any	any	n/a	n/a	n/a	✓	

NOTE: Services may have Procurement Cards, which can be utilised for low value, low risk, one-off transactions, subject to the individual spending limit on the card. All ongoing/recurring requirements should be procured under a PO.

If you have any questions or concerns around contracts that may be high risk, consult [SLS](#) and/or [Procurement](#). For example: relatively low value contracts may have risks around sensitive data associated with them, which make the inclusion of a Confidentiality Agreement appropriate in that particular case.

⁵ Handled automatically by the e-Procurement system

3.3.2 Acceptance of Tenders and Signing of Contracts:

Activity	Under £50k	£50k - £100k	£100k - £500k	£500k+
Acceptance of Tenders (prior to contract award)	Head of Service Assistant Director	Director		Director by Material Decision
Contract Signature	None if PO or Purchasing Card. Otherwise 2 Officers named on " List of Authorised Officers... "	Two Officers: 1. Head of Legal Services or Qualified Solicitor or Barrister 2. Any Officer in 1 or Director or a member of Corporate Leadership Team (CLT)	Sealed as deed	
		(facilitated by Shared Legal Solutions)		

These levels apply as long as the tender does not exceed the overall approved budget by the lesser of 10% or a maximum of £20,000, providing sufficient budget can be secured, and the tender is the most advantageous, as measured against the previously set criteria.

Directors may only accept a tender which falls outside these criteria subject to consultation with Director of Finance & Resources (Chief Finance Officer) (Section 151 Officer) and if applicable, the Head of Human Resource Operations with regard to Transfer of Undertakings of Employees (TUPE), as a Material Decision.

3.3.3 Supplier Details

It is the responsibility of the Responsible Officer to ensure that all Suppliers to the Council are entered into the Council Purchase-to-Pay (P2P) system (or any replacement system) and that a purchase order is created to allow for the payment of invoices, prior to the start of the contract.

3.3.3.3.4 Modification of contracts during their term (including extensions):

Subject always to the availability of an approved budget for the total amount to be committed, the ability to demonstrate ongoing value-for-money and that the modification does not alter the overall nature of the original procurement a contract may be modified within certain, defined limits; contact Procurement for advice.

The primary concern of PCR2015 is to ensure that the scale of the contract opportunity (i.e. its overall value) is not significantly changed. Many contracts (especially Works) will allow for changes to requirements and specifications within their terms, as long as the overall nature and scale of the contract is not substantially altered.

There is no means to extend a contract beyond the term/s defined within the original contract documents (which may include one or more defined extension periods). A Material Decision has no legal basis in this respect; once the maximum allowable term is complete, a new contract must be awarded. This will usually be awarded through a new procurement procedure with a suitable level of competition, as described above.

The regulations allow some mechanisms that may be useful in these circumstances but they are specific and quite restrictive; contact [Procurement](#) for advice.

3.4 Contract management during the contract duration

Good [contract management](#) relies on planning, starting with the creation of the contract documents during the initial procurement.

For any particular service requirement, we should develop a clear idea of what success looks like – what would we ideally want from the contractor that would deliver a first class service with a minimum of input from ourselves. Clauses and requirements, KPIs, regular reporting of metrics and contract reviews can all be built into the tender pack; setting expectations with potential contractors at the outset. Mechanisms that incentivise good performance and behaviours and the potential to share any benefits that the partnership approach generates can all be valuable approaches.

3.4.1 **Contract Register**~~Recording of Contract / Tender Information~~ - for transparency, reporting and audit requirements, as well as to enable effective Council-wide contract management activity, all contract ~~details are automatically recorded by the e-Procurement system and held in a central register. The details will be made directly available to the public, via the WBC external website, as required by Transparency Regulations. entered into should be recorded in the central Contracts Register. This is mandatory for contracts with a contract value of over £5,000 (to comply with our transparency obligations). Entering all contracts on to the Register will enable Service teams to leverage the contract management alerts and intelligent functionality built into the system.~~

~~The process to add, edit, maintain and manage contract details on the central Contracts Register is documented separately. Shared Legal Solutions shall retain original copies of contracts valued over £50,000 during the term of the contract. These contracts will be archived for a period of 6 years from the contract end date or for 12 years if under seal.~~

~~Directors (or a delegated Responsible Officer) shall retain copies of contracts under £50,000, which should be archived at the contract end date, as a guide, for a period of 5 years.~~

3.4.2 **Key Performance Indicators** – contracts entered into by the Council should contain KPIs, which are agreed with the supplier at the contracting stage of the procurement process. These ensure that both the Council and the supplier can regularly monitor and manage the supplier's performance against the contract, to ensure that what has been contracted for is delivered. KPIs should be a combination of quantitative and qualitative measures which can be readily collected and measured. Procurement has produced a separate [brief guide](#), for typical KPIs to include in a contract.

Having agreed KPIs with suppliers, it is up to the responsible contract manager to agree the process for capturing and reviewing these measures on a regular basis and capturing any deviations to ensure remedial action is taken.

3.4.3 **Performance Reviews** – good contract management practice requires the establishment of routine and regular contract performance reviews over the lifetime of the contract. The Council's contract managers and suppliers review KPIs, work plans and other performance tools so that deviations from contract can be rectified quickly. It is the responsibility of Directors to ensure that officers, or staff, with contract management responsibilities in their Directorate, undertake such regular performance review activity, as appropriate.

3.4.4 **Contract end planning** – it is also good practice to prepare for the end of a contract well before the contract end date is reached. The responsible contract manager should start planning for contract end, renewal or re-letting 24 months, and no less than 12 months, before contract end. This will be assisted by ~~the contract management~~ alerts from the ~~central Contracts Register, where contract details are on the e-Procurement~~ system.

4 Overview of Procurement Process Selection

4.1 This section details the processes to be followed for any procurement. The precise process will depend on type and value of procurement as well as any corporately mandated or optional approaches that may be available.

4.2 To direct users to the appropriate process for their procurement, a 'process wizard' is set out below. It works by asking some key sequential questions about the nature of the proposed procurement to arrive at which process should be used:

1	2	3	4	5		
Type	Above/ below OJEU	Procurement Size	Available Corporate Contract	Available Framework Agreement	Default Process	Optional Processes available
Goods & Services	Above	> £181k	Yes	n/a	Corporate Contract	
			No	Yes	Framework Contract	
	Below	£50k – £181k	Yes	n/a	Corporate Contract	
			No	Yes	Framework Contract	
			No	No	Above £50k Process	①⑤[③④]
			Yes	n/a	Corporate Contract	
			No	Yes	Framework Contract	
			No	No	Above £25k Process	Table 3.2.1
£0k - £25k	Yes	n/a	Corporate Contract			
	No	Yes	Framework Contract			
			No	No	£0-< £25k Process	⑥

1	2	3	4	5		
Type	Above/ below OJEU	Procurement Size	Available Corporate Contract	Available Framework Agreement	Default Process	Optional Processes available
Schedule 3 Services	Above	> £615k	Yes	n/a	Corporate Contract	
			No	Yes	Framework Contract	
	Below	< £615k	Yes	n/a	Corporate Contract	
			Yes	Yes	Framework Contract	
			No	No	Tender Process	①②③④⑤
					Approved Supplier List	⑥

1	2	3	4	5		
Type	Above/ below OJEU	Procurement Size	Available Corporate Contract	Available Framework Agreement	Default Process	Optional Processes available
Works	Above	> £4,551k	No	Yes	Framework Contract	
			No	No	Full OJEU Process	①②[③④]
	Below	£50k – £4,551k	Yes	n/a	Corporate Contract	
			No	Yes	Framework Contract or > £50k Process	①②③④⑤
			No	No	> £50k Process	Table 3.2.3
			No	No	£5k - £50k Process	
£0 – £50k	Yes	n/a	Corporate Contract			
	No	n/a	Purchase Order	⑥		

No.	Optional Processes
①	Open Procedure
②	Restricted Procedure (above £181k only)
③	Competitive Procedure with Negotiation (by exception only)
④	Competitive Dialogue (by exception only)
⑤	Framework or Dynamic Purchasing System (DPS)

5 Related Policies and obligations

There is a range of policies and additional clauses that support and expand on these PCRPs but they are typically specific **to each individual Council** and/or subject to update from time to time. As such, they do not form part of the core PCRPs and are supplied as appendices/annexes, as indicated below. Ensure that you always access a fresh copy of any particular document you need to refer to.

Appendices sit outside of the Constitutional Regulations and may be updated from time to time without the need for formal approval.

5.1 Related Policies & Processes ([Appendix 2](#))

This appendix lists all the Council policies which are relevant to the PCRPs and should be read in conjunction with the information above.

5.2 Additional Obligations

The previous Procurement & Contract Rules had been appended over a number of years with obligations that addressed particular issues and experiences. Some are now incorporated in the overall rules but those that are still relevant and require specific mention are referenced below.

The detailed description for each clause can be found in the appendices.

Statutory Obligations ([Appendix 3](#))

- i. Transparency Reporting **- Deleted – WBC’s e-Procurement system manages all new data**
- ii. The Social Value Act / Localism
- iii. Safeguarding – DBS (Disclosure & Barring Service)
- iv. Supported Organisations
- v. Social Enterprises (VCSE)
- vi. Contracts involving Council Assets
- vii. TUPE (Transfer of Undertakings (Protection of Employment))

WBC Specific Obligations ([Appendix 4](#))

- i. Assets & Security
- ii. Loans, Leases & Guarantees
- iii. Sponsorship & Grant Monies
- iv. Mitigation of Risk (including Performance Bonds)
- v. Insurance
- vi. Receipt of Tenders **- Deleted – this is fully managed by WBC’s e-Procurement system.**
- vii. Opening of Tenders **- Deleted – this is fully managed by WBC’s e-Procurement system.**
- viii. Acceptance & Signing of Contracts **- Deleted – this is incorporated into the main document.**
- ix. Setting up Supplier Details & Recording of Contract/ Tender Information **- Deleted – this is incorporated into the main document.**

APPENDIX ONE – OJEU THRESHOLD VALUES

Threshold	Euro	GBP (2018 conversion)	Display Value	Bookmark name
Goods & Services	€ 221,000	£ 181,302	£181k	GSthold
Schedule 3	€ 750,000	£ 615,278	£615k	S3thold
Works (Schedule 2)	€ 5,548,000	£ 4,551,413	£4,551k	WORKSthold
Concessions	€ 5,548,000	£ 4,551,413	£4,551k	Cthold

The EC procurement thresholds for application of the Public Contracts Regulations 2015 are fixed for a 2 year period (1st January – 31st December); the values are subject to change on the 1st January of every even year (i.e. 2018, 2020, 2022,...).

Public Concession contracts occur very rarely in WBC but when they do, they are subject to a separate set of regulations; the Concession Contracts Regulations 2016. If you believe your procurement may fall into this category, contact Procurement for further information.

Note: these thresholds apply to the [total ascertainable value](#) of the contract / business opportunity (excluding VAT) and not the annual cost or budget.

NOTE: -

When updating the reference figures in the table above, reassign the correct bookmark name to the newly entered figure. You achieve this by:

- Type in the new figure that you require.
- Highlight the new figure (remember to include the '£' symbol) by holding your left mouse button and dragging the cursor across it.
- From the menu bar select [Insert], then [Bookmark]. A 'Bookmark' dialogue box will pop up.
- Select the correct 'Bookmark name' from the list in the dialogue box and click [Add].
- When you close the document, a dialogue box will open to ask if you wish to save your changes; ALWAYS click [SAVE], even if you have already saved the document beforehand. This will run a macro, which automatically updates all the fields in the document that are linked to your changes.

Appendix One

OJEU Threshold Values

Threshold	Euro	GBP (2018 conversion)	Display Value
Goods & Services	€ 221,000	£ 181,302	£181k
Schedule 3	€ 750,000	£ 615,278	£615k
Works (Schedule 2)	€ 5,548,000	£ 4,551,413	£4,551k
Concessions	€ 5,548,000	£ 4,551,413	£4,551k

The EC procurement thresholds for application of the Public Contracts Regulations 2015 are fixed for a 2 year period (1st January – 31st December); the values are subject to change on the 1st January of every even year (i.e. 2018, 2020, 2022...).

Note: These thresholds apply to the total ascertainable value of the contract / business opportunity (excluding VAT) and not the annual cost or budget.

Note: The Concession Contracts Regulations 2016 came into force on 18th April 2016. These represent the UK transposition of the EU's new Concession Contracts Directive (2014/23/EU).

With effect from 1 January 2018

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APPENDIX THREE – Additional Obligations, STATUTORY

Index

- i. ~~Transparency Reporting~~No longer required – process managed by the e-Procurement system
 - ii. The Social Value Act / Localism
 - iii. Safeguarding – DBS (Disclosure & Barring Service)
 - iv. Supported Organisations
 - v. Social Enterprises (VCSE)
 - vi. Contracts involving Council Assets
 - vii. TUPE (Transfer of Undertakings (Protection of Employment))
-

i) ~~Transparency Reporting~~Not Used

~~The Council will publish details of current contracts with a description of what is being provided, the duration of the contract, the name of the supplier and data concerning the total value of the contract.~~

ii) The Social Value Act / Localism

For all:

- Service contracts with a value in excess of the EU threshold and
- all works contracts over £1m;

the contractor and its supply chain will be required to actively participate in the achievement of social objectives relating to the participation in skills development, employment and training programmes in accordance with Wokingham Borough Council's Employment and Skills Guidance for Tenders, which can be found on the Council's website.

iii) Safeguarding – DBS (Disclosure & Barring Service)

Wherever a contract or tender involves working regularly with children or vulnerable adults, or wherever required as appropriate to the nature of the contract, DBS checks must be included as a requirement at the outset within the tender specification and the terms and conditions document.

These must also clearly state that all costs relating to DBS checks shall be borne by the contractor. DBS checks should be repeated at 3-yearly intervals for those who remain in post. Contractors should be asked to provide evidence that DBS checks are monitored and kept up to date.

Contractors should be asked to confirm that they are aware that:

- An organisation which knowingly employs, in a relevant role, someone who is barred to work with children or vulnerable adults is breaking the law.
- They must inform the Independent Safeguarding Authority if they dismiss or remove a member of staff because they have harmed a child or vulnerable adult, or they would have dismissed or removed them had they not left.

iv) Supported Organisations

In the case of a supported business, supported employment programme or sheltered workshops as defined in Regulation 20 of the PCR2015 (essentially establishments where more than 30% of the workers are disabled or disadvantaged); the Council may restrict the scope of invitations to tender to those types of organisations. This is termed a "Reserved Contract" and the call for competition shall make reference to Article 20 of the Public Contracts Directive. Other relevant procurement rules and procedures continue to apply.

This should not be confused with the completely separate arrangement (Regulation 77) for reserved contracts to support mutual and social enterprises: Appendix Three (v) – Social Enterprises below

v) Social Enterprises (VCSE)

PCR2015 includes a significant alteration in the treatment of Social Enterprises, mutuals, charities and other similar organisations (or VCSEs).

Covered under the Schedule 3 regulations (specifically Regulation 77); contracts may be reserved for qualifying organisations ONLY if they are exclusively for one or more services covered by a specific sub-set of the Schedule 3 CPV codes.

The relevant codes are highlighted in yellow in the list of [Schedule 3 CPV codes](#).

A “qualifying organisation” is one that fulfils all of the following conditions: -

- a. its objective is the pursuit of a public service mission linked to the delivery of those services;
- b. profits are reinvested with a view to achieving the organisation’s objective, and any distribution of profits is based on participatory considerations;
- c. the structures of management or ownership of the organisation are (or will be, if and when it performs the contract):
 - i. based on employee ownership or participatory principles, or
 - ii. require the active participation of employees, users or stakeholders;
- d. the organisation has not been awarded, pursuant to this regulation, a contract for the services concerned, by the contracting authority concerned, within the past 3 years.

The contract may only be awarded for a maximum of 3 years.

The call for competition shall make reference to Article 77 of the Public Contracts Directive.

This regulation is designed to promote opportunities to qualifying social enterprises by protecting them from full EU competition for the first 3-years of a particular type of contract. They are expected to be able to develop their services during that initial period and will then be subject to full competition.

This should not be confused with the completely separate arrangement (Regulation 20) for reserved contracts for: Supported Organisations – Appendix Three (iv) above.

vi) Contracts involving Council Assets

In order to comply with the International Finance Reporting Standard (IFRS), wherever a contract is proposed which includes use of a defined asset (i.e. an item of property, plant or equipment) or conveys the right to use a specific asset, prior to the agreement of such a contract the permission of the Chief Financial Officer should be sought. The contract agreement should split the payment between those elements applicable for the asset and those elements applicable for the service.

vii) TUPE (Transfer of Undertakings (Protection of Employment))

If existing employees are associated with the contract opportunity (either internally or externally) the Transfer of Undertakings (Protection of Employment) Regulations 2006 must be observed. For example: a contract for services is retendered as it has come to the end of its term and the existing supplier employs staff specifically to provide us with those services. Those staff would be covered by TUPE regulations should the new contract be awarded to a different supplier.

If in any doubt, the Contract must be checked with the Service Manager – Shared Legal Solutions or the Service Manager – Human Resources.

A Confidentiality Undertaking form must be used as part of the tender process where TUPE applies.

Field Code Changed

Field Code Changed

APPENDIX FOUR – Additional Obligations, WBC SPECIFIC

Index

- i. Assets & Security
 - ii. Loans, Leases & Guarantees
 - iii. Sponsorship & Grant Monies
 - iv. Mitigation of Risk (including Performance Bonds)
 - v. Insurance
 - vi. ~~Receipt of Tenders~~ No longer required – process managed by the e-Procurement system.
 - vii. ~~Opening of Tenders~~ No longer required – process managed by the e-Procurement system.
 - viii. ~~Acceptance & Signing of Contracts~~ No longer required – incorporated into the main document.
 - ix. ~~Setting up Supplier Details & Recording of Contract/ Tender Information~~ No Longer required – incorporated into the main document.
-

i) Assets & Security

For guidance on assets & security, see Finance Regulations 12.1.5 – Assets and Security.

ii) Loans, Leases & Guarantees

For general guidance, see Finance Regulations 12.1.13 – Investments, Borrowing, Treasury Management, Leasing and Trust Funds.

Clauses that are directly relevant to loans, leases & guarantees may be found in Finance Regulations 12.1.13.7 – Loans, Leases and Guarantees and the subsequent sections.

iii) Sponsorship & Grant Monies

Council income from sponsorship or grants is covered by the Financial Regulations: 12.1.14 – External Funding.

Grants should be assessed on a case by case basis. The Glossary contains a [definition](#).

- a) Where the money is given simply to carry out works or services from which the Council derives no direct benefit this is probably satisfactory and can be considered a grant.
- b) Grants given to benefit the local community and to achieve better financial outcomes should be considered in line with Council priorities, although, where money is given and the Council receives a benefit intended to be enforceable in return then this is a contract and must follow Procurement rules.
- c) Where the Council gives an organisation money which then enables the organisation to bid/tender for a business opportunity, the Council would be acting anti-competitively and if the contravention affected trade between member states of the EU it would also contravene state aid rules. A procurement process must be followed in line with UK Law and potentially European Regulations. Any such money actually paid by the Council must be returned to the Council prior to the commencement of the tendering process.

iv) Mitigation of Risk (including Performance Bonds)

An appropriate level of security for the due performance of a contract should be considered in every case. For low value contracts no specific steps may be necessary but as contract value increases, so should the level of safeguards that are put in place.

