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WOKINGHAM
BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held in David Hicks 1 - Civic Offices, Shute End, Wokingham RG40 1BN on **WEDNESDAY 5 JUNE 2019** AT **7.00 PM**

Susan Parsonage
Chief Executive

Published on 28 May 2019

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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

Chris Smith (Chairman)	Dianne King (Vice-Chairman)	Rachel Burgess
Maria Gee	Angus Ross	Daniel Sargeant
Imogen Shepherd-DuBey		

ITEM NO.	WARD	SUBJECT	PAGE NO.
5.		**APOLOGIES** To receive any apologies for absence	
6.		**MINUTES OF PREVIOUS MEETING** To confirm the Minutes of the Meeting held on 6 February 2019 and the Minutes of the Extraordinary Meeting on 22 May 2019.	**5 - 12**
7.		**DECLARATION OF INTEREST** To receive any declarations of interest	
8.		**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	
9.		**MEMBER QUESTION TIME** To answer any member questions	
10.	None Specific	**EXTERNAL AUDIT PROGRESS REPORT** To receive the External Audit Progress Report.	**13 - 26**
11.	None Specific	**EXTERNAL AUDIT FEE 2019-20** To consider a report regarding the External Audit Fee 2019-20.	**27 - 36**
12.	None Specific	**HOUSING RENT ARREARS** To receive an update on Housing Rent Arrears.	**37 - 40**

13.	None Specific	**INTERNAL AUDIT OF COUNCIL TAX REDUCTION SCHEME** To receive a report regarding the Internal Audit of Council Tax Reduction Scheme.	**41 - 50**
14.	None Specific	**ANNUAL REPORT 2018/19 - SHARED AUDIT & INVESTIGATION SERVICES** To consider the Annual Report 2018/19 – Shared Audit and Investigation Services.	**51 - 62**
15.	None Specific	**TREASURY MANAGEMENT OUTTURN 2018-19** To receive the Treasury Management Outturn Report 2018-19.	**63 - 92**
16.	None Specific	**CORPORATE RISK REGISTER** To consider an update on the Corporate Risk Register.	**93 - 96**
17.	None Specific	**UPDATE ON INTERNATIONAL FINANCIAL REPORTING STANDARDS 9, 15 AND 16** To receive an update on International Financial Reporting Standards 9, 15 and 16.	**97 - 102**
18.	None Specific	**CERTIFICATION OF CLAIMS AND RETURNS - CLAIMS AND RETURNS ORGANISED BY LOCAL AUTHORITIES** To consider a report regarding the Certification of Claims and Returns - Claims and Returns Organised by Local Authorities.	**103 - 106**
19.	None Specific	**UPDATE ON CHANGES TO ACCOUNTING POLICIES** To receive an update on changes to accounting policies.	**107 - 132**
20.	None Specific	**FORWARD PROGRAMME 2019-2020** To consider the forward programme for 2019-2020.	**133 - 136**

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

CONTACT OFFICER

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MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 6 FEBRUARY 2019 FROM 6.30 PM TO 7.55 PM

Committee Members Present
Councillors: Chris Smith (Chairman), Daniel Sargeant, Imogen Shepherd-DuBey and Graham Howe

Also Present
Madeleine Shopland, Democratic & Electoral Services Specialist
Helen Thompson, Ernst and Young
Carol Cammiss, Director Children's Services
Andrew Moulton, Assistant Director Governance
Bob Watson, Lead Specialist Finance

46. APOLOGIES
Apologies for absence were submitted from Councillors David Chopping and Oliver Whittle.

47. MINUTES OF PREVIOUS MEETING
The Minutes of the meeting of the Committee held on 7 November 2018 were confirmed as a correct record and signed by the Chairman.

48. DECLARATION OF INTEREST
Councillor Daniel Sargeant declared a Personal Interest in Item 53 Corporate Risk Register on the grounds that his mother was an administrator working in Children's Services.

49. PUBLIC QUESTION TIME
In accordance with the agreed procedure the Chairman invited members of the public to submit questions to the appropriate Members.

49.1 Chris Wallace asked the Chairman of Audit Committee the following question.
Could the Chairman please tell me what the process is for auditing data protection breaches particularly those reported by a 3rd party, there is nothing documented on the GDPR page of your website which only covers reporting of your own data breach?

Answer
Thank you for your question.

Wokingham takes very seriously all potential data protection breaches whether reported by the public, internally by staff or third party organisations.