For all contracts appropriate performance safeguards should be agreed and formally recorded in the contract documents.

Continuity is critical for many of the services that the Council provides. It is therefore essential that appropriate steps are taken to ensure that we can continue to deliver the service, even if the current contractor runs into difficulties or defaults on their deliverables. To that end, suitable clauses should be included in the contractual terms and conditions in order to mitigate the risk of any default.

There are many different ways of achieving the required safeguards; the method (or methods) selected depend on the nature and value of the specific contract and the state of the market.

The following lists the typical key factors to consider: -

- a) Maturity of the market: Where there are many capable suppliers available (especially if several are locally based), who could potentially step in to cover any urgent issues, the need for other forms of protection is diminished.
- b) Length of contract/Payment Schedule: A long-term contract with regular monthly payments, in arrears, should be quite stable and can, in practice, supply immediate funds by withholding payment for the most recent period/s, if necessary.
- c) Nature of contract: If the service can tolerate a short lapse in provision without major difficulties, the Council will have time to secure alternatives, should the incumbent contractor fail. Statutory service provision, with significant immediate consequences of failure, will need a much more secure approach.
- d) Nature of Risk: Are the real risks in the contract focussed around potential default or are localised failures and issues more likely, where appropriate insurance may be more effective. Clearly, multiple risk factors are present in all contracts and combined safeguards may be required. A balanced assessment of the likelihood and consequences of each risk factor is needed to establish the right controls and mitigation.
- e) Financial Standing: If the contractor is large and financially stable, especially when compared to the contract value, there may be no need for additional safeguards.
Alternatively, the Contractor may be a subsidiary of a larger parent company/group, which is a real entity (as opposed to a holding company name) that can draw on real resources. In these cases, a parent company guarantee can be an effective, generally cost free, safeguard.
Council's Form of Parent Company Guarantee ([LINK](#))
- f) Contract Management: The effective use of Performance Measures and Key Performance Indicators as part of an active contract management scheme can be the best safeguard. This is most effective when implemented as an integral part of the contract tender with planned development throughout the contract term.
Not only can well planned and executed contract management provide advanced warning but it can also prevent potential issues from developing into major concerns, through early intervention and a stronger relationship between Council and Contractor.
- g) Performance Bond: A performance bond (or other suitable security) may be an appropriate safeguard for the specific circumstances of the contract opportunity. This will be provided by the contractor, through a Bank or leading Insurance Company.

You need to consider the practicality of a bond to secure the contract. Whilst it is designed to provide a fund for alternative provision, the likelihood of being able to release those funds quickly is very low. The contractual details surrounding a Performance Bond are becoming increasingly complex and any release of funds is typically subject to Legal scrutiny.

Whilst the cost of the bond may be low when compared to the contract value, its cost in relation to the level of benefit it secures can be relatively high. The contractor may be willing to set aside funds directly with us to cover the same liability; a pragmatic and low cost alternative.

The amount of the bond shall not normally exceed 10% of the contract sum (or 15% of the annual value of a contract exceeding 12 months duration), unless otherwise agreed with Director of Finance & Resources (Chief Finance Officer) (Section 151 Officer).

Where a bond is used, the following documents must be included (as Appendices) and referred to in the tender pack: -

- i. Council's Form of Guarantee Bond ([LINK](#))
- ii. Bond Letter ([LINK](#))

The cost of a Performance Bond, where provided, shall be clearly itemised in the tender submission.

v) Insurance

Insurance is necessary to help protect the Council against the financial consequences of claims arising from the activities of contractors.

It is essential that relevant and adequate insurance details of everyone who enters into a contract with the Council are obtained before the contract commences.

'Relevant' generally refers to Public Liability cover and Employer's Liability cover, but might include Professional Indemnity insurance, and possibly others (e.g. Products Liability or Motor). Reference should be made to the Insurance summary document for more details of what is required and the procedures that are to be followed. Questions regarding the insurance requirements for a contract may be referred to the Head of Governance and Improvement Services.

It is the responsibility of the contractor to maintain adequate insurance and, where applicable, for adequate insurance to be in place for any subcontractor they have instructed to work on their behalf. This requirement must be stated within the terms and conditions of the contract.

Where Professional Indemnity insurance is required, it must be stated within the conditions of the contract that cover remains in place for a reasonable period after the expiry of the contract.

The officer, or team, entering into the contract on behalf of the Council, must carry out the monitoring of the insurance during the contract period.

Further details and a suggested template letter are [available](#).

vi) Receipt of Tenders Not Used

~~Safeguards must be in place to avoid any potential maladministration in the receipt of tenders. The day, date and time by which tenders must be returned shall be clearly indicated in the ITT documents. Democratic Services must be notified of the title (or reference number) of the tender, its return deadline and the contact details of the relevant Authorised Officer at: democratic.services@wokingham.gov.uk. An appropriate date for the tender opening meeting will then be agreed with the Authorised Officer and advised to Democratic Services.~~

~~Tenders must be returned in plain packaging, securely wrapped, and using the return details provided. The returned envelope should not be marked or franked with the name of the tenderer. The following controls apply:-~~

~~a) Tenders shall be addressed to :-~~

~~Democratic Services~~

~~TENDER RETURNS — [title of tender or reference number]~~

~~Wokingham Borough Council, Shute End, Wokingham, Berkshire, RG40 1BN~~

~~b) Upon return, tenders shall be kept in a locked and secure area until the scheduled tender opening date. The tender opening should be scheduled for the day after the published 'return of tenders' deadline date.~~

~~c) Tenders received after the appointed deadline or which do not strictly comply with the instructions to tender (as issued with the tender documents) shall be disqualified on the basis that they have failed to fulfil the tender criteria.~~

~~d) The following circumstances shall be subject to review by Democratic Services, the resultant decision to accept or reject the tender and the reasons for that decision to be recorded in a Material Decision, authorised by the Head of Governance & Improvement Services:-~~

~~● Any tender opened in error shall be considered to determine if its inclusion would be anti-competitive in any way. The circumstances of the opening shall also be recorded in the Material Decision.~~

~~● Tampered or damaged tenders (i.e. torn, opened envelopes, etc.).~~

~~● Late tenders, where the reason for lateness is beyond the control of the tenderer or there is clear evidence of the tender being sent in adequate time in order to achieve the tender deadline.~~

~~e) The Tender Opening Administrator shall record the late receipt of, or other reason for disqualifying, a tender. The disqualified tender documents shall be retained with all other tender documentation in accordance with the Council's Records Retention Policy.~~

vii) Opening of Tenders Not Used

Safeguards must be in place to avoid maladministration in the opening of tenders. Any breaches of this Regulation will be reported to the Corporate Leadership Team (CLT). Details of the full procedure and a copy of the Tender Opening Summary sheet are documented separately.

Democratic Services shall be notified in advance of the dates of all tender openings. A Tender Opening Summary sheet and any relevant qualifying documents must be stamped, signed and dated by all present.

All tenders with an estimated value of £50,000 or over shall be opened in the presence of:

- a) the Service Manager Democratic Services or directly authorised representative;
- b) the Director of Finance and Resources (Chief Finance Officer) (Section 151 Officer) or directly authorised representative;
- c) a relevant Service Officer (usually the relevant budget manager, but could also be the relevant Director or the Head of Governance and Improvement Services);
- d) the Project Manager (if not already covered by (c) above);

and the Tender Opening Summary sheet completed.

All such tenders should be notified to the relevant Executive Member as soon as possible after the opening process has been completed.

Tender Opening Summary Sheet

The Director or authorised representative shall complete the top section of the Tender Opening Summary Sheet with the information shown below and take this to the tender opening:-

- a) the date, time and location of the tender opening;
- b) names and signatures of all attending the opening procedure;
- c) budget available and cost centre; and
- d) the name of each tenderer and total amount of tender bid, if ascertainable.

The Democratic Services Officer is required to:-

- a) ensure that the Tender Opening Summary Sheet has been fully completed.
- b) scan the completed Tender Opening Summary sheet and provide a copy to all Officers present

Discrepancies

Special consideration is required in the case of tender discrepancies. Where examination of tenders reveals errors/discrepancies, which would affect an otherwise successful tender, the tenderer shall be allowed to either confirm or withdraw their offer. If the tenderer withdraws, the next tenderer in competitive order is to be selected.

If you have any doubts or questions about how to handle a discrepancy, contact your Procurement Business Partner.

viii) Acceptance of Contracts Not Used

Directors can accept a tender providing it complies with all of the following:

- a) it is less than £500,000 in aggregate value, (if over £500,000 then it can be accepted by way of a Material Decision);
- b) it does not exceed the overall approved budget by the lesser of 10% or a maximum of £20,000, providing sufficient budget can be secured;
- c) it is the lowest tender, or the most advantageous, as measured against previously set criteria;
- d) it is the highest tender, (if payment is to be received by the Council), or the most advantageous, as measured against previously set criteria.

Directors may only accept a tender which falls outside these criteria subject to consultation with Director of Finance & Resources (Chief Finance Officer) (Section 151 Officer) and if applicable, the Head of Human Resource Operations with regard to Transfer of Undertakings of Employees (TUPE), as a Material Decision.

ix) Setting up Supplier Details & Recording of Contract/ Tender Information ~~Not Used~~

Supplier Details

~~It is the responsibility of the relevant Director or Responsible Officer to ensure that all Suppliers to the Council are entered into the Council Purchase to Pay (P2P) system (or any replacement system) and that a purchase order is created to allow for the payment of invoices. The process description is available on [Grapevine](#); including the necessary form.~~

Recording of Contract/Tender Information

~~Shared Legal Solutions shall retain original copies of contracts valued over £50,000 during the term of the contract. These contracts will be archived for a period of 6 years from the contract end date or 12 years if under seal.~~

~~Directors (or a delegated Responsible Officer) shall retain copies of contracts under £50,000, which should be archived at the contract end date, as a guide, for a period of 5 years. Directors are responsible for ensuring that details of all agreed Contracts are entered into the central contracts register.~~

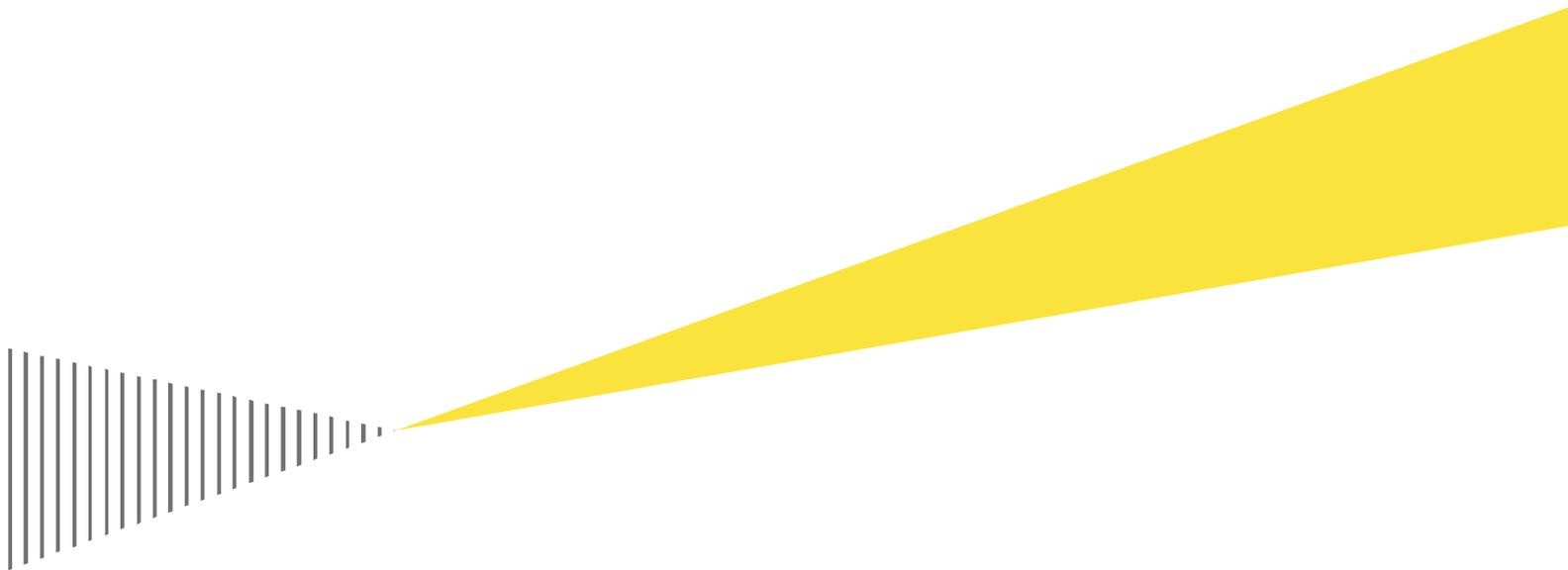
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Certification of claims and returns annual report 2016-17

Wokingham Borough Council

December 2017

Ernst & Young LLP



The Members of the Audit Committee
Wokingham Borough Council
Council Offices
Wokingham
RG40 1BN

07 December 2017
Ref: HBEN01/16-17

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

Dear Members

Certification of claims and returns annual report 2016-17 Wokingham Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Wokingham Borough Council's 2016-17 Housing Benefits subsidy claim.

Scope of work

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

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

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £23,278,780. We met the submission deadline. We issued a qualification letter etc – details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 7 February 2018.

Yours faithfully

Helen Thompson
Associate Partner
Ernst & Young LLP
Enc

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1. Housing benefits subsidy claim.....	1
2. 2016-17 certification fees.....	3
3. Looking forward.....	4

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£23,278,270
Amended/Not amended	Amended – minor amendments made to the claim to adjust for errors identified. Cell 26 was understated by £417 with corresponding adjustments noted in cells 12,14 and 28
Qualification letter	Yes
Fee – 2016-17	£11,787
Fee – 2015-16	£7,183

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

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. We have reported the extrapolated value of other errors in a qualification letter. The DWP will decide whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

These are the main issues we reported:

Cell 11 Rent Allowances

Testing of the initial sample of 20 cases of Rent Allowances identified one case which failed due to an overpayment of benefits as a result of incorrect determination of earned income. In line with DWP guidance 100% testing was carried out on the full sub-population of Rent Allowance cases with earned income. This identified 5 further cases with errors. The claim was amended for the errors identified. Details of the amendments made can be found at the header of this page.

Cell 55 HRA Rent Rebates

Testing of the initial sample of 20 cases of Rent Rebates identified one case which failed due to an overpayment of benefits as a result of incorrect determination of earned income. In line with DWP guidance 40+ testing was carried out on a further 40 cases of Rent Rebate cases with earned income. This identified 2 further errors with no impact on subsidy.

We reported the extrapolated value of the HRA Rent Rebate errors of £2,567 in our qualification letter to the DWP. The value of the error found is £25.10 per week and the benefit period is 11 weeks.

Cell 94 Rent Allowances

2 separate errors were identified:

- One error was noted in respect of incorrect determination of earnings. This error resulted in an overpayment. In line with DWP guidance 40+ testing was carried out on a further 40 cases of Rent Allowance cases with earnings. This identified 7 further failures 2 of which resulted in overpayments. The value of the errors found range from £4.16 per week to £7.01 per week and the benefit periods range from 2 weeks to 10.57 weeks.
- One error was noted in respect of the incorrect determination of superannuation. This error resulted in an overpayment. In line with DWP guidance 40+ testing was carried out on a further 40 cases of Rent Allowance cases with superannuation. No further errors were identified. The value of the error found is £14.97 per week and the benefit period is 49 weeks.

We reported the extrapolated value of the Rent Allowance errors in our qualification letter to the DWP. The earned income error had an extrapolated error value of £2,226 and the superannuation error had an extrapolated error value of £1,782.

2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the PSAA in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	11,787	11,787	7,183
Extended 40+ testing required to certify subsidy claim	TBC*		

The actual fee for 2015-16 and the indicative fee for 2016-17 are set by the PSAA. Fees in any one year are based on the amount of work required to certify the claim two years previous.

*In line with guidance from the DWP where errors are identified then extended testing should be completed unless where the error type can be isolated. We completed the extended testing detailed in Section 1 of this report. We are currently determining the extent of this work and specifically if there should be any impact on additional fee. We will liaise with key officers on this. All additional fees are subject to formal approval by the PSAA.

3. Looking forward

2017-18

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

The Council's indicative certification fee for 2017-18 is £7,183. This was set by PSAA and is based on final 2015-16 certification fees.

Details of individual indicative fees are available at the following web address:
<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

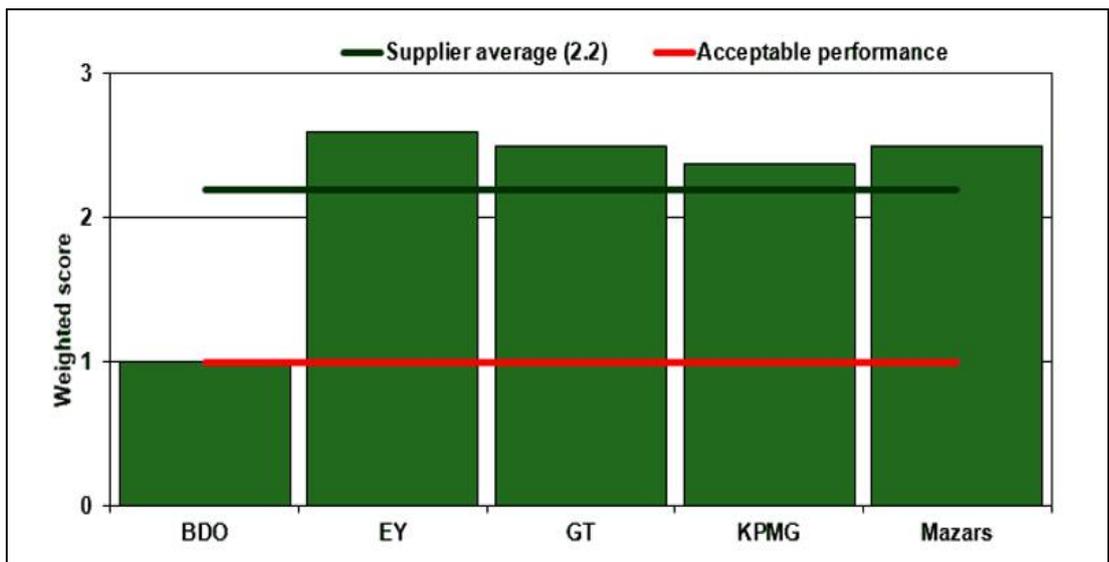
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Strategic Director of Resources before seeking any such variation.

2018-19

From 2018-19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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Wokingham Borough Council

Audit planning report

Year ended 31 March 2018

07th Feb 2018

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Building a better
working world

Agenda Item 50.



Private and Confidential

Councillor Anthony Pollock
Audit Committee Chairman
Civic Offices, Shute End
Wokingham, RG40 1BN

07/02/2018

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

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

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 7 February 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the 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 February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the **Audit Committee and management of WBC** in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the **Audit Committee, and management of WBC** those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the **Audit Committee and management of WBC** for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

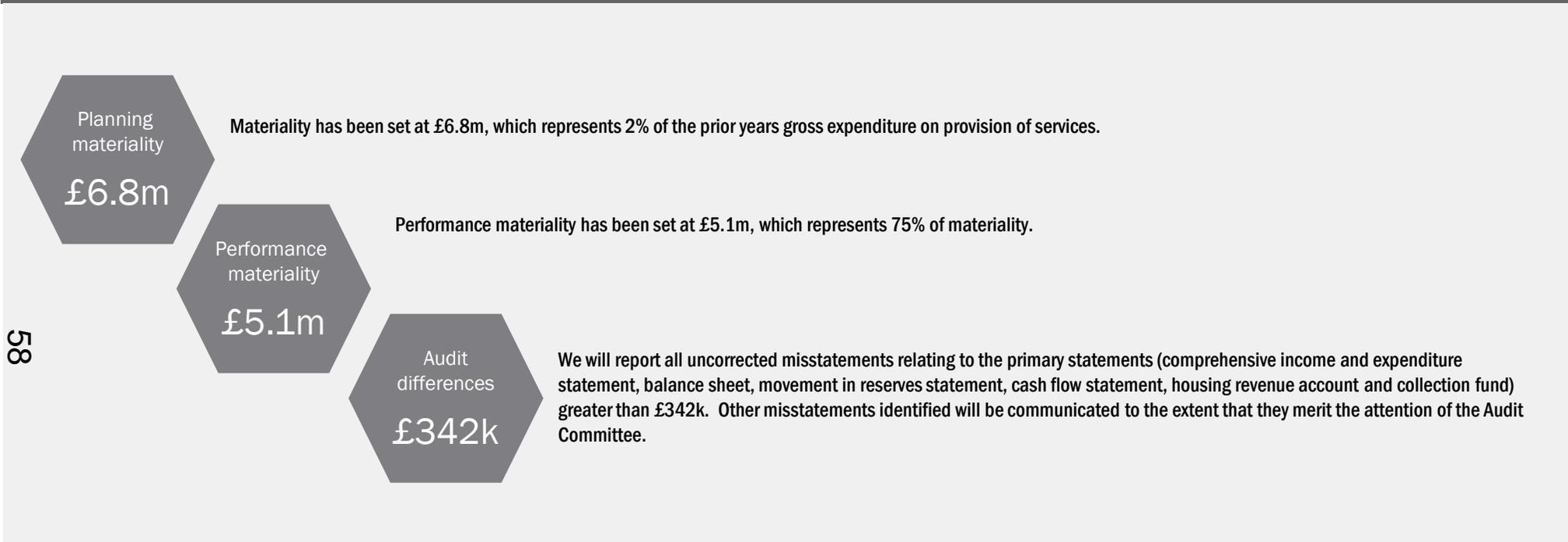
Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud due to management override	Significant/Fraud risk	No change, required on all audits	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Valuation of Land and Buildings	Other risk	New risk, recognised on most audits	The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension liability calculation	Other risk	New risk, recognised on most audits	Accounting for pension schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
PFI accounting	Other risk	Change to the nature of the risk	The Council has one PFI arrangement with Waste Recycling Group RE3 Ltd, which is material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17. We will review the accounting entries and disclosures in relation to PFI in detail in 2017/18, with a focus on any significant changes since the expert's review in the previous year.
Financial statements prior year restatement	Other risk	Change to the nature of the risk	Last year amendments were made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changing the way the financial statements are presented. The Council has made changes to its reporting structure in 2017/18 as well. The restatement of the 2016/17 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

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Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Materiality - Wokingham Borough Council



Overview of our 2017/18 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Wokingham Borough Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

- 59
- Strategic, operational and financial risks relevant to the financial statements;
 - Developments in financial reporting and auditing standards;
 - The quality of systems and processes;
 - Changes in the business and regulatory environment; and
 - Management's views on all of the above.

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

Audit team changes

Key changes to our team.



Manager

Malcolm Haines has taken over the role as Manager. Malcolm is very experienced in the audit of local authorities and NHS accounts and has previously worked on the external audit at the Council.



02

Audit risks



Our response to significant risks

Misstatements due to fraud or error

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

- Identify fraud risks during the planning stages.
- Enquire of management about risks of fraud and the controls put in place to address those risks.
- Understand the oversight given by those charged with governance of management's processes over fraud.
- Consider the effectiveness of management's controls designed to address the risk of fraud.
- Review accounting estimates for evidence of management bias.
- Determine an appropriate strategy to address those identified risks of fraud.
- Perform mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. • Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre). • Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer. • Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated. • Consider changes to useful economic lives as a result of the most recent valuation. • Test accounting entries have been correctly processed in the financial statements.
<p>Pension Liability Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by The Royal Borough of Windsor and Maidenhead Council.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £289,386 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Liaise with the auditors of The Royal County of Berkshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Wokingham Borough Council. • Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. • Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Financial statements presentation</p> <p>Last Year amendments were made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changing the way the financial statements are presented.</p> <p>The Council has made changes to its reporting structure in 2017/18 as well.</p> <p>The restatement of the 2016/17 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> • Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code. • Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported. • Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.
<p>PFI accounting</p> <p>The Council has one PFI arrangement with Waste Recycling Group RE3 Ltd, which is material to our audit. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17. We will review the accounting entries and disclosures in relation to PFI in detail in 2017/18, with a focus on any significant changes since the expert's review in the previous year.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Review assurances brought forward from prior years regarding the appropriateness of the PFI financial models. • Review the PFI financial model for any significant changes, and if identified consider engaging relevant experts to review the model to ensure they are still working as expected. • Ensure the PFI accounting model has been updated for any service or other agreed variations and confirm consistency of current year model with prior year brought forward assurances. • Agree outputs of the model to the accounts, including balances and disclosures for Assets, Liabilities, and Expenditure, and review the completeness and accuracy of disclosures.



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03

Value for Money Risks





Background

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.

For 2017/18 this is based on the overall evaluation criterion:

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

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

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

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

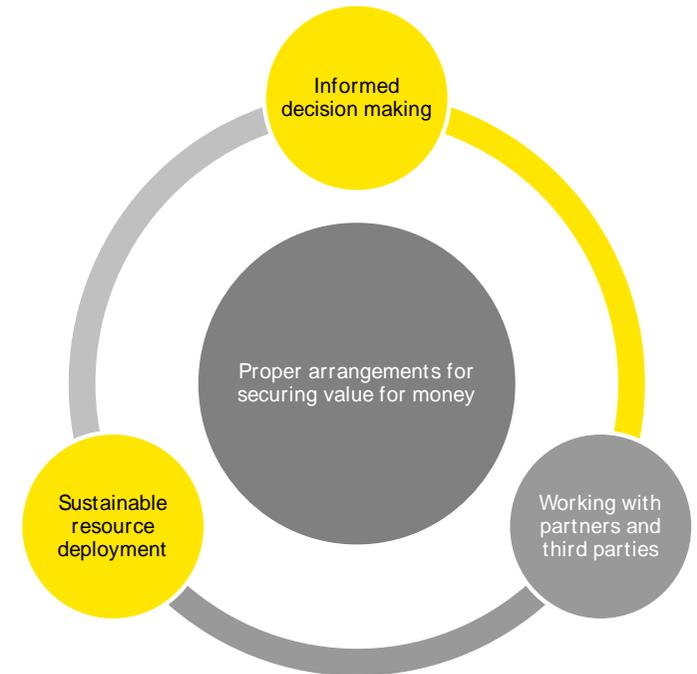
We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

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

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

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of no significant risks noted on the following page which we view as relevant to our value for money conclusion.

At the date of this report we have not identified any significant VFM risks. However, this remains under review because our audit work is ongoing. If we do identify any risks we will communicate these to management and the Audit Committee at the earliest opportunity and bring them in writing to the next available meeting.





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04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £6.8m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process.

The rationale for this is that for a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and cost of services. Therefore gross expenditure is the appropriate basis for determining materiality for public sector bodies.

We have provided supplemental information about audit materiality in Appendix D.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £5.1m which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

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

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

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

Procedures required by the Code

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

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

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our initial assessment of the key processes across the Council has identified no key processes where we will seek to test Key controls.

Analytics:

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

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

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

Internal audit:

We will regularly meet with the Catherine Hickman, Lead Specialist for Audit and Investigation, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements. We do not intend placing direct reliance on the work of internal audit for the testing of controls.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix E.

Optalis	Review - No audit necessary
WHL	Review - No audit necessary
Berry Brook Homes Ltd	Review - No audit necessary

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. Individually, these components do not exceed more than 4% of the Group's Gross Expenditure



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Audit team



Audit team

Audit team structure:

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Helen Thompson
Associate Partner

Malcolm Haines
Manager

Preeti Malik
Audit Senior

* Key Audit Partner

Use of specialists

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

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries

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

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

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



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Audit timeline





Audit timeline

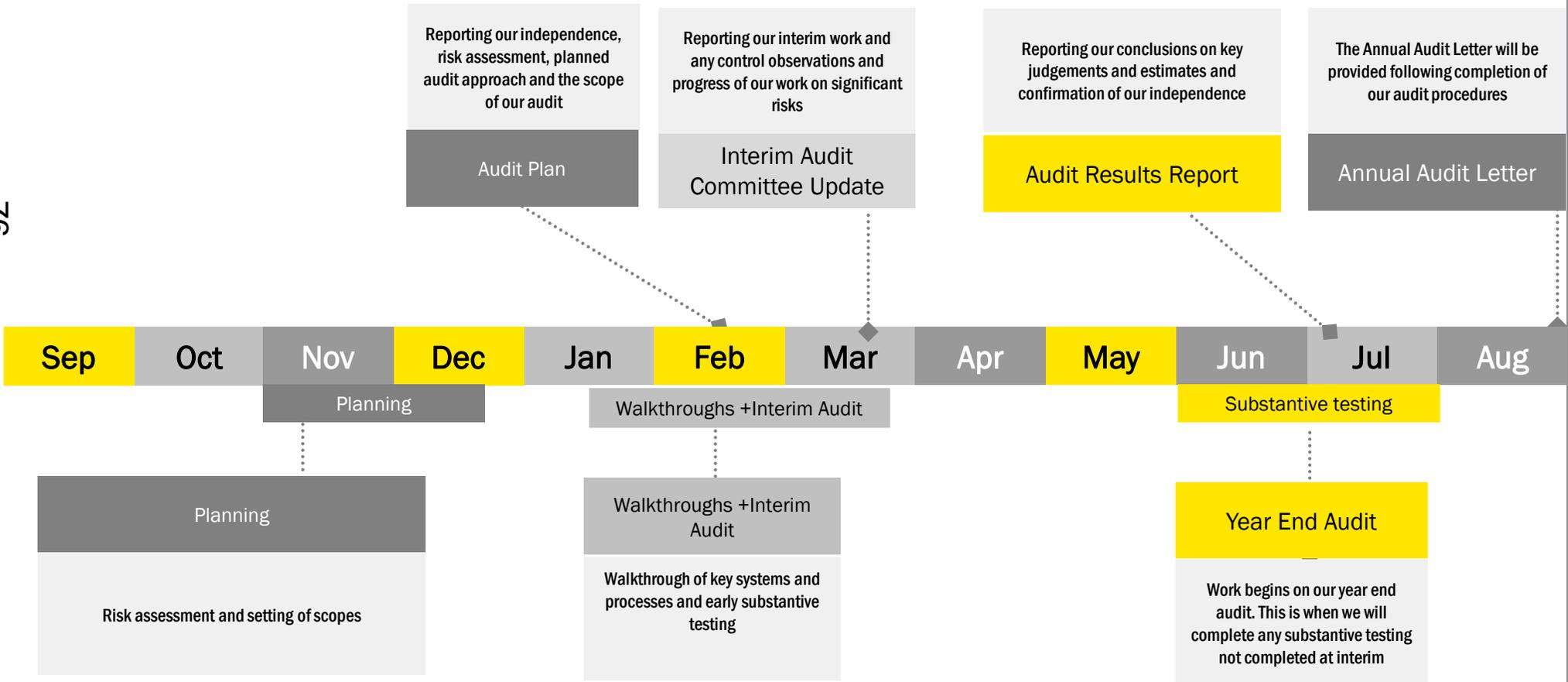
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ 78 Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

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

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

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0%. No additional safeguards are required.

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

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

Relationships, services and related threats and safeguards

Self review threats

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

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

Management threats

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

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



Other threats

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

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

Other communications

EY Transparency Report 2017

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



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Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee – Code work	105,617	105,617	105,617
Other	0	0	0
Total audit	105,617	105,617	105,617
Certification of Housing Benefit claim	7,183	7,183	11,787*
Total other non-audit services	0	0	0
Total fees	112,800	112,800	117,404

*we had to carry out extra testing on the Housing Benefits claim in 2016/17 to ensure compliance with PSAA Module 1 guidance. This will result in an extra fee request in the region of £2,500. However, the details have yet to be agreed with Management and we will update the Committee accordingly.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

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

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

All fees exclude VAT

Required communications with the Audit Committee

We have detailed the communications that we must provide to the **Audit Committee**.

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report
 Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report
 Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report and Audit Results Report
External confirmations 98	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit results report
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Management letter/audit results report

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
87	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit planning report Audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> Key audit matters that we will include in our auditor's report Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

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

Scoping the group audit

We have considered the significance of the components identified to the group as a whole, and we have concluded that the components (as per FY 2016/17) values are not significant to the group, and that the risk of material misstatement is low given the amount of intra-group transactions and balances which are eliminated on consolidation. As these components represent a small portion of the group, they are not expected to present a risk of material misstatement of the group financial statements. Therefore, they will not be included in the group audit scope.

Given this (and subject to no significant changes in the value of the components) our approach for 2017/18 will be to test the consolidation of the components into the group accounts, and to review the elimination of intra-group transactions and balances. The primary audit team will be able to undertake this work locally, and we are not seeking to rely on the work of the component auditor.

We will continue to review the Group position throughout the audit. It should also be noted that the approach being proposed above is consistent with that undertaken in FY 2016/17.

Agenda Item 51.

TITLE	Corporate Risk Register Refresh – February 2018
FOR CONSIDERATION BY	Audit Committee on 7 February 2018
WARD	None Specific;
DIRECTOR	Director of Corporate Services - Graham Ebers

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

The main changes to the risk register since the CRR was presented to the Audit Committee in December last year are as follows:-

- Additional risk (no. 28) relating to Leadership
- Amendment to risk no 27 (Sustainable Transformation Partnerships) with regard to timescales for mitigating actions.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

Other financial information relevant to the Recommendation/Decision

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

Cross-Council Implications

A risk is an unexpected event or action that can adversely affect the Council's ability to achieve its objectives and successfully execute its strategies. Risk Management is about managing opportunities and threats to objectives. Therefore good risk management will assist the Council in delivering its services and achieving its priorities.

Reasons for considering the report in Part 2
Not applicable

List of Background Papers
Previous Corporate Risk Register papers to Audit Committee Enterprise Risk Management Strategy and Policy

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Corporate Risk Register
 Summary Page
 Updated 25/1/18

APPENDIX A

Key

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

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

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target
2	<p>Risk of inability to match supply and demand for school places</p> <p>Factors behind rising primary rolls include migration into the borough reflecting the active housing market and associated high rates of house building on both SDL and other sites. This is despite a reducing birth rate from 2012 to 2015 (the last reported statistics). Secondary place sufficiency is not considered a risk at least in the short term because of the opening of new schools in Wokingham (Bohunt) and Reading (Maiden Erlegh in Reading).</p> <p>Migration means that families with children move into the borough and require school places. This makes it challenging to predict and meet demand and leads to geographically localised pressure (Earley and Shinfield) and pressure in particular year groups (Years 2 and 4).</p>	<ul style="list-style-type: none"> • Insufficient places • Reputation damage • Quality of education affected • Resources lost to council due to development of free schools /academies • Impact on family stress if children not educated locally/split siblings. • Impact on road congestion • Infrastructure affected • Perceived as less attractive place • Increased demand for transport and associated cost pressures 	<ul style="list-style-type: none"> • Schools subject to conditions survey / annual survey of sufficiency vs projected need • Local Core Strategy approved by Executive • Annual capital programme • Secondary school provision strategy implemented • Primary school provision strategy 2015 to 2018 agreed • Refreshed Secondary School Strategy approved by Executive in July 2017 	<p>Review/refresh Primary School Strategy Review date April 2018, go live date Sept 18.</p>	PS	MA	6	1	L	L

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 was provided at the Audit Committee meeting on 4 December 2017</p>	PS	RD	8	3	H	L
14	Risk that the Council fails to deliver key investment priorities		<ul style="list-style-type: none"> • Reduce capital programme in line 	The Council has initiated a Capital	GE	JMS	8	2	M	H

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating				
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target	
	<p>The 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>	<p>complaints</p> <ul style="list-style-type: none"> Loss of trust from partner organisations/contractors. 	<ul style="list-style-type: none"> Training for staff on document / information handling and basic information security practice Secure e-mail solution Document marking scheme 	<p>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, grapevine/replacement as part of the</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>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>							
1020	<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 priorities as a result of</p>	<ul style="list-style-type: none"> • Service delivery failure • Organisational dissonance within the organisation • 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
	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. Better Care Fund Enhanced section 75 working 	<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 i.e. each authority's governance arrangements are aligned with the partnership strategies for improvement. Review date March 2018</p>	MG	RD	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. 									

Ref	Risk		Existing controls	Further Actions to Mitigate Risk	Lead		Risk Rating			
	Cause	Consequence/ Impact			Officer	Member	Impact	Likelihood	Current Score	Appetite/ Target
28	Leadership. Risk of business continuity, performance dips and not securing value for money through the use of interims in senior management positions for an extended period of time.		<ul style="list-style-type: none"> Clear strategy for the use of interims e.g. through transition period during 21CC implementation. 	<p>Completion of Personnel Board process for the appointment of permanent Chief Executive.</p> <p>Putting in place permanent staff in People Services.</p>	MG	CHT	6	1	L	L

Agenda Item 52.

TITLE Certification of Claims and Returns – Claims and Returns Organised by Local Authorities

FOR CONSIDERATION BY Audit Committee on 7 February 2018

WARD None Specific

DIRECTOR Director of Corporate Services - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

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

RECOMMENDATION

That the Audit Committee notes the Audit Certification Reports 2016/17 for the Teachers' Pension Return; the Pooling of Housing Capital Receipts Return, and the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA).

SUMMARY OF REPORT

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

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

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

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

The cost of the 2017/18 audits of the three claims is expected to be similar to the audit of the 2016/17 figures and arrangements reported below.

Background

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

Analysis of Issues

Analysis of Issues in Individual Claims

1. Teachers Pensions Return (EOYCa)

This is an annual return required by the Department of Education by 30th November each year which covers the teachers pension contributions to the Teachers Pensions Scheme. The cost for the audit of the 2016/17 Teachers Pensions return by the Wokingham firm, Rice Associates, was £950, a £50 increase from the cost for the previous year, (but less than the £2,760 in 2012/13 when it was undertaken by Ernst and Young) . The cost has been met from the 2017/18 budget.

The auditor confirmed that *'we conclude that, the attached form EOYC for the year ended 31 March 2017 has been prepared, in all material respects (materiality level of £75,000 used) in accordance with the Regulations underpinning the Teachers' Pension Scheme'*. The auditor also confirmed that there were no other exceptions or matters that should be reported.