The process for internal and third party reported breaches is exactly the same.

Every potential breach is investigated, and where appropriate, improvement actions are implemented. These could include, for example, additional staff training, and/or changes to processes and procedures.

Where the breach meets the threshold set out by the Information Commissioner, a report is made to the Information Commissioner who will consider what further action, if any, is required.

I have confirmed with Officers that there are no breaches by third parties that require or have been reported to the ICO. However, we are aware of an incident just before Christmas where two letters were placed in the same envelope and were opened by a resident, I believe in Winnersh. This is being investigated and we are seeing what changes to processes need to be implemented to make sure this does not happen again.

I will also ask the team to look at the Council's website to make it clearer how to report any breaches so that there is a much clearer line of reporting and for ease for members of the public.

Supplementary Question:
It seems to go into a black hole if you report something. You do not get any feedback that it has been received by Data Protection people. The latest breach, I have had personal details of at least five in the last year and I do not know whether anything has happened to them. The latest one also included a member of the public ringing Customer Services and being told 'oh it is a mistake, they happen, bin them.' What they were told to bin was 12 pages of someone else's benefits covering 3 years. Those are the originals if a member of staff would like them back.

Supplementary Answer:
What I will say here is that I have been informed of this. I understand that it is due to the manual nature of the envelope stuffing and therefore because it is a manual process, it is more open to mistakes occurring. As I have said, when we identify these risks we look at the processes and we look at if changes can be made. I am expecting a report to come through to tell me what will change, what will happen, whether we can automate the envelope stuffing process to ensure that this does not happen again. As you say you have been aware of five breaches, if you could provide me with the details of the other four, we will go and make sure and try and work out what the root causes were. We will try and work out the root cause and try and change the process to make sure it does not happen but that sort of data should not be going public. It is personal, confidential information and therefore we do want to get to the bottom of this and stop this happening.

Chris Wallace also asked how many other instances there had been where mistakes had been made and people had been told to bin the documents, and if the incidents were being reported.

The Assistant Director Governance responded with the following:

We do have what I would consider to be a reasonable process in terms of receiving, logging and following up on complaints. I must say that it is important for me to look at these specific ones that you have brought here tonight, but through the Chair we will make sure that you get feedback. I would be happy to meet you on a one to one basis.

The Chairman also responded:
All of these seem to be manual emails or a manual intervention. My own firm, when I send an attachment that is not to an internal email, flashes up with a box saying 'are you sure you want to send this attachment to this person?' I do not know if that happens in Wokingham emails but those are the sort of interventions that can be implemented relatively easily. We will look at these and from what I can tell, the first 4 were before GDPR became mandatory and the last one is after, but we take them all very, very seriously and need to understand why these are happening.

50. MEMBER QUESTION TIME

There were no Member questions.

51. UPDATE ON INTERNAL AUDIT OF HOUSING RENTS

The Committee received an update on the internal audit of Housing Rents.

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

- The internal audit of Housing Rents had concluded with a level 3 assurance which meant that there were weaknesses identified in the systems of internal control.
- Members were updated on the current and former rent arrears and progress made against the target to reduce arrears as a percentage of annual debt to 2% by the end of 2019/20.
- Members were informed that the former tenant arrears amount had increased from £181,208.63 (as at March 2018) to £234,238.44 (as at November 2018). As debt aged it often became harder to collect. Nevertheless, a positive direction of travel was being seen.
- The Lead Specialist Finance commented that if a tenant continued not to pay their tenant arrears they would eventually be evicted and the debt would transfer from housing debt to sundry debt. Five evictions had been carried out this year. An eviction could take up to 12 months and was not the preferred option.
- The Council was using an external agency to pursue debt.
- Councillor Shepherd-DuBey asked whether the Council used phone call reminders. The Lead Specialist Finance stated that two additional members of staff had been engaged to phone and remind people of the need for payment.
- It was noted that Tony Newman of HQN had undertaken a review on rent arrears management and 62 recommendations had come out of the review. Councillor Smith asked that the Committee be informed of the status of the recommendations. The Assistant Director Governance commented that this formed part of the action plan. Councillor Smith also asked for information regarding ageing debt and action being taken to reduce this.
- With regards to sundry debt, the Lead Specialist Finance stated that there was currently £4.4m of collectable debt (although £1m of this sat under 30 days).