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

2. Pooling of Housing Capital Receipts Return

This is an annual return required by the Department of Communities and Local Government (DCLG) by the 30th November which sets out details of sale of council houses and flats under Right to Buy legislation by local authorities with a Housing Revenue Account (HRA). It sets out the number of properties sold, the cash received less admin fee, and the amount which must be paid to the Government, and the amount to be reinvested in social housing. In 2016/17 19 Right to Buy (RTB) properties were sold for £2.851m and one non RTB property sold for £89k, giving a total sales receipt of £2.940m, of which £295k had to be repaid to DCLG, with most of the remainder restricted for reinvestment in social housing in the borough.

A local auditor, Choice Accountants, was selected at a cost of £1,425, the same as in 2015/16, compared to a cost of £1,500 for the 2014/15 accounts. The auditor confirmed that the return was correct and certified using the DCLG's internet returns portal.

3. Providing External Assurance on Sub-Contracting Controls

receipt of ESFA funding have to provide an annual subcontracting assurance if £100,000 or more is subcontracted in the year. This is required so that councils or other bodies in receipt of ESFA funds ensure that any colleges or other providers meet the ESFA's requirements. The ESFA's key requirements are the need for colleges and other providers to provide high quality services and to take action where services do not meet the required quality levels. The audit was introduced to ensure that councils have sufficient procedures and mechanisms to check whether providers are delivering the high

quality services as set out in the respective contracts, and to ensure that providers take the corrective action required as necessary.

The audit was largely operational, not financial, in nature and of a very specialist nature. A company which specializes in ESFA audits, *Per4mance Solutions*, was selected at a cost of £1,550. The audit was completed on 16th January 2018, and the required certificate issued and will be supplied to the ESFA by the 30th January 2018 deadline. All recommended actions from the previous report had been completed. The council's ESFA funded adult learning services passed the audit requirements without qualifications. There are a few minor issues which the auditors required the service to include in an Implementation Plan which the Council is reviewing.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

Other financial information relevant to the Recommendation/Decision

None.

Cross-Council Implications

N/A

Reasons for considering the report in Part 2

List of Background Papers

Teachers Pensions Return EOYCa Report

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TITLE	Treasury Management Strategy 2018/19
FOR CONSIDERATION BY	Audit Committee on 7 February 2018
WARD	None specific
DIRECTOR	Graham Ebers, Director of Corporate Services

OUTCOME / BENEFITS TO THE COMMUNITY

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

RECOMMENDATION

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

- 1) Capital Prudential indicators, 2018/19;
- 2) Borrowing strategy 2018/19;
- 3) Annual Investment Strategy 2018/19;
- 4) Flexible use of capital receipts strategy;
- 5) MRP policy; and
- 6) Treasury Indicators: limits to borrowing activity 2018/19.

SUMMARY OF REPORT

This report outlines the expected treasury activity for the forthcoming year and includes prudential indicators relating specifically to Treasury Management for the next three years. Further reports are produced during the year: a mid-year monitoring report and post-year end outturn report. A key requirement of this report is to explain the risks associated with the treasury service and how they will be managed. This strategy covers:

- The Council's debt and investment projections;
- The expected movement in interest rates;
- The Council's borrowing strategy;
- The Council's investment strategy;
- Treasury Management prudential indicators and limits on activity;
- Local Treasury issues;
- The Council's minimum revenue provision (MRP) policy. This represents the principal element of outstanding loans which must be charged to revenue each year;
- The Council's strategy relating to the flexible use of capital receipts. This relates to revenue projects which will use capital receipts as funding. The Council currently has no plans to use this.

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

Background

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

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

Analysis of Issues

External Debt

For 2018/19 external debt is estimated to increase by £61.5m to £207.2m. This increase is a very prudent estimate and will be reliant on the delivery of the capital programme.

	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
External Borrowing c/fwd	(147,459)	(147,459)	(206,709)	(317,409)
Loan Maturities	1,750	3,098	1,988	3,482
New Loans	0	(62,348)	(112,688)	(62,982)
External borrowing	(145,709)	(206,709)	(317,409)	(376,909)
Internal borrowing	(132,331)	(144,395)	(144,124)	(144,327)
External Borrowing	(145,709)	(206,709)	(317,409)	(376,909)
Total borrowing	(278,040)	(351,104)	(461,533)	(521,236)
Cumulative expenditure to be funded by borrowing	278,040	351,104	461,533	521,236

The total forecast additional borrowing (£521.3m - £278.0M = £243.2m) will be fully met by the following resources within 24 years

- Returns on investments from WTCR and WHL including capital receipts
- Returns on investments from Commercial properties
- Developer contributions from forward funded programmes

Capital Expenditure

For 2018/19 capital expenditure is £180.0m, this broken down into the following asset types:

- Investment in Commercial property - £45.7m
- Road & Highways infrastructure improvement scheme - £34.1m
- Town centre regeneration - £29.8m

- Affordable housing initiatives - £21.1m
- Schemes under £10m (this includes schools of £8.7m) - £49.2m
£180.0m

Investment forecast year end outturn

For 2018/19 the estimated returns on investments (external and internal companies) is set to increase from 2017/18 estimated outturn by £1.0m to £2.4m. The increase is due to the investment in the town centre regeneration and Wokingham Housing Ltd. The interest received will be used to fund the interest costs on the borrowing of the before mentioned schemes.

	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Investments	451	451	451
Internal companies*	1,976	2,308	2,414
Total	2,427	2,759	2,865

Note: * interest is charged to WHL, Wokingham Housing Ltd and the HRA.

Appendices

- Capital Programme and funding 2018/19 to 2020/21 Appendix B
- Prudential Indicators forecast 2018/2021 Appendix C
- Investment policies and strategies Appendix D
- Treasury Management Practice (TMP1) Appendix D
- Approved Counter parties Appendix E
- Interest rate forecasts 2018 – 2021 Appendix F
- Minimum revenue provision policy (MRP) Appendix G
- Treasury management scheme of delegation Appendix H
- The treasury management role of the section 151 officer Appendix H
- Glossary of Terms m Appendix I

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)	£180.0m Capital Expenditure Net increase of capital financing cost of £0.9m	Yes	Capital Revenue
Next Financial Year (Year 2)	£206.8m Capital Expenditure Net increase of capital financing costs £2.6m Year 2 figures are Provisional and will be updated in future years.	Yes	Capital Revenue
Following Financial Year (Year 3)	£147.8m Capital Expenditure Net increase of capital financing costs £3.3m Year 3 figures are Provisional and will be updated in future years.	Yes	

Other financial information relevant to the Recommendation/Decision

None

Cross-Council Implications

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

List of Background Papers

Appendices A,B,C,D,E,F,G,H,I are attached

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Date 18 th January 2018	Version No. 2

WOKINGHAM BOROUGH COUNCIL



WOKINGHAM BOROUGH COUNCIL

Treasury Management

Treasury Management Strategy Report 2018-19

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Appendices

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Prudential Indicators forecast 2018/2021	Appendix C
Investment policies and strategies Appendix D	
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Interest rate forecasts 2018 – 2021	Appendix F
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1. Introduction

This report presents the Council's Treasury Management Strategy for 2018-19 in accordance with the Council's Treasury Management practices.

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

Treasury Management Strategy:

The first and most important report covers:

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

Treasury Management mid-year report

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

Annual Treasury report

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

Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training for members will be arranged in the period covered by this report.

The training needs of treasury management officers are periodically reviewed.

Treasury management consultants

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2. Treasury management policy statement

Wokingham Borough Council Treasury Management Policy Statement for 2018/19 is:

- The Council defines it's our treasury management activities are:
The management of the Council's investments and cash flows, banking, money market and capital market transactions, the effective control of the risks associated with above mentioned activities and the pursuit of optimum performance consistent with those risks.
- The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
- The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council
- The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

3. The Economy and Interest Rates forecast

The Government declared that the UK economy has shown its resilience, although the Office for Budget Responsibility (OBR) expects to see slower gross domestic product growth over the forecast period. The UK economy is forecast to grow by 1.4% in 2018, and then grow at a slightly slower rate in the next three years before picking up in 2021 and 2022. Departmental spending plans were set out in the budget, with the DCLG Local Government reducing from £6.7bn to in 2017/18 to £4.8bn in 2018/19.

The national living wage will increase to £7.83 per hour (from £7.50) from April 2018. The housing infrastructure fund will be extended from £2.3bn to £2.7bn to help provide new homes in high demand regions. £2.0bn has been confirmed to provide at least 25,000 new affordable homes. An additional £1.7bn will help provide extra investment in local transport connections as part of the transforming cities fund.

Interest rates are forecast to stay at 0.50% in April 2018 and will move gradually to 0.75% by March 2018. A full interest forecast can be found in appendix F

4. The Council's Capital Expenditure and Financing 2018/19

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 capital expenditure plan is a key driver of the treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Table 1: Capital Expenditure and funding

	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Capital Programme Expenditure				
Non-HRA	87,362	174,077	198,707	140,461
HRA	7,975	5,900	8,100	7,300
Total	95,337	179,977	206,807	147,761
	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Capital Programme Funding				
Developers contribution (S106 & Cil)	(18,090)	(60,564)	(33,681)	(39,185)
Major Repairs Reserve	(8,186)	(4,100)	(4,100)	(4,100)
Grants & Contributions	(16,749)	(12,563)	(23,682)	(18,270)
Capital Receipts	(2,559)	(11,516)	(25,441)	(19,334)
Total	(45,583)	(88,743)	(86,904)	(80,889)
Net financing need for the year (Borrowing)				
Forward Funding	(8,887)	(13,105)	(44,899)	(43,920)
Borrowing	(40,867)	(78,129)	(75,004)	(19,452)
Total	(49,754)	(91,234)	(119,903)	(66,872)
Total Resources	(95,337)	(179,977)	(206,807)	(147,761)
()Surplus /deficit	0	0	0	0

Note: The capital strategy can be found in Appendix B

The capital financing requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from resources (e.g. Capital receipts, Capital grants etc.). It is essentially a measure of the Council's indebtedness and its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. Tables 2 and 3 below demonstrate the General fund and HRA CFR.

Table 2: Capital financing requirement:

General Fund	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Opening balance (estimated)	160,022	198,804	275,350	387,767
Capital expenditure funded by Borrowing	49,754	91,234	119,903	63,372
Sub Total	209,776	290,038	395,253	451,139
Less				
MRP Charge	(2,362)	(3,350)	(3,350)	(3,350)
PFI Principal Charge	(215)	(215)	(215)	(215)
Principle repayment	0	0	0	0
Swap funding /repayment of forward funding	(8,395)	(11,124)	(3,921)	(506)
Sub Total	(10,972)	(14,689)	(7,486)	(4,071)
Closing Balance	198,804	275,350	387,767	447,068
Movement	38,782	76,545	112,417	59,301

Table 3: Capital financing requirement:

HRA	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Opening balance (estimated)	90,400	87,836	84,354	82,366
Capital expenditure funded by Borrowing	0	0	0	3,500
Sub Total	90,400	87,836	84,354	85,866
Less Minimum Revenue Provision				
MRP Charge/ Principle repayment	(2,564)	(3,482)	(1,988)	(3,098)
Sub Total	(2,564)	(3,482)	(1,988)	(3,098)
Closing Balance	87,836	84,354	82,366	82,768
Movement	(2,564)	(3,482)	(1,988)	402

The table above shows the Housing Revenue account (HRA) with no capital expenditure funded by borrowing. The capital expenditure of £5,900k in 2018/19 is funded by the major repairs reserve, HRA revenue contribution and Right to Buy Receipts.

The in-year increase in the general fund borrowing requirement is due to a large increase in the capital programme for schemes such as the town centre regeneration, loans to group companies and Commercial investments, which will later reduce again when capital receipts are recovered or loans repaid. It has also increased as a result of the forward funded schemes. These will decrease again as developer contributions are received. The CFR is also reduced each year by the minimum revenue provision (MRP) (see section 4). The authority is relatively cash rich and income poor, with government grants reducing. Part of the Councils financial strategy is based on

diversifying income streams, by growing revenue generating assets through its housing companies and other strategic investments.

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. Balance sheet forward projection

The following is a forecast funds available for investment/internal borrowing position at year end, where the funds available for investments go negative, illustrates that further external loans are required.

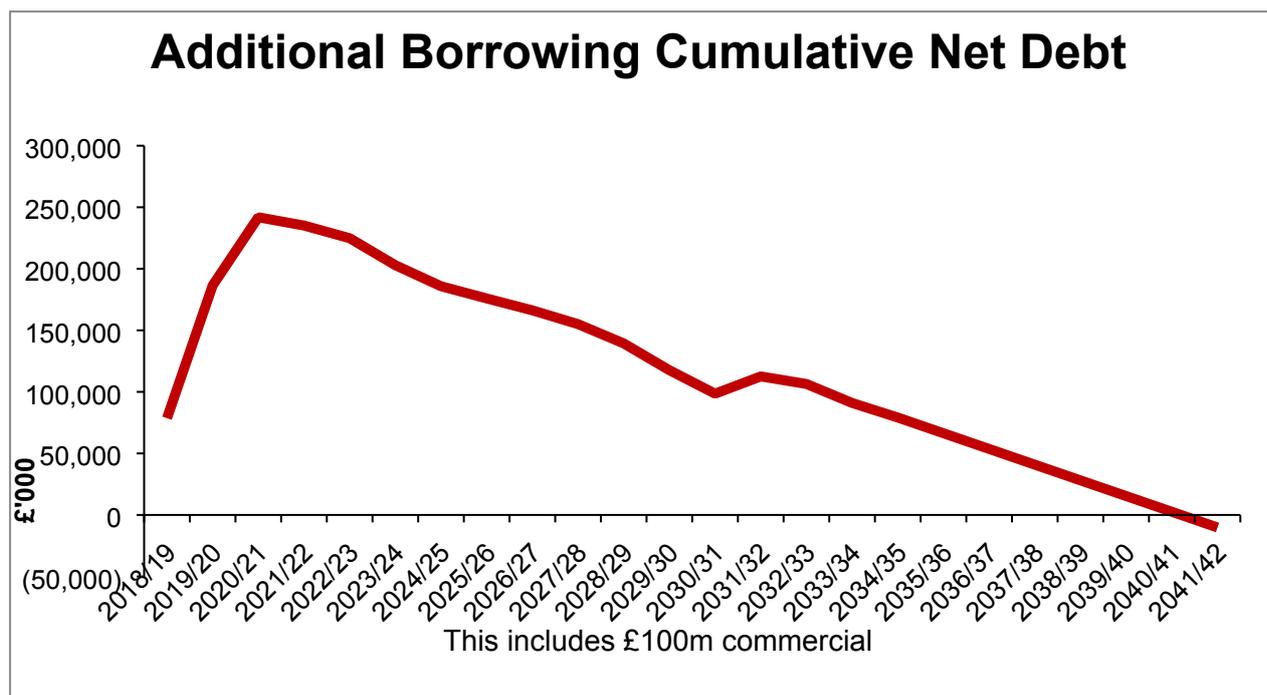
Table 4: Wokingham Borough Council Balance Sheet Projections	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
CFR (Year-end position)	286,640	359,704	470,133	529,836
Less other long term liabilities	8,600	8,600	8,600	8,600
Expenditure to be funded by borrowing	278,040	351,104	461,533	521,236
External Borrowing c/fwd.	(147,459)	(147,459)	(206,709)	(317,409)
Loan Maturities	1,750	3,098	1,988	3,482
New Loans	0	(62,348)	(112,688)	(62,982)
External borrowing	(145,709)	(206,709)	(317,409)	(376,909)
Internal borrowing	(132,331)	(144,395)	(144,124)	(144,327)
External Borrowing	(145,709)	(206,709)	(317,409)	(376,909)
Total borrowing	(278,040)	(351,104)	(461,533)	(521,236)
Expenditure to be funded by borrowing	278,040	351,104	461,533	521,236
Variance	0	0	0	0
% of internal borrowing to CFR	47.59%	41.13%	31.23%	27.69%
Internal borrowing funded by				
General Fund Balance	10,477	10,477	10,477	10,477
Housing Revenue Account Balance (inc MRA)	9,008	9,008	9,008	9,008
Collection Fund Adjustment Account	4,302	4,302	4,302	4,302
Earmarked reserve	51,607	51,607	51,607	51,607
Capital Receipts Reserve	7,994	7,994	7,994	7,994
Provisions (exc. any accumulating absences)	2,907	2,907	2,907	2,907
Capital Grants Unapplied	20,790	20,790	20,790	20,790
Reserves available for Investment	107,083	107,083	107,083	107,083
Working Capital (Deficit) / Surplus	47,453	47,453	47,453	47,453
Internal borrowing	(132,331)	(144,395)	(144,124)	(144,327)
Total amount available for investment/Internal borrowing	22,205	10,142	10,413	10,210

Total forecast additional borrowing (£517.7m - £278.0M = £239.7m)

The additional borrowing of £239.7m taken out between 2018 and 2021 will be a mixture of external and internal. This is planned to be repaid within 24 years by the following resources:

- Returns on investments from WTCR and WHL including capital receipts
- Returns on investments from Commercial properties
- Developer contributions from forward funded programmes

The graph below illustrates the additional borrowing cumulative net debt over the next 24 years.



The council's capital programme now includes many large infrastructure schemes that span a number of years. It is not uncommon or unreasonable for the profiling of these to be refined once the initial budget has been approved and the precise timing of expenditure becomes clearer as projects move from feasibility and planning through to delivery.

Our capital finance specialists meet regularly with our key project and programme managers to update predictions and find ways to improve the accuracy of our capital monitoring. This has included the receipt of more detailed information on projects and a new profiling methodology for the capital programme in accordance with The Royal Institute of British Architects (RIBA) planned stage process. Work will continue to do what we can to improve the financial arrangements, however it should be recognised that it contains by its nature, sizeable and often uncontrollable, fluctuations.

6. Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement (CFR) through a revenue charge

(the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).

Department for Communities and Local Government (DCLG) regulations have been issued which require the full Council to approve a MRP Statement in advance of each financial year. The decision lies with the Council although a prudent provision must be made. The Council is recommended to approve the MRP Statement which can be found in Appendix B.

Some principles in the draft of the guidance have been reflected in the Council strategy. However some principles will be either applied next year for 2019/20 Treasury Management Strategy once the guidance has been finalised, or not at all, where we will identify an alternative prudent MRP policy.

For 2018/19 Wokingham Borough Council's MRP policy will follow DCLG principles, except in some instances, as disclosed in Appendix B and summarised here:

1. For assets which WBC or one of its subsidiary companies is investing in purely for the return on investment, we will echo the depreciation principles, and not provide MRP while the asset is held at a carrying value greater than or equal to its initial cost. If the carrying value reduces to be lower than its cost, then MRP will be applied with a maximum useful economic life of 50 years for freehold land, and 40 years for other asset classes.
2. For investment properties which are held as such for financial reporting purposes, minimum revenue provision will not be charged while the asset is held at a carrying value greater than or equal to its initial cost. If the carrying value reduces to be lower than its cost, then MRP will be applied with a maximum useful economic life of 50 years for freehold land, and 40 years for other asset classes.
3. The table on the next page summarises other area where WBC are planning to divert from the draft guidance.

Table 5: Changes to MRP Guidance

Expenditure type	Guidance maximum 'C', (MRP repayment period)	WBC MRP charging policy
25(1)(b) Loans and grants towards capital expenditure by third parties	UEL of assets the third party spend on	As per guidance normally But where LA owned company, and providing loan, only charge MRP if it is a depreciating asset.
25(1)(d) Acquisition of share or loan capital	20 years	N/A – Only charge MRP if it is a depreciating asset.