RESOLVED: That

1) the update be noted;

2) the Committee be updated on the status of the 62 recommendations on rent arrears management from an external review by Tony Newman of HQN;

3) information on sundry debt be sent to the Chairman monthly from the March month end.

52. ERNST & YOUNG 2018/19 AUDIT PLAN

The Committee received the Ernst and Young 2018/19 Audit Plan.

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

- Helen Thompson highlighted the audit risks and areas of focus. IFRS 9 financial instruments and IFRS 15 Revenue from contracts with customers, were new areas of

focus. However, it was expected that they would not have a material impact on the Council. In response to a question from Councillor Howe, Helen Thompson explained why misstatements due to fraud or error had been included as the first area of focus.

- Materiality had been set at £6.9m which represented 2% of the prior year's gross expenditure on provision of services. Councillor Shepherd-DuBey questioned whether 2% was normal and was informed that it was.
- Members were reminded that Ernst and Young would report all uncorrected misstatements relating to the primary statements; comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund greater than £348k.
- The duty to prescribe audit fees was a statutory function delegated to Public Sector Audit Appointments Ltd. It was noted that the fees for 2018/19 were a significant reduction on those for 2017/18. Councillor Sargeant asked whether resources would decrease as a result. Helen Thompson commented that Ernst and Young were looking at efficiencies in the audit and would be making greater use of the offshore teams. The fee reduction would be challenging but the aim was to deliver the audit within the fee.

RESOLVED: That the Ernst & Young 2018/19 Audit Plan be noted.

53. CORPORATE RISK REGISTER

The Director of Children's Services presented the Corporate Risk Register.

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

- The Director Children's Services outlined some of the key risks relating to Children's Services.
- Nationally, safeguarding children was a key risk.
- The Director Children's Services indicated that Ofsted inspections were also highly likely, high impact risks. A new framework for inspection of the SEN provision had been introduced and as such the Council was anticipating the Ofsted of both its SEN provision and mainstream provision, at some stage this year. Children's Services was currently preparing for Ofsted. Members were advised that the service was currently rated 'Requires Improvement'. Self-evaluation put the service still at 'Requires Improvement' with some positives. There was a stable leadership team in place and a positive direction of travel and vision. Councillor Shepherd-DuBey asked how the service could move to 'Good.' The Director Children's Services commented that whilst caseloads had reduced they needed to reduce further.
- Workforce development was a specific risk for Children's Services. Nationally there were issues with regards to the recruitment and retention of social workers.
- Councillor Smith asked what risks were presently on departmental risk register that may escalate to the Corporate Risk Register. The Director Children's Services indicated that workforce stability specific to Children's Services may need to be escalated to the Corporate Risk Register in future.
- In response to a question from Councillor Sargeant as to what work was being carried out regarding recruitment and retention, the Director Children's Services stated that a recruitment and retention plan was being developed and a Task and Finish Group chaired by the Executive Member was looking at the recruitment and retention of social workers. Focus groups would be held in March at which managers and staff would be asked what made a difference to them.
- In response to questions from Councillors Howe and Shepherd-DuBey, the Director Children's Services commented that 40% of children in the Borough with Special

Educational Needs were placed outside of the Borough. Work was being done to try to reduce this.

- In response to a question from Councillor Shepherd-DuBey the Director Children's Services indicated that there were different safeguarding responsibilities around vulnerable adults and children.
- Members noted that some risks had not yet been allocated a committee to monitor its progress and asked that this be updated.
- The Committee asked that the Chief Executive be invited to the next meeting to update Members on risks in their area.

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

54. TREASURY MANAGEMENT STRATEGY 2019/20

The Lead Specialist Finance presented the Treasury Management Strategy.

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

- Under the Council's Constitution the Audit Committee was required to agree the Treasury Management Strategy and policies prior to recommendations being made to the Executive and Council. Councillor Smith questioned why this was the case and suggested that this be reviewed by the Constitution Review Working Group.
- The Lead Specialist Finance highlighted that the length of time the Council could invest with other local authorities had increased to 732 days. Local authorities were underwritten by central government.
- The Council's commercial activities had been split out, increasing openness.
- In response to a question from Councillor Sargeant, the Lead Specialist Finance explained why elements of the Minimum Revenue Policy deviated from statutory guidance.
- Members identified a number of spelling and casting errors and asked that these be amended.
- Councillor Smith commented that the Treasury Mid Term report had identified that there had been delays in some areas such as the delivery of infrastructure and the provision of affordable housing, meaning that spending against those projects had been pushed back. He went on state that it would be useful to see information regarding a range of scenarios on the Council's likely borrowing levels.