Final guidance is expected to be issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to this guidance.

The draft guidance remains guidance not an enforced treatment.

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

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

	2017/18 Estimated Outturn	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Table 6: Prudential Indicator – Debt				
Authorised limit £,000	286,640	450,100	587,600	658,600
Gross external borrowing £,000	145,709	206,709	317,409	373,409
HRA debt limit £,000	87,836	102,000	102,000	102,000
HRA debt per dwelling £	35	35	34	33
Incremental impact of capital investment decisions on council tax £*				
% of internal borrowing to CFR	46.17%	40.14%	30.66%	27.42%
Maturity structure of borrowing	See Appendix C			
Operational boundary for external debt £'000	286,640	377,900	494,000	553,300
Ratio of financing costs to net revenue stream**				
Upper limits on interest rate exposure£,000	108,006	135,309	246,009	302,009

*Note: To be completed

**Note: To be completed

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.

8. 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.

8.1 Annual investment strategy

CIPFA Code and the DCLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's investment priorities will be security first, liquidity second, then return.

The Council may invest its surplus funds in accordance with its time and monetary limits for institutions on the Council's counterparty list, as shown below

	* Minimum credit criteria / colour band*	Money Limit	Max. maturity period
DMADF – UK Government	UK overiegn rating	£20M	3 months
UK Government gilts	UK sovereign rating	£5m	1 year
UK Government Treasury bills	UK sovereign rating	£5m	1 year
Money market funds	AAA	£5m	Liquid
Local authorities	N/A	£5m	1 year
Term deposits with banks and building societies**	AA	£5m	Liquid
Term deposits with building societies	A-	£5m	Liquid
CDs or corporate bonds with banks and building societies	AA	£5m	Liquid

Note*: The credit criteria shown here is Fitch credit ratings agencies long term, When using the credit rating the Council will use the lower of the three credit rating agencies.(See appendix D)

Note **for each banking group the following limits will apply, dependent on the rating of the Parent Bank (i.e. Lloyds group)

- AAA : £7m with a maximum average duration of 1 year
- AA- :£5m with a maximum average duration of 6 months

The investment policies can be found in Appendix D

8.2 Investment projections treasury and non-treasury

The table below shows the Councils investment projections

Table 7: Investment projections

	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Local Authorities	39,000	36,000	34,000	30,000
Fund Mangers	1	1	1	1
Internal Companies investments	37,235	39,235	43,235	45,235
Total	76,236	75,236	77,236	75,236

8.3 Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the DCLG Guidance, the Council may also make loans and investments for service purposes or where the local authority is setting up local authority owned companies. Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this Treasury Management Strategy. Commercial properties investment will be made in line with previously strategy agreed by Council on 23/11/2017. Where these investments have treasury or MRP implications this strategy will be followed.

8.4 Cash flow management

The Council's officers maintain a detailed cash flow forecast for each coming year revising it as more information is available. This informs the short term investments such as those to cover precept payments. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Long term investment strategy is based on the Council's medium term financial strategy

8.4 Estimated Investment return rates

Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years'. Political uncertainty will continue to weigh on the economy and imported inflation is likely to be a feature for some time.

8.5 Compliance with treasury limits and prudential indicators for investments

As with debt, the Council has a framework prudential indicators for investment which it uses to assess its investment strategy. The Council is asked to approve the following indicators found in table 7. Further detail on each of these indicators is included in Appendix D.

Table 8: Prudential Indicator – Investment

2018/19

Review of investment strategy to be undertaken during year	Yes
Investment risk benchmarking	
Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables	0.10%
Liquidity – in respect of this area the Council seeks to maintain:	
Bank overdraft	£0.5m
Liquid short term deposits available with a week's notice of at least	£5m
Weighted average life benchmark is expected to be 0.25 years, with a maximum of 0.5 years.	0.5 Years
Investments – internal returns above the 7 day LIBID rate	
Investment Balances	46,371
Returns on investments	(1,976)

9. Flexible use of Capital Receipts

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

The guidance recommends that a strategy should be prepared that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council. The Council currently does not plan to use this flexibility.

10. Updates to Treasury Management Strategy

The Director of Corporate Services confirms that the treasury team will abide by the strategy set out within this document and will report to the Audit Committee in November 2018 as part of the mid-year report any breaches to limits and prudential indicators.

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Wokingham Borough Council Capital Program 2018-2021

	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Total
Budget capital expenditure	179,977	206,802	147,756	534,545

Funding Stream	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Total
	£'000	£'000	£'000	£'000
Developers contribution (S106 & CIL)	(60,564)	(33,681)	(39,185)	(133,430)
Major Repairs Reserve	(4,100)	(4,100)	(4,100)	(12,300)
Forward Funding	(13,105)	(44,899)	(43,920)	(101,924)
Borrowing	(78,127)	(75,004)	(19,452)	(172,582)
Grants	(12,563)	(23,682)	(21,770)	(58,014)
Capital Receipts	(11,950)	(25,150)	(19,850)	(56,950)
Total	(180,409)	(206,515)	(148,276)	(535,200)
()Surplus /deficit	(432)	292	(515)	(655)
Cumulative ()Surplus /deficit	(432)	(140)	(655)	

Note: To see the detail of the capital programme and strategy 2018/21 refer to papers for the executive 22nd February 2018

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Prudential Indicators - Forecast 2018-2021

Debt

General Fund

Table 1: Capital financing requirement:	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
General Fund				
Opening balance (estimated)	160,022	198,804	275,350	387,767
Capital expenditure funded by Borrowing	49,754	91,234	119,903	63,372
Sub Total	209,776	290,038	395,253	451,139
Less Minimum Revenue Provision				
MRP charge	(2,362)	(3,350)	(3,350)	(3,350)
PFI principal charge	(215)	(215)	(215)	(215)
Principle repayment				
Swap funding /repayment of forward funding	(8,395)	(11,124)	(3,921)	(506)
Sub Total	(10,972)	(14,689)	(7,486)	(4,071)
Closing Balance	198,804	275,350	387,767	447,068
Movement	38,782	76,545	112,417	59,301

Table 2: % Ratio of financing costs to net revenue stream	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Financing costs (including MRP & interest costs)			
Divide by			
Net revenue stream			
Ratio of financing costs to net revenue stream			

To be confirmed

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

Table 3: Incremental impact of capital investment decisions on council tax	2016/17 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
Council tax - band D	N/A			

To be confirmed

Prudential Indicators - Forecast 2018-2021

HRA

Table 4: Capital financing requirement:	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
HRA				
Opening balance (estimated)	90,400	87,836	84,354	82,366
Capital expenditure funded by Borrowing	0	0	0	3,500
Sub Total	90,400	87,836	84,354	85,866
Less Minimum Revenue Provision				
MRP Charge/ Principle repayment	(2,564)	(3,482)	(1,988)	(3,098)
PFI Principal Charge	0	0	0	0
Sub Total	(2,564)	(3,482)	(1,988)	(3,098)
Closing Balance	87,836	84,354	82,366	82,768
Movement	(2,564)	(3,482)	(1,988)	402

Table 5: % Ratio of financing costs to net revenue stream	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Financing costs (including MRP & interest costs)			
Divide by			
Net revenue stream			
Ratio of financing costs to net revenue stream			

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

Table 6: HRA debt per dwelling	2017/18 Estimated Outturn £'000	2017/18 Budget £'000	2018/19 Budget £'000	2019/20 Budget £'000
HRA Debt	87,836	85,552	83,554	80,072
Number of dwellings	2,545	2,530	2,515	2,500
Debt per dwellings	35	35	34	33

Prudential Indicators - Forecast 2018-2021

General Fund & HRA

Table 7: Capital financing requirement:	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
General fund & HRA				
Opening balance (estimated)	250,422	286,640	359,704	470,133
Capital expenditure funded by Borrowing	49,754	91,234	119,903	68,772
Sub Total	300,176	377,874	479,607	537,005
Less Minimum Revenue Provision				
MRP Charge/ Principle repayment	(4,926)	(6,832)	(5,338)	(6,448)
PFI Principal Charge	(215)	(215)	(215)	(215)
Prior year adjustment (swap funding / forward funding)	(8,395)	(11,124)	(3,921)	(506)
Sub Total	(13,536)	(18,171)	(9,474)	(7,169)
Closing Balance	286,640	359,704	470,133	529,836
Movement	36,218	73,063	110,429	59,703

Table 8: Internal Borrowing	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
CFR (Year-end position)	286,640	359,704	470,133	529,836
Less External borrowing	145,709	206,709	317,409	376,909
Less other long term liabilities	8,600	8,600	8,600	8,600
Internal borrowing*	132,331	144,395	144,124	144,327
Movement		12,063	(271)	203
% of internal borrowing to CFR	47.59%	41.13%	31.23%	27.69%

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.

The council's capital programme now includes many large infrastructure schemes that span a number of years. It is not uncommon or unreasonable for the profiling of these to be refined once the initial budget has been approved and the precise timing of expenditure becomes clearer as projects move from feasibility and planning through to delivery. Our capital finance specialists meet regularly with our key project and programme managers to update predictions and find ways to improve the accuracy of our capital monitoring. This has included the receipt of more detailed information on projects and a new profiling methodology for the capital programme in accordance with The Royal Institute of British Architects (RIBA) planned stage process. Work will continue to do what we can to improve the financial arrangements, however it should be recognised that it contains by its nature, sizeable and often uncontrollable, fluctuations

Prudential Indicators - Forecast 2018-2021

Investment

Table 10 : Investment Type	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
Local Authorities	39,000	36,000	34,000	30,000
Fund Mangers	1	1	1	1
Internal Companies investments	37,235	39,235	43,235	45,235
Total	76,236	75,236	77,236	75,236

Table: 11 Interest Received from investments	2017/18 Estimated Outturn £'000	2018/19 Budget £'000	2019/20 Budget £'000	2020/21 Budget £'000
HRA Internal loan from The General fund	(399)	(399)	(399)	(399)
WHL & WTCR	(933)	(1,577)	(1,909)	(2,015)
External investments	(295)	(451)	(451)	(451)
	(1,627)	(2,427)	(2,759)	(2,865)

The increase is due to the investment in the town centre regeneration and Wokingham Housing Ltd. The interest received will used to fund the interest costs on the borrowing of the before mentioned schemes.

Table 12: Maturity structure of fixed interest rate borrowing 2018/19 @ 31-03-2018

Under 12 months	3%
1 to 2 years	4%
3 to 5 years	9%
6 to 10 years	17%
10 years and above	66%

Investment policies and strategies

ANNUAL INVESTMENT STRATEGY

The CIPFA Code and DCLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's investment priorities will be security first, liquidity second, then return.

The council may invest its surplus funds in accordance with its time and monetary limits for institutions on the Council's counterparty list, as shown below

	Fitch Long term Rating	Moody's	Standard & Poors	Money Limit	Time Limit
Banks 1 higher quality	<i>F1+/AAA</i>	<i>P-1Aaa</i>	<i>A-1+/AA-</i>	£5m	365 days
Banks 1 medium quality	<i>F1+/AA-</i>	<i>P-1Aa3</i>	<i>A-1+/AA-</i>	£3m	365 days
Building Societies				£2m	6 Months
Debt Management Office Account (DMADF)	-	-	-	£20m	3 Months
Guaranteed Organisations	-	-	-	£2m	3 Months
Other Institution Limits (other local authorities, Money Market Funds, Gilts and Supranational investments)	-	-	-	£5m	365 days

Creditworthiness policy

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

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

Investment policies and strategies

The Director of Corporate Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

Credit Rating criteria:

Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.

- Banks a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):
 - i. Short term – F1+ (Fitch), P-1 (Moody's), A-1+ (Standard and Poor's)
 - ii. Long term – AA (Fitch), Aa2 (Moody's), AA (Standard and Poor's)
- Building societies. Subject to a minimum asset size of £5bn and meeting a minimum credit rating of A-.
- UK Government: including Money market funds – the Council and its Fund Managers will use AAA rated funds.

Bank criteria

The Council will only use good credit quality banks which:

- are UK banks; and/or
- are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA (in house team only)
- Group Limits – For each banking group the following limits will apply, dependent on the rating of the Parent Bank
 - AAA : £7m with a maximum average duration of 1 year
 - AA- : £5m with a maximum average duration of 6 months

Other institutions

Gilts and the Debt Management Account Deposit Facility (DMADF)

- Local authorities, parish councils etc.
- Supranational institutions – multilateral investment organisations such as the World Bank or European Investment Bank (sometimes used by the Fund Managers)

Note: investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Investment policies and strategies

TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council applies its principles to all investment activity. In accordance with the Code, the Director of Corporate Services has produced its treasury management practices (TMPs). This part, TMP 1(1), covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

Strategy guidelines – The main strategy guidelines are contained above in this Appendix and in the body of the treasury strategy statement found in Appendix A section 7.

Investment policies and strategies

SPECIFIED INVESTMENTS:

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

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

NON-SPECIFIED INVESTMENTS:

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

a.	Supranational Bonds greater than 1 year to maturity (a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.). (b) A financial institution that is guaranteed by the United Kingdom Government (e.g. The Guaranteed Export Finance Company {GEFCO}) The security of interest and principal on maturity is on a par with the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
b.	Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.
c.	Building societies which are subject to a minimum asset size of £5billion and meeting a minimum credit rating of A-. These investments will be restricted to a maximum period of 6 months and £2m per institution.

Investment policies and strategies

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

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

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

	* Minimum credit criteria / colour band	Money Limit	Max. maturity period
DMADF – UK Government	UK overiegn rating	£20M	3 months
UK Government gilts	UK sovereign rating	£5m	1 year
UK Government Treasury bills	UK sovereign rating	£5m	1 year
Money market funds	AAA	£5m	Liquid
Local authorities	N/A	£5m	1 year
Term deposits with banks and building societies	AA	£5m	Liquid
CDs or corporate bonds with banks and building societies	AA	£5m	Liquid
Corporate bond funds	AA	£5m	3 Years

Investment policies and strategies

Currently not in our strategy are the following investment categories:

a.	Share capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies.
b.	Loan capital in a body corporate.
c.	Property funds – The use of these instruments can be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.

Accounting treatment of investments

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

The monitoring of investment counterparties

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

Use of external fund managers

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

Wokingham Borough Council's approved counter parties

Banks and Building Societys

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

Money Market

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

Government Bodies & Local Authorities

All Government bodies and all local authorities in the United Kingdom local authorities are available to the council to invest in.

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Link Services Interest rate forecast

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

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2018/19 Wokingham Borough Council MRP policy

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement (CFR) through a revenue charge (the minimum revenue provision - MRP), and it is also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).

Department for Communities and Local Government (DCLG) regulations have been issued which require the full Council to approve a MRP Statement in advance of each financial year. The decision lies with the Council although a prudent provision must be made. The Council is recommended to approve the following MRP Statement:

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

- MRP will be based on the CFR (option 2);

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

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

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

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

Some draft guidance on minimum revenue provision issued by MHCLG indicates that their guidance is for freehold land should have a maximum useful life of 50 years, and for any other asset class to have a maximum useful life of 40 years. Wokingham will follow this principle, except in some instances, as disclosed below. Final guidance is expected to be issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Under that section local authorities are required to "have regard" to this guidance.

For some investment assets WBC believes it would be overly prudent to charge MRP in line with the draft guidance, as it would stop the Council making an investment which could otherwise strengthen its financial position, due to an artificial self-implemented restriction.

For assets which WBC or one of its subsidiary companies is investing in purely for the return on investment, we will echo the depreciation principles, and not provide MRP while the asset is held at a carrying value greater than or equal to its initial cost. If the carrying value reduces to be lower than its cost, then MRP will be applied

2018/19 Wokingham Borough Council MRP policy

with a maximum useful economic life of 50 years for freehold land, and 40 years for other asset classes until the carrying value is greater than or equal to the initial cost less the accumulated MRP.

For investment properties which are held as such for financial reporting purposes, minimum revenue provision will not be charged while the asset is held at a carrying value greater than or equal to its initial cost. If the carrying value reduces to be lower than its cost, then MRP will be applied with a maximum useful economic life of 50 years for freehold land, and 40 years for other asset classes in the same fashion as the paragraph above

Similarly, for capital expenditure categories listed in paragraph 45, alternative prudent assumptions will be used in some circumstances.

Expenditure type	Guidance maximum 'C', (MRP repayment period)	WBC MRP charging policy
25(1)(a) Computer programs	Shorter of useful economic life (UEL) of hardware or length of software license	As per guidance
25(1)(b) Loans and grants towards capital expenditure by third parties	UEL of assets the third party spend on	As per guidance normally <i>But where LA owned company, and providing loan, only charge MRP if it is a depreciating asset.</i>
25(1)(c) Repayment of grants and loans for capital expenditure	25 years or period of loan if longer	As per guidance
25(1)(d) Acquisition of share or loan capital	20 years	N/A – Only charge MRP if it is a depreciating asset.
25(1)(e) Expenditure on works to assets not owned by the authority	UEL of asset	As per guidance
25(1)(ea) Expenditure on assets for use by others.	UEL of asset	As per guidance
25(1)(f) Large scale transfers of dwellings	25 years	As per guidance

Officers responded to the technical consultation on MRP and the proposed changes to the prudential code. The consultation closed on the 22nd December 2017

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

TREASURY MANAGEMENT SCHEME OF DELEGATION

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

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

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

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Glossary of terms

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

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

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

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

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

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

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

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

ECB - European Central Bank.

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

Fair value - Is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties

knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price

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

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

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

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

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

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

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

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

PWLB - Public Works Loan Board

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

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

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

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

TITLE	2018/19 Internal Audit and Investigation Plan
FOR CONSIDERATION BY	Audit Committee 7 February 2018
WARD	None specific
LEAD OFFICER	Andrew Moulton, Assistant Director, Governance and Chief Audit Executive

OUTCOME / BENEFITS TO THE COMMUNITY

The Council's 2018/19 Internal Audit and Investigation Plan details the proposed Internal Audit and Investigation activity and seeks to:

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

RECOMMENDATION

The Audit Committee is asked to consider and approve the 2018/19 Internal Audit and Investigation Plan.

SUMMARY OF REPORT

1. This report presents the 2018/19 Internal Audit and Investigation Plan (Appendix A) and the 2018/19 Internal Audit scopes for each review, excluding Key Operational audits (Appendix A (I)).
2. A consultation draft Internal Audit and Investigation Plan was presented to Corporate Leadership Team on 23 January 2018.
3. If adopted, the key financial implications for the Council are revenue costs of providing, and contributing to, the Shared Audit and Investigation Service.

Background

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

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

systems of internal control and financial management is fundamental to the fulfilment of that responsibility.

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

The 2018/19 Internal Audit and Investigation Plan has been agreed by CLT, is attached to this report and is presented reflecting the new council structure. It has been prepared using the Council's Corporate and Service Risk Registers, where possible. It is intended to demonstrate how the Internal Audit and Investigation Service supports the overall aims and objectives of the Council. Consultations have been undertaken with key internal stakeholders:- the Chief Executive and all Directors.

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

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

In addition to the work of Internal Audit, there are other sources of assurance that the Chief Executive, Directors and the Audit Committee can place reliance on. Where these sources of assurance are provided by suitably qualified third parties, Internal Audit may be able to place reliance on these providers.

Whilst a number of audit reviews within the Audit Plan are effectively considered as mandatory (key financial systems, particularly high risk items etc), others enter or leave the Audit Plan based on the views of officers and CLT/Audit Committee.

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

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

The Investigations element of the Plan includes fraud awareness, proactive fraud drives and investigation of fraud and malpractice.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

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

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

List of Background Papers

2018/19 Internal Audit and Investigation Plan - Appendix A
2018/19 Internal Audit and Investigation Plan scopes for each review, excluding Key Operational audits - Appendix A(I)

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Date 15 January 2018	Version No. v1

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Chargeable Audit & Investigations Work**Summary**

Area	Description	Proposed Days
Key financial systems	Meeting section 151 and external audit statutory duties	123
Governance building blocks	Facilitating the overall internal audit assurance opinion	100
Key corporate risks	Providing assurance to Management on the Council's most significant risks	135
Operational risks	Providing assurance to Management on the Council's operational risks	240
Fraud & investigation	Focusing on cashable saving fraud work as per agreed strategy	200
Servicing the business	Various, majority of which is at request of management	83
TOTALS		881

Details

Key Financial Systems				
<p>Traditionally, the service has undertaken full coverage of the key financial systems below. The coverage is listed in the outline scope. The Service will be continually reviewing this coverage in consultation with the Council's External Auditor and the Director of Corporate Services (section 151 officer) in year to ensure that audit coverage, if any, is relevant and focused correctly.</p>				
Audit	Reason for Audit	Outline Scope	Proposed Days	2017/18 Audit
Payroll	Main financial system	To provide assurance that only bona fide, authorised and accurate payments are made in a timely manner; to ensure that all payroll transactions are accurately reflected in the accounting system; to ensure correct classification on payments made to individuals to confirm the Council is compliant with guidance regarding the employment status of workers.	12	Y

Income systems and Debtors	Main financial system	To provide assurance that income-generating activities are identified and accurately invoiced; that all invoices are paid and the income is accounted for and reflected in the Council's accounts; the extent of debt is minimised and overdue accounts are promptly followed up.	8	Y
Payment systems and Creditors	Main financial system	To provide assurance that creditor payments are valid authorised, accurate and timely in respect of goods and services ordered and received by the Council.	8	Y
General Ledger	Main financial system	To provide assurance that all financial transactions of the Council are recorded, including ensuring their completeness and integrity with the aim of providing the data from which management accounts, final accounts and statutory returns can be prepared.	5	Y
Cash & bank reconciliation	Main financial system	To provide assurance on the effectiveness, accuracy and completeness of reconciliations.	5	Y
Cashiers	Main financial system	To provide assurance on the operation of the cashiering function.	5	Y
Treasury Management	Main financial system	To provide assurance on the implementation and operation of the treasury function in compliance with the Treasury Management Strategy.	8	Y
Housing Rents	Main financial system	To provide assurance on effectiveness, timeliness, accuracy and completeness of housing rent collection.	10	Y
Benefits/CTRS	Main financial system	To provide assurance on Benefit/CTRS operations.	12	Y
Council tax and NNDR	Main financial system	To provide assurance on Council tax and NNDR collection and recovery processes.	12	Y

Capital Accounting	Main financial system	To provide assurance that the Council is correctly and accurately accounting for its assets.	10	Y
Budgetary Control and Reporting including MTFP	Main financial system	To provide assurance on the Council's budget setting, budget monitoring including forecasting, budgetary control and reporting process.	15	Y
Fixed asset register	Main financial system	To provide assurance on the completeness and accuracy of the fixed asset register.	8	Y
BACS/CHAPS/Cheques	Main financial system	To provide assurance on the effectiveness, security and accuracy of payments.	5	Y
SUB TOTALS			123	

Governance Building Blocks

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

Audit	Reason for Audit	Outline Scope	Proposed Days	2017/18 audit
Facilitating the preparation of the AGS	Governance and reporting	To support and advise Directors and Assistant Directors in producing Management Assurance Statements as evidence for the Annual Governance Statement which forms part of the Council's financial statements. To include the golden thread of Corporate Governance	20	Y
Procurement	Building block	To cover; Compliance with Procurement Directive, Engagement with consultants , Compliance with EU thresholds, Compliance with WBC thresholds, Material decisions, Use of standing lists, Major Suppliers	0	Y
Project Management	Building block		20	N

Performance management	Building block	<ul style="list-style-type: none"> • Objective of the Performance Management • Alignment of the Key Performance Indicators (KPIs) with the Council's Vision and Council Plan • Alignment of the KPIs with Service Plans • Progress of the KPI reporting and plans for implementation • Clarity of roles and responsibilities for maintaining the Performance Management System • Accuracy of KPIs and Quality Assurance 	10	N
Risk management	Building block	<ul style="list-style-type: none"> • Assessment of risk management governance including risk appetite, risk maturity, policy and procedures & analysis scores. • Follow-up of the previous audit concerns identified 	10	N
Constitution	Building block	<ul style="list-style-type: none"> • Constitution is fit for purpose and complied with 	10	N
Statutory roles and responsibilities	Building block	<ul style="list-style-type: none"> • Statutory Officer Roles and Responsibilities including legal and governance across all directorates Include Corporate Manslaughter responsibilities across all directorates 	10	N
Corporate Governance		To include decision making, vision, strategy, whistleblowing, HR policies and reporting.	20	N
SUB TOTALS			100	

Key Corporate Risks

With reference to the Council's Corporate Risk Register, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected. All key corporate risks are expected to be covered over a two to three year period.

Audit	Reason for Audit	Outline Scope	Proposed Days	2017/18
Transport infrastructure	Key corporate risk	Coverage of risk mitigations as per risk register	0	Y
Health & safety	Key corporate risk	Coverage of risk mitigations as per risk register	0	Y
Information security including GDPR compliance	Key corporate risk	Coverage of risk mitigations as per risk register	30	Y
Risk of inability to match supply and demand for school places	Key corporate risk	Coverage of risk mitigations as per risk register	20	N
Vulnerable child/young person	Key corporate risk	Coverage of risk mitigations as per risk register	20	N
Vulnerable adult	Key corporate risk	Coverage of risk mitigations as per risk register	20	N
21 st Century Council	Key corporate risk	Coverage of risk mitigations as per 21C transitional risk registers	25	Y
Failure of Health and Social Care System	Key corporate risk	Coverage of risk mitigations as per risk register		
Risk that the Council fails to deliver key investment priorities through insufficient resources or inadequate planning	Key corporate risk	Coverage of risk mitigations as per risk register	20	
Inability to cope with increased burdens associated with the change to eligibility criteria and other additional requirements of the Care Act	Key corporate risk	Coverage of risk mitigations as per risk register		
SUB TOTALS			135	

Operational Risks				
With reference to the Departmental Risk Registers and through discussion with Directors, these audits are intended to provide assurance to management that the expected mitigating actions and controls to manage risks are operating as expected.				
Audit	Reason for Audit	Outline Scope	Proposed Days	2017/18
Procurement cards	Corp Services Register	Coverage of risk mitigations as per risk register	0	Y
Shared Property Services	Corp Services Register	Coverage of risk mitigations as per risk register	20	Y
Highways	Env Risk Register	Coverage of risk mitigations as per risk register	0	Y
Governance of WBC companies		To ensure appropriate corporate governance is in place for the WBC companies.	15	N
Leisure Centre Contract		To cover; Contract content, contract management and contract monitoring	15	N
Borough Local Plan		To cover; <ul style="list-style-type: none"> • Achieve, complete and adopt the BLP • BLP working Member Group • Staff resources and Pan Berkshire Council relationships • Changes in national and larger than local planning policy 	15	N
Consultation		Includes consultation across the council and with the public	10	N
Equality		To cover; EQIAs including consistent application	10	N
Civil Parking Enforcement		To cover; Compliance with legislation, programme implementation and follow-up.	10	N
Town Centre Regeneration		Scope to be developed.	20	N
Property Assets		Scope to be developed.	15	N
Communities		Scope to be developed.	20	N
Public Health		To cover; compliance with legislation – details to be developed with lead officers.	20	N
Elections		To review governance, planning and operation of elections	10	N
Direct Payments - Adults		To cover; Policies and Procedures, Application, Self directed and financial assessments, approval, safeguarding guidance, PA	20	N

		employment guidance, support plan, review, performance monitoring and reporting, agreements, financial monitoring and risk assessments, unspent funds and record maintenance		
Direct Payments – Children’s (follow up)		To cover; Policies and Procedures, Application, Self directed and financial assessments, approval, safeguarding guidance, PA employment guidance, support plan, review, performance monitoring and reporting, agreements, financial monitoring and risk assessments, unspent funds and record maintenance	10	N
People Services Recovery Plan		Detailed scope to be agreed with Director of People Services	10	N
Childcare provision		Implementation of extended childcare provision (wef Sept 17) – detailed scope to be agreed with Director of People Services	10	N
Investment Strategy		Detailed scope to be agreed with Director of Corporate Services	10	N
SUB TOTALS			240	

Fraud and Investigation				
Activity	Outline Scope	Proposed Days	2017/18	
Reactive Investigations	Investigation of ad hoc referrals, including whistleblowing work where suspected irregularity has been detected	150	Y	
Proactive Investigations	Proactive counter fraud work that includes targeted testing of processes with inherent risk of fraud (Council Tax Reduction, Council Tax Discounts, New Homes Bonus) – to be undertaken jointly with any audits in the same area	90	Y	
National Fraud Initiative	Management of Council’s provision of data and investigation of matches	4	Y	
Training	Development and delivery of Fraud Awareness Sessions - authority wide and service specific	3	N	
Other	Continued development of Counter Fraud policies in line with current legislation and best practice; providing Statutory data such as Transparency information.	3	N	
		250		

Servicing the Business			
Reason for Audit	Outline Scope	Proposed Days	2017/18
Optalis	Jointly commissioned by WBC and RBWM as the shareholders. Part of audit provision to cover quality assurance framework – detailed scope to be developed with Director of People Services.	20	Y
Health & Safety	Requested by management	0	Y
Schools Finance	Undertake testing of the following areas; Governance, Financial Stability, Budget Setting, Budget Monitoring, Payroll and Income.	25	Y
Effectiveness of internal audit	Mandatory QA review	5	Y
Advice on demand	Requests for adhoc advice on control, risk management and governance issues	8	Y
Grant certifications	Statutory compliance e.g. DfT, Troubled Families	10	Y
Follow ups	High risk only	5	Y
Contingency	To cover management/member and other unforeseen requests throughout the year for both audit and investigation	10	Y
SUB TOTALS		83	

**2017/18 Wokingham Borough Council Internal Audit Plan Status
(as at 31 December 2017)**

AUDIT TITLE	DIRECTORATE	STATUS	DRAFT AUDIT REPORT OPINION	FINAL AUDIT REPORT OPINION
<u>2017/18 Audits</u>				
<u>Key Financial Systems</u>				
Cash and Bank Reconciliation	Corporate Services	DRAFT	2	
Fixed Asset Register	Corporate Services	WIP		
Housing Benefit and Council Tax Reduction Scheme	Corporate Services	WIP		
<u>Operational Risks</u>				
Procurement Cards	Corporate Services	FINAL	2	2
Shared Property Services	Corporate Services	WIP		
<u>Servicing the Business</u>				
Beechwood Primary School	Corporate Services	FINAL	2	2
Shinfield Infant and Nursery School	Corporate Services	FINAL	2	1
Loddon Primary School	Corporate Services	DRAFT	2	
Rivermead Primary School	Corporate Services	DRAFT	1	
St Crispin's Secondary School	Corporate Services	DRAFT	1	
21 st Century Council - Governance	Corporate Services	DRAFT	2	
Capital Programme, Accounting, Expenditure Monitoring	Corporate Services	WIP		
Council Tax and NNDR	Corporate Services	WIP		
Creditors	Corporate Services	WIP		
Colleton Primary School	Corporate Services	WIP		
Corporate Health and Safety	Corporate Services	WIP		
Health and Safety (Customer and Locality Services)	Customer and Locality Services	WIP		
Troubles Families Grant	Corporate Services			C
Grant Certification: Bus Subsidy Operators Grant	Corporate Services			C
Integrated Transport Grant	Place			C
<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	FINAL	3	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				

Audit Opinion – Legend	
1. Complete and Effective	<ul style="list-style-type: none"> ♦ All necessary Treatment Measures are in place and are operating effectively. ♦ Residual risks have been reduced to an acceptable level ♦ There are no unacceptable financial implications. ♦ Concerns reported are 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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Agenda Item 55.

TITLE	Internal Audit and Investigation Q3 Progress Report
FOR CONSIDERATION BY	Audit Committee on 7 February 2018
WARD	None Specific
GENERAL MANAGER	Andrew Moulton, Assistant Director, Governance

OUTCOME

The Internal Audit and Investigation Progress Report details the work of the team from the 1 April 2017 to 31 December 2017. This is an update on the progress towards the formation of the Chief Audit Executive opinion which will contribute towards the 2017/18 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 Progress Report to the end of quarter 3 (attached).

SUMMARY OF THE 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

Reasons for considering the report in Part 2

N/A

List of Background Papers

None.

Contact Andrew Moulton	Service Governance
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Date 15 January 2018	Version No. V1

Shared Audit and Investigation Service
Wokingham Borough Council Performance Report
2017/18 to 31 December 2017
Audit Committee 7th February 2018

2017/18 Quarterly Progress Report (to 31 December 2017)

1. Introduction

- 1.1 This report summarises the work of the Shared Audit and Investigation Service to 31 December 2017 and includes within it specific work undertaken in quarter 3 (1 October to 31 December 2017).

2. Internal Audit

Performance against Audit Plan to 31 December 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 31 December 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 31 December 2017 there were 10 audits carried forward from 2016/17 all at final report stage. For 2017/18 audits, 3 are at final report stage, 5 are at draft report stage, 9 are work in progress and there are 3 grant certifications. One school has taken up the opportunity to improve their audit opinion category from the 2nd highest to the highest between the issuing of the draft report and the issuing of the final report.

Third Category Audit Opinion Reviews

- 2.3 There has been one audit report finalised that has received the 3rd category of audit opinion during quarter 3 in respect of the 2016/17 Housing Rents follow up audit that was carried forward in to 2017/18. The Committee received an update from the service at its last meeting noting the management actions being taken to address areas of concern. These will be included in the Housing Rents follow up audit review which is to take place in quarter 4. The other audit area receiving the 3rd category of audit opinion was debtors which was previously reported to the Committee in September 2017.
- 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 No contingency days have been used in quarter 3.

3. Corporate Investigations

- 3.1 The revised 2017/18 Audit and Investigation 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 December 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 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 Fact Finding Investigation (School)	In progress

Anti Fraud and Anti Corruption Policies

- 3.4 The Council’s Anti Fraud and Anti Corruption Policies have been updated and have been presented to this committee in the Review of the Council’s Anti Fraud and Anti Corruption Policies report as a separate agenda item.

Regulation of Investigatory Powers Act

- 3.5 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. These included updating the council’s policy and procedures and arranging refresher training for appropriate officers across the council. Both recommendations were completed by the end of December 2017.
- 3.6 No new investigations have been undertaken during quarter 3 in 2017/18 that has required Regulation of Investigatory Powers Act surveillance approval to be requested.

TITLE	Review of the Council's Anti-Fraud and Anti-Corruption Policies
FOR CONSIDERATION BY	Audit Committee on 7 February 2018
WARD	None Specific
DIRECTOR	Andrew Moulton, Assistant Director, Governance

OUTCOME/BENEFITS TO THE COMMUNITY

This report outlines the Council's key policies to support its Anti-Fraud and Anti - Corruption culture.

RECOMMENDATION

The Audit Committee is asked to agree the proposed amendments to the Anti-Fraud and Anti-Corruption Policy, the Whistleblowing Policy, Anti Money Laundering Policy, Prosecutions and Sanctions Policy, Anti Bribery Policy and the Regulation of Investigatory Powers Act (RIPA) Policy and recommend these for approval to Council, via the Constitution Review Working Group.

SUPPORTING INFORMATION

The Council's Constitution provides for the Audit Committee to agree all of the Council's Anti-Fraud and Anti-Corruption policies prior to their adoption being recommended to Council via the Constitution Review Working Group. This review takes place annually and is an important element of good governance.

A summary of the changes for each policy is detailed below

1. Anti Fraud and Anti Corruption Strategy

- Minor Changes

2. Whistleblowing Policy

- Changes that reflect current best practice

3. Anti Money Laundering Policy

- Minor Changes

4. Prosecution and Sanction Policy

- Minor Changes

5. Anti Bribery Policy

- Minor Changes

6. Regulation of Investigatory Powers Act (RIPA) Policy

- Policy now separate document to the RIPA Procedures to capture legislative updates. Procedures are for officer guidance only and do not require Member approval

Analysis of Issues

See above

Reasons for considering the report in Part 2
N/A
List of Background Papers
None.

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Date 23/01/2018	Version No. V3

CHAPTER 9.4 – CORPORATE ANTI FRAUD AND ANTI CORRUPTION POLICY

9.4.1 Introduction

Wokingham Borough Council (The Council) aims to deliver high quality services and provide value for money by being fully accountable, honest and open in everything that it does.

Fraud and corruption undermine these aims by diverting resources from legitimate activities, damaging public confidence in the Council and adversely affecting staff morale.

To achieve its strategic priorities, the Council seeks to ensure that measures are taken to prevent, detect and investigate fraudulent or corrupt acts. The aim of this policy is to reduce losses from fraud and corruption to an absolute minimum.

The Council has a zero tolerance policy regarding fraud and corruption. It has adopted the following approach.

“In administering its responsibilities the Council is opposed to fraud and corruption whether it is attempted on or from within the Council and is committed to preventing, deterring, detecting and investigating fraud and corruption.”

This policy is particularly relevant to:

- a) elected Members;
- b) employees;
- c) contractors;
- d) consultants;
- e) suppliers;
- f) service users;
- g) customers (including the public); and
- h) partner organisations.

9.4.2 Defining Fraud

The Council defines “fraud” as an intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for financial gain. This may involve, but is not limited to:

- a) falsification or alteration of accounting records or other documents;
- b) misappropriation of assets or theft;
- c) suppression or omission of the effects of transactions from accounting records of other documents;

- d) recording transactions which have no substance; and
- e) wilful misrepresentation of transactions or of the Council's state of affairs.

9.4.2.1

Furthermore, the Fraud Act 2006 has defined fraud in law for the first time, defining it in three classes:

- a) fraud by false representation;
- b) fraud by failing to disclose information; and
- c) fraud by abuse of position.

9.4.3 Defining Corruption

The Council defines corruption as the offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the Council, its Members or Officers. Areas where corrupt practices may occur include, but are not limited to:

- a) tendering and awarding of contracts;
- b) pecuniary interests of Members and Officers;
- c) the award of permissions, and
- d) the disposal of assets.

9.4.4 Framework for Prevention and Detection

It is a management responsibility to maintain the internal control system and to ensure that the Council's resources are properly applied in the manner and on the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.

9.4.5 Key Principles and Culture

The Council will not tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside of the authority. The Council is committed to creating a culture of opposition to fraud and corruption. The Council is determined that the authority meets the expectations of the Committee on Standards of Public Life and is committed to the ten general principles which govern standards of conduct in local government, namely:

- a) selflessness;
- b) honesty and integrity;
- c) objectivity;
- d) accountability;
- e) openness;
- f) personal judgement;

- g) respect for others;
- h) duty to uphold the law;
- i) stewardship; and
- j) leadership.

9.4.5.1

The Council expects Members (elected and co-opted) and employees (including agency staff, consultants and contractors) to lead by example in ensuring effective opposition to fraud and corruption. This includes ensuring adherence to legislation, local rules and regulations, National and Local Codes of Conduct and that all procedures and practices are beyond reproach.

9.4.6 Raising Concerns

Employees at all levels should be alert to the possibility of fraud and corruption. They are expected, and positively encouraged to raise any concerns relating to fraud and corruption which they become aware of. These can be raised in any way that the employee prefers, including with their line manager, through a Director, with the Shared Audit and Investigation Service or through the Council's Whistleblowing Policy. Whichever route is chosen, the employee can be assured that concerns raised in good faith will be fully investigated and, wherever possible, those raising concerns will be dealt with in confidence.

When management receive concerns from employees or others regarding potential fraud or corruption, they should immediately contact the Assistant Director, Governance (and Monitoring Officer) with details of the concerns. The Assistant Director, Governance will make preliminary enquiries and in consultation with the Section 151 Officer will determine whether there are grounds for an investigation.

Councillors, service users, suppliers, partner organisations and members of the public are encouraged to report any concerns. These concerns about fraud and corruption should be reported either directly to the Assistant Director, Governance or via the Council's Whistleblowing Policy.

If employees feel that they are unable to use internal routes then they can contact the council's external auditors, Ernst and Young:

Ernst and Young

Helen Thompson

Wessex House, 19 Threefield Lane, Southampton, SO14 3QB, United Kingdom

hthompson2@uk.ey.com

07974 007332

Although the Council encourages its staff to report concerns acting in good faith, any maliciously motivated and unfounded allegations may be dealt with through the Council's disciplinary code.

9.4.7 Corporate Governance

The main corporate policies and procedures which formulate the Council's framework for minimising risk and the prevention of fraud and corruption include:

- a) Anti Fraud and Anti Corruption Policy;
- b) Internal Audit Charter;
- c) Contract and Procurement Regulations;
- d) Financial Regulations;
- e) Human Resources Policy and Guidance for Discipline;
- f) Human Resources Policy for Conduct and Personal Behaviour;
- g) Human Resources Policy for Recruitment and Retention;
- h) Member's Code of Conduct;
- i) Money Laundering Policy;
- j) Officer's Code of Conduct;
- k) Prosecution and Sanction Policy;
- l) Risk Management Strategy;
- m) Scheme of Delegation;
- n) Whistleblowing Policy; and
- o) Anti-Bribery Policy

9.4.8 Corporate Responsibility

Assistant Directors must ensure that all employees in their service are familiar with the corporate policies and procedures listed at 9.4.7, in addition to any other relevant rules and regulations specific to their service. Failure to adhere to these policies and procedures could result in the instigation of disciplinary procedures.

9.4.9 Recruitment

The Council recognises that one of the most important issues relating to the prevention of fraud and corruption is the effective recruitment of staff and therefore takes pre-employment screening seriously.

Employee recruitment is required to be in accordance with procedures laid down by the Lead Specialist, HR. As part of these procedures, particular reference is made to:

- a) verifying the identity of the applicant;
- b) obtaining satisfactory references prior to appointment;
- c) verifying the applicant is able to legitimately work in the UK;
- d) verifying and retaining copies of certificates for stated qualifications; and
- e) undertaking Disclosure Barring Service checks where appropriate.

These practices apply to all permanent appointments including those where employees have entered the organisation as an agency worker or consultant in the first instance.

9.4.10 System of Internal Control

The risk of fraud and corruption can be minimised by good financial management, sound internal control systems, effective management supervision, and by raising public, member and employee awareness of fraud.

9.4.10.1

Internal control is the whole system of controls, financial and otherwise, established to provide reasonable assurance of:

- a) proper aims and objectives;
- b) efficient and effective operations;
- c) reliable management information and reporting;
- d) legitimate expenditure;
- e) compliance with laws and regulations;
- f) performance management; and
- g) security of assets and income.

9.4.10.2

Weaknesses in the design and operation of administrative and financial internal control systems may increase the risk of fraud. Systems should contain efficient, effective, and well documented internal controls that cover the following:

- a) adequate segregation of duties;
- b) proper authorisation and approval procedures;
- c) adequate physical security over assets; and
- d) reliable monitoring and reporting arrangements.

9.4.10.3

It is management's responsibility to install adequate internal controls and rectify weaknesses if they occur. To help management discharge this responsibility, systems may be subject to review by both Internal and External Audit. Auditors are responsible for reporting to management on significant weaknesses in the control environment, including deficiencies in the operation of internal controls and highlighting exposure to the risk of fraud. High risk audit concerns are promptly followed up to ensure issues highlighted are appropriately actioned.

Management should instigate occasional deterrent compliance checks on the operation of internal controls within their service and are encouraged to seek advice from the Shared Audit and Investigation Service on what checks should be carried out. This work should be used to inform the Annual Governance Statement.

9.4.11 Risk Management

Major fraud risks relating to services should be included within local Risk Registers and subject to regular review to ensure that appropriate controls are in place to mitigate those risks.

9.4.12 Role of Statutory Officers

The Council has a statutory responsibility, under Section 151 of the Local Government Act 1972, to ensure the proper administration of its financial affairs and also to nominate one of its Officers to take responsibility for those affairs. The Council's nominated Section 151 Officer is the Deputy Chief Executive and Director of Corporate Services

9.4.12.1

The Council's Monitoring Officer (Assistant Director, Governance) is responsible under Section 5 of the Local Government and Housing Act 1989 to guard against, inter alia, illegality, impropriety and maladministration in the Council's affairs.

9.4.13 Effective Action

Responsibility for investigating suspected fraud and corruption against the Council rests with the Shared Audit and Investigation Service. This is to ensure that the investigation is performed only by properly trained officers in accordance with the appropriate legislation:

- a) Corruption Act 1906
- b) Criminal Procedures and Investigations Act (CPIA) 1996;
- c) Data Protection Act 1998;
- d) Fraud Act 2006;
- e) Freedom of Information Act 2000;
- f) Human Rights Act 1998;
- g) Local Government Finance Act 1992;
- h) Police and Criminal Evidence Act (PACE) 1984;
- i) Proceeds of Crime Act 2002;

- j) Regulation of Investigatory Powers Act (RIPA) 2000;
- k) The Council Tax (Administration and Enforcement) Regulations 1992.

9.4.14 Procedure

All referrals will initially be risk assessed and material instances of fraud or irregularity in the Council will be referred to the Shared Audit and Investigation Service.

The Shared Audit and Investigation Service will ensure the following objectives are met:

- a) investigations are undertaken fairly, objectively and in accordance with relevant laws and regulations, so as to avoid jeopardising the outcome on legal and procedural technicalities;
- b) to protect the evidence;
- c) to prove or disprove the original suspicions of fraud;
- d) if proven, to support the findings by producing effective evidence;
- e) to present evidence in an appropriate format accepted by the Crown Prosecution Service or the appropriate disciplining service;
- f) to apply appropriate sanctions and redress against those individuals and organisations that seek to defraud.

9.4.15 Completion

Once an investigation is completed the Shared Audit and Investigation Service may have responsibilities in relation to:

- a) recommending improvements to systems;
- b) attendance at disciplinary hearings and tribunals;
- c) attendance at Court as a witness; and
- d) reporting to the Audit Committee.

Conclusions will be based on fact allowing management to take forward any required disciplinary and / or criminal proceedings as they determine appropriate.

9.4.16 Disciplinary

The Council has in place disciplinary procedures which must be followed whenever staff are suspected of committing a fraudulent or corrupt act.

The disciplinary procedures are set out in the Disciplinary Policy and Guidance. The Chief Executive has overall responsibility for ensuring that the disciplinary procedure is managed effectively. Line managers, under the overall direction of Assistant Directors are responsible for day to day management and ensuring compliance with the Disciplinary Policy and Guidance.

9.4.17 Reporting and Publicity

Incidents of fraud and corruption are reported through the following mechanisms:

- a) Corporate Leadership Team;
- b) Audit Committee; and
- c) External Auditors (currently Ernst and Young).

Where evidence of fraud and corruption is found, appropriate sanctions will be sought in line with the Council's Prosecution and Sanctions Policy. The details of any proven act of fraud or corruption, including action taken by the Council will be publicised to employees, Members and the public. This is aimed at deterring further attempts of fraud or corruption by demonstrating the seriousness with which the Council views such cases. In agreement with the Section 151 Officer, Monitoring Officer, the Council will report criminal activity to the Police at the appropriate stage.

9.4.18 Council Tax Investigations

The Investigations Team within the Shared Audit and Investigation Service is also responsible for undertaking investigations within the Council Tax Reductions Scheme. This involves:

- a) investigating suspected fraud by false statement and/or failure to declare changes in circumstances or other method. ;
- b) making random checks on claimants; and
- c) maximising recovery of overpayments.

Where evidence of fraud and corruption is found, appropriate sanctions will be sought in line with the Council's Prosecution and Sanctions Policy. Successful prosecutions will be publicised to help deter further fraud.

9.4.19 Working with Others

Arrangements are in place and continue to develop and encourage the exchange of information between the Council and other agencies on national and local fraud and corruption activity. This includes participation in the National Fraud Initiative which matches data across a wide range of public service organisations in order to detect fraud or erroneous payments.

9.4.20 Money Laundering

Money laundering is the process of moving illegally generated funds through a cycle of transformation in order to create the end appearance of legitimately earned funds.

The Proceeds of Crime Act 2002 details the three principal money laundering offences as:

- a) assisting another to retain the benefit of crime;
- b) acquisition, possession or use of criminal proceeds; and
- c) concealing or transferring proceeds to avoid prosecution.

In addition there are related offences for failing to report where a person has knowledge, suspicion or reasonable grounds for knowledge or suspicion that money laundering has taken place, as well as for tipping off a person that a disclosure has taken place.

Council Officers and Members who suspect money laundering activities should report their concern to the Council's nominated Money Laundering Reporting Officer (MLRO), the Section 151 Officer (Deputy Chief Executive and Director of Corporate Services). Further details are contained in the Anti-Money Laundering Policy.

9.4.21 Conclusion and Review

The Council has in place a clear framework of systems and procedures to deter and investigate fraud and corruption. It will ensure that these arrangements are fair and are monitored and updated to keep pace with future developments in preventative, deterrent and detection techniques regarding fraudulent or corrupt activity.

To this end, the Council maintains a continuous review of these arrangements through, in particular the Audit Committee, the Section 151 Officer (Deputy Chief Executive and Director of Corporate Services), Shared Audit and Investigation Service, External Audit and the Monitoring Officer (Assistant Director, Governance).

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CHAPTER 9.7 - ANTI-MONEY LAUNDERING POLICY

9.7.1 Introduction

Money laundering legislation requires local authorities to establish internal procedures to prevent the use of their services for money laundering. Money laundering legislation in the UK is primarily governed by the following legislation:

- a) the Terrorism Act 2000;
- b) the Anti-Terrorist Crime & Security Act 2001;
- c) the Proceeds of Crime Act 2002;
- d) Serious Organised Crime and Police Act 2005; and
- e) the Money Laundering Regulations 2007.

9.7.2 Scope of the Policy

This Policy applies to all employees and contractors of the Council. The Policy sets out the procedures that must be followed to enable the Council to comply with its legal obligations.

9.7.2.1

Staff should report any suspicions to the appointed Money Laundering Reporting Officer (MLRO) (see section 5.0) and it is for the MLRO to consider if the circumstances warrant the completion of a 'suspicious activity report' (SAR), which is sent to the National Crime Agency.

Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them in accordance with the Council's Disciplinary Procedures.

9.7.3 What is Money Laundering?

The legislation is not limited to major organised crimes, but covers proceeds of all crimes, however small. The primary money laundering offences and thus prohibited acts under the legislation are:

- a) concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act); or
- b) entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328 of the 2002 Act); or
- c) acquiring, using or possessing criminal property (section 329 of the 2002 Act); or
- d) becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorist Act 2000); or
- e) failing to disclose suspected money laundering.

9.7.3.1

The defence to these offences is to make an 'authorised disclosure' to an approved person. Approved persons are Customs Officers, Police Officers and the Council's MLRO (see 9.7.6. below).

9.7.4 Suspicious Activity

Some indications of suspicious activity are:

- a) any unusually large cash payment;
- b) any overpayment or duplicate payment in cash where the refund is requested by cheque; or
- c) if a 'third party' is involved in any transaction (e.g. someone paying cash to settle someone else's bill.)

9.7.4.1

The Council should be alert to large amounts of "Cash" accepted as a payment, which would normally arouse suspicion.

9.7.4.2

Officers involved in Treasury Management and cashiering activities are the most likely to encounter attempts to launder money but all staff should be alert to the possibilities.

9.7.4.3

All organisations and each individual is required by law to try to prevent and to report any attempts to 'launder' money (i.e. to use the proceeds of crime in apparently legitimate business transactions).

9.7.4.4

Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it.

9.7.5 The Council's Obligations

Organisations conducting "relevant business" must:

- a) appoint a MLRO to receive disclosures from employees of money laundering activity (their own or anyone else's);
- b) implement a procedure to enable the reporting of suspicions of money laundering;
- c) maintain client identification procedures in certain circumstances; and
- d) maintain record keeping procedures.

9.7.6 The Money Laundering Reporting Officer (MLRO)

If you have any suspicions, you must contact the MLRO. The Council's nominated MLRO is the Section 151 Officer (Deputy Chief Executive and Director of Corporate Services, (Email Graham.Ebers@wokingham.gov.uk or telephone 0118 974 6557). The Deputy Money Laundering Reporting Officer (DMLRO) is Andrew Moulton, Assistant Director, Governance.

9.7.7 Disclosure Procedure

Reporting to the MLRO: Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO. The disclosure should be within "hours" of the information coming to your attention, not weeks or months later. SHOULD YOU NOT DO SO, YOU MAY BE LIABLE TO PROSECUTION.

9.7.7.1

Once you have reported the matter to the MLRO you must follow any directions they may give you. You must NOT make any further enquiries into the matter yourself.

9.7.7.2

Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, without the specific consent of the MLRO; otherwise you may commit a criminal offence of "tipping off". Do not, therefore, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

9.7.7.3

On receipt of the disclosure the MLRO will:

- a) consider the report and make such further enquiries as are necessary to form a view on whether a person is engaged in money laundering;
- b) consider all other relevant information in making this judgement;
- c) ensure that nothing is done which could alert the person or business concerned that a report and an investigation could ensue;
- d) make a report to National Crime Agency, if appropriate, making full notes of the reasons for doing so;
- e) co-operate with any enquiries made by the proper authorities; and
- f) maintain all records of disclosures and reports for at least five years.

9.7.8 Client Identification Procedure

Each unit of the Council conducting relevant business where a business relationship is to be established and an account is to be opened or a one-off transaction or series of linked transactions amounting to 15,000 Euros (approximately £10,000) or more must maintain procedures which:

- a) require satisfactory evidence of the identity of both internal and external clients at the outset of the matter;
- b) require that if satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot precede any further;
- c) recognise the greater potential for money laundering when the client is not present; and
- d) require that where a client appears to act for another that reasonable measures are taken to establish the identity of that person.

Staff involved in Treasury Management should ensure that all dealings are carried out in accordance with the Treasury Management Strategy and Treasury Management Policies which ensure that transactions are only undertaken with approved counterparties.

9.7.9 Record Keeping Procedures

Each unit of the Council conducting relevant business must maintain records for at least five years of:

- a) client identification evidence obtained; and
- b) details of all relevant business transactions carried out for clients

The precise nature of the records is not prescribed by law, however, they must be capable of providing an audit trail.

9.7.10 Further Information and Advice

For any further information or guidance, please contact the MLRO:

Graham Ebers (Deputy Chief Executive and Director of Corporate Services)
0118 974 6557 or
email Graham.Ebers@wokingham.gov.uk

CHAPTER 9.8 - PROSECUTION AND SANCTION POLICY

9.8.1 Introduction

Wokingham Borough Council (The Council) will prosecute any person who commits a criminal offence against the systems, processes and functions of the Council and/or assaults or threatens any member or employee of the Council, if there is sufficient evidence and if, in the opinion of the council, it is in the public interest to do so.

9.8.1.1

When deciding if it is in the public interest, all officers authorised to decide whether to prosecute on behalf of the Council will be guided by the Code for Crown Prosecutors. Whenever it is appropriate, the Council will consider offering other sanctions as an alternative to prosecution.

9.8.1.2

The Council will consider each case on its own merits before deciding whether or not to prosecute. If it is the case that the Council has suffered a material/financial loss, it may take separate action to stop further payments/ recover money, irrespective of whether it decides to take criminal proceedings, and where steps to prevent further losses or recover losses already incurred are not available or desirable in the course of any criminal proceedings.

9.8.2 Alternatives to Prosecution - Cautions

In the issuing of Cautions the council will be guided by the relevant statutory Guidance, currently the Ministry of Justice – Simple Caution for Adult Offender guidance.

9.8.3 Alternatives to Prosecution - Statutory Sanctions

The Council may consider a Statutory Sanction, whether a monetary penalty or otherwise, as an alternative to prosecution for an offence where the imposition or offer of such a sanction for the specified offence or offences is prescribed by law.

9.8.4 Code for Crown Prosecutors – The Evidential Test

When making a decision on whether to prosecute, the Council will first consider whether there is sufficient evidence:

- a) is there sufficient evidence of the commission of an offence to provide a realistic prospect of conviction? And
- b) is the evidence reliable and able to be used in court?

9.8.5 Code for Crown Prosecutors – The Public Interest Test

Once the Evidential Test has been satisfied, the Council will then consider whether the Public Interest Test is satisfied. The Public Interest Test will be assessed following the guidance in the “Code for Crown Prosecutors” to ensure that any prosecution is in the public interest.

9.8.6 Other Sanctions or Penalties

Where a person engages in conduct which is not criminal, but is otherwise prohibited by legal statute or regulation applicable to the functions of the Council, or fails in their legal obligation to the Council, the Council may consider the imposition or offer of a sanction or monetary penalty where to impose a monetary penalty or sanction for the given circumstances is prescribed by law.

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WOKINGHAM BOROUGH COUNCIL
POLICY
ON THE ACQUISITION OF COMMUNICATIONS DATA,
AND USE OF COVERT SURVEILLANCE
AND COVERT HUMAN INTELLIGENCE SOURCES
(REGULATION OF INVESTIGATORY POWERS ACT 2000)

Statement

Officers and employees of (and contractors working on behalf of) Wokingham Borough Council may, in the course of their investigatory, regulatory and enforcement duties, need to make observations of persons in a covert manner, to use a Covert Human Intelligence Source or to acquire Communications Data. These techniques may be needed whether the subject of the investigation is a member of the public, the owner of a business or a Council employee.

By its very nature, this sort of action is potentially intrusive and so it is extremely important that there is a very strict control on what is appropriate and that, where such action is needed, it is properly regulated in order to comply with Legislation and to protect the individual's rights of privacy.

Privacy is a right, but in any democratic society, it is not an absolute right. The right to a private and family life, as set out in the European Convention on Human Rights, must be balanced with the right of other citizens to live safely and freely, which is the most basic function that every citizen looks to the state to perform.

Drawing on the principles set out in the Regulation of Investigatory Powers Act 2000 and the Data Protection Act 1998, this policy sets out the Royal Borough's approach to Covert Surveillance, the use of Covert Human Intelligence Sources and the acquisition of Communications Data.

The policy also sets out Members' oversight of this area, adopts a set of procedures and appoints appropriate officers to ensure that these areas are properly controlled and regulated.

Policy

- 1.1 It is the policy of Wokingham Borough Council (the Council) that all Covert Surveillance, the use of Covert Human Intelligence Sources (informants) and the acquisition of Communications Data by those working for or on behalf of this Council (investigators) will be carried out in accordance with this policy and the associated procedure (the RIPA Procedure). Any member, officer or employee who deliberately or recklessly breaches this policy will normally be considered to have committed an act of gross misconduct and will be dealt with accordingly.
- 1.2 In so far as the Regulation of Investigatory Powers Act (RIPA) allows, Covert Surveillance and the use of Covert Human Intelligence Sources (informants) will always be subject to the RIPA application process. (This does NOT affect monitoring activities where the actions undertaken do not amount to covert surveillance.) Where officers wish to undertake covert surveillance or use informants but where RIPA is not available, a similar process of considering the proportionality and necessity of any such activities must be carried out before the activities are undertaken and approval gained from a RIPA authorising officer.
- 1.3 When acquiring Communications Data officers are instructed to use the RIPA process, as amended by the Investigatory Powers Act 2016, unless they are doing so with the consent of the data subject. Communications data may only be obtained using RIPA powers for the purposes of investigating a criminal offence.

Appointments

- 1.4 The Council appoints the Chief Executive as the *Senior Authorising Officer (SAO)* and *Senior Responsible Officer (SRO)* for all purposes under RIPA.
- 1.5 The Council appoints the Assistant Director, Governance as the *RIPA Monitoring Officer (RMO)* to monitor the use of covert techniques within this Council (whether using the RIPA or non-RIPA processes) and reports to members on the activities the policy covers. They are also directed to ensure that appropriate training is made available to *Authorising Officers (AOs)* and applicants when it is required.
- 1.6 The Council directs that only those appointed by this policy as AOs may authorise covert surveillance, the use of informants or the acquisition of communications data.
- 1.7 The Council appoints Directors and Assistant Directors to meet the training criteria. In addition, there are identified officers trained as AOs, subject to a maximum number of six (including the SAO). The Council instructs the RMO to maintain a list of all those currently authorised as part of the RIPA Procedures.
- 1.8 The Council directs the SAO to appoint such persons as he may from time to time see fit to be *Single Points of Contact (SPOC)* (or to make such other arrangements as he deems appropriate) for the purposes of acquiring communications data by the use of RIPA.
- 1.9 In order for the Council's RIPA authorisations to take effect, they must be approved by a Magistrate. The chief legal officer is instructed to authorise all those who may need to apply to a Magistrate to appear for that purpose for the Council. The RMO is directed to maintain a list, as part of the RIPA Procedures, of all those so authorised.

Oversight and Reporting

- 1.10 The RMO shall report to elected Members on the use of RIPA regulated activity by officers of the Council every six months. Such a report shall be presented to the Members (or to such a sub-committee as the full council shall deem appropriate to constitute for oversight purposes) by the RMO and the SRO. The report **must not** contain any information that identifies specific persons or operations but must be clear about the nature of the operations carried out and the product obtained.
- 1.11 Alongside this report, the RMO and SRO will report details of 'Non-RIPA' surveillance in precisely the same fashion.
- 1.12 Elected Members shall have oversight of the Council's policy and shall review that policy annually should it be deemed by the RMO that significant changes have been made.. At that review (or following any six-monthly report) elected Members shall make such amendments as they deem necessary to the Council's policy, and may give such directions as they deem necessary to the RMO and SRO in order to ensure that the Council's policy is followed.
- 1.13 Elected Members shall not interfere in individual authorisations. Their function is to, with reference to the reports, satisfy themselves that the Council's policy is robust and that it is being followed by all officers involved in this area. **Although it is elected members who are accountable to the public for council actions, it is essential that there should be no possibility of political interference in law enforcement operations.**

RIPA Procedures

- 1.14 The RMO is instructed to create a set of procedures that provide instruction and guidance for the use of surveillance and informants, and the acquisition of communications data. They are further instructed to maintain and update the RIPA Procedures, ensuring that they continue to be both lawful and examples of best practice.
- 1.15 The reference to 'maintain and update' in this section includes the duty to remove AOs from the list if they cease to be employed in a relevant role or if they no longer satisfy the requirements to be an AO, and the right to add names to that list so long as (a) they satisfy the policy and regulatory requirements and (b) at no time does the number of AOs exceed six.
- 1.16 If a change is required, in the opinion of the RMO, in order to comply with this part, they are authorised to make that change without prior approval from any person.
- 1.17 The RMO must report any changes made under this section to Members when they undertake their annual oversight of the Policy, as set out above.
- 1.18 All managers are required to ensure that their staff understand that covert investigation techniques may only be used in accordance with this policy and the associated procedures.

Training

- 1.19 In accordance with this Code of Practice, AOs **must** receive full training in the use of their powers. They must be assessed at the end of the training, to ensure competence, and must undertake refresher training at least every two years. Training will be arranged by the RMO. Designated AOs who do not meet the required standard, or who exceed the training intervals, are prohibited from authorising applications until they have met the requirements of this paragraph. AOs must have an awareness of appropriate investigative techniques, Data Protection and Human Rights Legislation.

Wokingham Borough Council

Policy on the Acquisition of Communications Data, and the use of Covert Surveillance and Covert Human Intelligence Sources

- 1.20 Those officers who actually carry out surveillance work must be adequately trained prior to any surveillance being undertaken. A corporate training programme will be developed to ensure that AOs and staff undertaking relevant investigations are fully aware of the legislative framework.
- 1.21 Senior management who have no direct involvement with covert investigation will undertake a briefing at least biannually, to ensure that they have a good understanding of the activities that might fall into the definition of covert investigation techniques.

Exceptions, Notes and Complaints

- 1.22 CCTV cameras operated by this Council are NOT covered by this policy, unless they are used in a way that constitutes covert surveillance; only under those circumstances must the provisions of this policy and the RIPA Procedures be followed.
- 1.23 Interception of communications, if it is done as part of normal business practice, does NOT fall into the definition of acquisition of communications data. (This includes, but is not limited to opening of post for distribution, logging of telephone calls, for the purpose of cost allocation, reimbursement, benchmarking, etc.; logging E Mails and internet access for the purpose of private reimbursement.)
- 1.24 If any person wishes to make a complaint about anything to which this policy applies is invited to use the Council's Complaints Procedure. Any complaint received will be treated as serious and investigated in line with this Council's policy on complaints. **Regardless of this, the detail of an operation, or indeed its existence, must never be admitted to as part of a complaint. This does not mean it will not be investigated, just that the result of any investigation would be entirely confidential and not disclosed to the complainant.**

Adoption and Amendment of the Policy

- 1.25 This version of the Policy was agreed prior to its adoption being recommended to Council via the Constitution Review Group on 7 February 2018 after which it came into immediate effect. It replaces all previous policies on these subjects.

CHAPTER 9.5 – WHISTLEBLOWING POLICY AND GUIDANCE

9.5.1 Introduction

The Council is committed to delivering high quality services to its customers and expects high standards from its employees and contractors. In order to maintain those high standards a culture of openness and accountability is vitally important. The aims of this policy are:

- a) to encourage you to raise concerns about malpractice within the organisation without fear of reprisal;
- b) to reassure you that your concerns will be taken seriously; and
- c) to provide information about how to raise your concerns and explain how the council will respond.

This policy applies to all Council employees, former employees, agency staff and contractors engaged by the Council.

9.5.2 What is Whistleblowing?

In practical terms, whistleblowing occurs when a concern is raised about danger or illegality that affects others, e.g. clients, members of the public or the Council itself. As the person “blowing the whistle” you would not usually be directly affected by the danger or illegality. Consequently you would rarely have a personal interest in the outcome of any investigation into your concerns. This is different from a complaint or grievance. If you make a complaint or lodge a grievance, you are saying that you personally have been poorly treated. This poor treatment could involve a breach of your individual employment rights or bullying and you are entitled to seek redress for yourself. A qualifying disclosure means any disclosure of information that, in the reasonable belief of the worker is made in the public interest. As a result of this employees will generally be precluded from being able to “blow the whistle” about breaches of his or her employment contract. Although an employee making such a complaint can still use the Council’s grievance policy.

Examples of whistleblowing concerns are:

- a) fraud in, on or by the Council;
- b) offering, taking or soliciting bribes;
- c) unauthorised use of public funds;
- d) financial maladministration;
- e) the physical, emotional or sexual abuse of clients;
- f) failure to comply with legal obligations;
- g) endangering of an individual’s health and safety;
- h) damage to the environment;
- i) a criminal offence;
- j) failure to follow financial and contract procedure rules;
- k) showing undue favour to a contractor or a job applicant;
- l) misreporting performance data; or

- m) neglect of people in care.

This Policy does not replace the Council's complaints or grievance procedures.

9.5.3 Who should I contact?

Having considered this Policy, an employee of the Council, or any other person covered by the Public Interest Disclosure Act (PIDA) 1998, who has serious concerns about any aspect of the Council's work, should in the first instance inform one of the following methods:

a) **Inform Line Manager**

In many cases, raising concerns with the immediate line manager is the most appropriate route for an employee. The line manager should inform the Assistant Director, Governance of the disclosure and an appropriate course of action will be agreed. If this is not a suitable option (for example because the issue may implicate the manager or if the concern has been raised but remains unaddressed) the concern should be raised using one of the other methods.

b) **Dedicated Whistleblowing Communication Channels**

The Shared Audit and Investigation Service have established a dedicated 24 hour answerphone hotline for receiving disclosures.

Hot line number - 0118 974 6550;

Email:- confidential.whistleblowing@wokingham.gov.uk;

By Post - Confidential Whistleblowing, Shared Audit and Investigation Service, Shute End, Wokingham, RG40 1BN;

In person at Shute End by asking for the Shared Audit and Investigation Service at reception.

c) **Shared Audit and Investigation Service and Assistant Director, Governance**

The Shared Audit and Investigation Service can offer confidential independent advice on the use of the Whistleblowing Policy. If you suspect an employee, a member of the public or contractor (in their business dealings with the Council) of fraud or corruption you can contact the Shared Audit and Investigation Service who will discuss your concerns with you in complete confidence. If you are in receipt of any allegation involving possible corruption, fraud or malpractice you should notify the Assistant Director, Governance immediately on 07747 777298.

d) **Director People Services**

If you wish to raise a concern involving vulnerable children and adults, you can contact the Director of People Services to seek guidance on how to proceed.

e) Schools

You should refer to the whistleblowing arrangements for the individual school. If it is not suitable for the school's Governing Body to deal with, the concern should be raised with the Director of People Services (contact details above).

9.5.3.1

Advice and guidance on how matters of concern may be pursued can be obtained from: the Monitoring Officer (Assistant Director, Governance).

9.5.4 Legal Protection

The Public Interest Disclosure Act (PIDA) 1998 – sets out a framework of protection against victimisation or dismissal for workers who blow the whistle (“disclosure”) on criminal behaviour and other specified forms of malpractice.

9.5.4.1

It applies to making a ‘protected’ disclosure in respect of specific types of malpractice, which are:

- a) that a criminal offence has been committed, is being committed or is likely to be committed;
- b) that a person has failed, is failing or is likely to fail to comply with any legal obligation to which he is subject;
- c) that a miscarriage of justice has occurred, is occurring or is likely to occur;
- d) that the health or safety of any individual has been, is being or is likely to be endangered;
- e) that the environment has been, is being or is likely to be damaged; or
- f) that information tending to show any matter falling within any one of the preceding paragraphs has been, is being or is likely to be deliberately concealed.

9.5.4.2

The Act covers internal disclosures to the Wokingham Borough Council as the employer, disclosures to prescribed ‘persons’ such as regulatory bodies (e.g. for health and safety issues, the Health and Safety Executive), and wider disclosures, for example to the police and the media.

9.5.5 Raising Concerns outside the Council

In certain circumstances it may be appropriate to raise concerns outside the Council to the appropriate ‘prescribed regulator’. This should only be done where any disclosure of information that is made in the public interest and where you believe the information is true, i.e. more than just suspicion. You are advised to discuss your concerns with a legal advisor, trade union or Public Concern at Work before

reporting them outside the Council. Examples of prescribed regulators are set out below:

- a) The Council's external auditors (Ernst and Young);
- b) Information Commissioner;
- c) Environment Agency;
- d) Health and Safety Executive;
- e) Commissioner of the Inland Revenue;
- f) Ofsted;
- g) General Social Care Council;
- h) Care Quality Commission;
- i) The Commission for Social Care Inspection; and
- j) National Care Standards Commission.

9.5.5.1

As a last resort you may choose to raise your concern outside the Council to someone other than a prescribed regulator, e.g. to the police or your MP. You should only do this if, in addition to the conditions above, they meet one of three preconditions. Provided the disclosure is reasonable in all the circumstances and is not made for personal gain, the preconditions are that you:

- a) reasonably believed that you would be victimised if you raised the matter internally within the Council; or
- b) reasonably believed that the matter would be 'covered up' and there is no prescribed regulator; or
- c) have already raised the matter internally or with a prescribed regulator.

9.5.5.2

It should be noted that wider disclosures (i.e. to the media) can only be protected where there is a justifiable cause for going wider and where the particular disclosure is reasonable. The Council therefore encourages concerns to be raised initially using one of the methods described in 9.5.3.

9.5.6 Making a Protected Disclosure

This policy is intended to allow the internal investigation and resolution of any concerns raised. In accordance with the PIDA 1998, to make a 'protected' disclosure the whistleblower has to meet certain conditions:

- a) A qualifying disclosure means any disclosure of information that, in the reasonable belief of the worker is made in the public interest. Therefore, while the employer can seek a declaration from the whistleblower that he or she is not knowingly making false allegations, disciplinary action is likely to be appropriate only where there is clear evidence that the reporting worker has misused the whistleblowing policy.

- b) Disclosure to a regulatory body will be protected where, in addition, the whistleblower honestly and reasonably believes that the information they provide and any allegation contained in it are substantially true.
- c) Disclosure to other external bodies will be protected if, in addition, making it is in all respects reasonable. 'In all respects reasonable' means, in effect
 - i) the disclosure is not made for personal gain;
 - ii) the whistleblower reasonably believed that they would be victimised if they raised the matter internally;
 - iii) there is no relevant regulatory body;
 - iv) the whistleblower reasonably believed that evidence was likely to be concealed or destroyed;
 - v) the concern has already been raised with the employer and/or relevant regulatory body; and
 - vi) the concern is of an 'exceptionally serious' nature – which in a local government setting could include, say, the alleged abuse of children or vulnerable adults in an authority's care.

9.5.6.1

This may be done orally or in writing. If you are writing, remember to give details of how you can be contacted. Anonymous disclosures present difficulties for effective investigation. Your identity will be kept strictly confidential if you so request, unless disclosure is required by law. However, the Council recognises that despite the dual safeguards of confidentiality and legal protection from recrimination that individuals may still feel unable to reveal their identity. In these situations individuals can report their concerns anonymously, but should be aware that these concerns carry less weight with the investigation teams and the disclosure may not be sufficiently detailed to provide a successful investigation.

9.5.6.2

Allegations that are malicious, or allegations made for personal gain, may result in action against the person making them. If an allegation is made in the public interest, but is not confirmed by an investigation, no action will be taken against the person who raised the concern.

9.5.6.3

It is preferable that a whistleblowing concern be raised as soon as there is reasonable suspicion. Employees are not expected to investigate the matter themselves or prove that their concern is well-founded.

9.5.6.4

Anyone who has made a protected disclosure will not suffer any detriment as a result of raising their concern unless it is later proved that they knew they were providing false information. In addition, whistleblowers are protected from suffering a detriment, bullying or harassment from another worker.

Examples of detriment includes (but is not limited to):

- a) failure to promote, if linked to the disclosure;
- b) denial of training;
- c) closer monitoring;
- d) ostracism;
- e) blocking access to resources;
- f) unrequested re-assignment or re-location;
- g) demotion;
- h) suspension;
- i) disciplinary sanction;
- j) bullying or harassment;
- k) victimisation;
- l) dismissal;
- m) failure to provide an appropriate reference; or
- n) failing to investigate a subsequent concern.

9.5.7 How will the Council respond?

The action taken by the Council will depend on the nature of the concern. The matters raised may:

- a) be investigated internally;
- b) be referred to the Police;
- c) be referred to the external auditors (Ernst and Young);
- d) form the subject of an independent inquiry; or
- e) be considered a service issue and referred to the service to respond by any combination of the above.

9.5.7.1

In all cases, where a concern is raised, the contacted officer shall notify the Monitoring Officer (Assistant Director, Governance) and the Section 151 Officer (Director of Corporate Services). These officers will assess the nature of the concern to decide the appropriate response. Some concerns may be resolved by agreed action without the need for investigation. Any investigation will be overseen by the Assistant Director, Governance.

9.5.7.2

Feedback on the outcome of the concern will be given to the person raising the concern. This feedback may be limited due to legal obligations of confidentiality (i.e. if disciplinary action is taken against a Council employee). The person raising a concern should normally be told:

- a) how and by whom a concern will be handled;
- b) an estimate of how long an investigation will take;
- c) the outcome of the investigation (where appropriate);
- d) that if they believe they are suffering detriment as a result of raising the concern that they should report it;
- e) that he or she is entitled to independent advice.

9.5.8 What if I am dissatisfied with the Council's response?

This policy is intended to provide you with an avenue to raise concerns within the Council. However, if at the end of the process an employee of the Council, or any other person covered by the Act, is not satisfied with how a disclosure has been dealt with and wishes to pursue matters by means of a wider disclosure, the following points of contact are available to you:

- a) the Chairman of the Council's Audit Committee
- b) your local Member (if you live in the area of the borough);
- c) the Council's external auditors (Ernst and Young);
- d) relevant professional bodies or regulatory organisations;
- e) relevant inspection body;
- f) your solicitor; or
- g) the Police.

9.5.8.1

If you do decide to take the matter outside of the Council, you need to ensure that you do not disclose confidential information and that you are 'protected' in accordance with the PIDA 1998 (refer to 9.5.5). If you wish to raise a concern outside of the Council, you may raise it with an external body from the list of prescribed persons and bodies detailed in the 'Department for Business Innovation & Skills 'Blowing the Whistle to a Prescribed Person' document:

<https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2>

9.5.9 Further information and advice

Independent advice on 'whistleblowing' can also be obtained from:

Public Concern at Work 3rd Floor, Bank Chambers, 6 - 10 Borough High Street, London, SE1 9QQ

Whistleblowing Advice Line: 020 7404 6609 General enquiries: 020 3117 2520

Email: whistle@pcaw.org.uk

Ernst and Young

Helen Thompson

Wessex House, 19 Threefield Lane, Southampton, SO14 3QB, United Kingdom

hthompson2@uk.ey.com

07974 007332

Professional Body or Trade Union

If you are a member of a professional body or trade union they should be able to advise you on Whistleblowing.