RESOLVED: That

1) the Audit Committee recommend to Council for approval the following:

a) Capital Prudential indicators, 2019/20;

b) Borrowing strategy 2019/20;

c) Annual Investment Strategy 2019/20;

d) Flexible use of capital receipts strategy;

e) MRP policy; and

f) Treasury indicators: limits to borrowing activity 2019/20

Subject to the amendment of various spelling and casting errors and the inclusion of information regarding potential borrowing scenarios.

55. 2018/19 INTERNAL AUDIT AND INVESTIGATION Q3 PROGRESS REPORT
RESOLVED: That this item be deferred to the Committee's next meeting.

56. 2019/20 INTERNAL AUDIT AND INVESTIGATION PLAN
The Committee received the 2019/20 Internal Audit and Investigation Plan.

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

- The Assistant Director Governance commented that the Committee could highlight any areas of concern throughout the year that they felt that Internal Audit and Investigations should consider.
- Councillor Sargeant stated that it would be helpful if a column detailing when a matter had last been audited if it had been audited more than one year ago, was included.

RESOLVED: That the 2019/20 Internal Audit and Investigation Plan be approved.

57. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT
Councillor Smith informed the Committee that the Constitution Review Working Group had requested that the Audit Committee review a proposed change around the acceptance of Tenders and signing of Documents, in 6 months' time.

Councillor Smith also informed the Committee that he had been asked by the Executive Member for Finance and Corporate Resources to lead a working group to review the council tax reduction scheme process and to report back prior to 21 February. Councillor Shepherd-DuBey volunteered to be part of the working group.

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 22 MAY 2019 FROM 9.28 PM TO 9.30 PM

Committee Members Present
Councillors: Chris Smith (Chairman), Dianne King (Vice-Chairman), Rachel Burgess, Angus Ross, Daniel Sargeant and Imogen Shepherd-DuBey

Also Present
Anne Hunter, Democratic and Electoral Services Lead Specialist

1. APOLOGIES
An apology for absence was submitted from Councillor Maria Gee.

2. DECLARATION OF INTEREST
There were no declarations of interest submitted.

3. ELECTION OF CHAIRMAN
Councillor Chris Smith was elected Chairman of the Audit Committee for the 2019/20 Municipal Year.

4. APPOINTMENT OF VICE-CHAIRMAN
Dianne King was appointed Vice-Chairman of the Audit Committee for the 2019/20 Municipal Year.

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Wokingham Borough Council
Audit progress report

Year ended 31 March 2019

June 2019

Agenda Item 10.

Building a better working world

June 2019

Audit Committee Members
Wokingham Borough Council
Shute End
Wokingham, Berkshire, RG40 1BN

Dear Audit Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Committee with an overview of our progress against the Council's 2018/19 audit plan, reported to you in February 2019. It also includes an additional significant risk relating to the value for money conclusion, identified after our initial audit planning was completed and reported. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken 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.

We welcome the opportunity to discuss this report with you 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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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).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 and further guidance (updated April 2018)" 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 Wokingham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Wokingham Borough Council 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 Wokingham Borough Council 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 Progress Update

Progress on 2018/19 Audit

The following 'dashboard' summarises the progress of the 2018/19 audit after our interim audit visit. It seeks to provide the Audit Committee with an overview of the progress of the audit to date, and any issues arising.

Audit Area	Status	Details
Interim substantive testing Testing has covered months 1-10 (unless stated otherwise). Work will be done during our year-end visit to top-up to month 12, and to cover the remaining areas of the financial statements.	Completed	- Significant contracts testing - Accounting policies - PPE (Property, Plant, & Equipment) existence testing - PPE in-year additions testing - Walkthroughs of all material accounting systems - CIES income testing - Review of IFRS 9 and 15 impact assessments There are no significant issues to draw to the attention of the Audit Committee at this stage.
	In progress	- CIES Expenditure testing – we note that for the majority of selected testing samples, evidence has not yet been returned and this needs to be complete before we commence our final visit - Payroll – we have tested payroll starters and leavers for months 1 to 12 but are still awaiting the return of evidence. Evidence related to this testing, particularly in the case of schools staff, needs to be completed as soon as possible to ensure that queries do not extend into July The above issues are not significant at the moment but we are highlighting them to the Committee because all interim testing needs to be cleared by the date of our final visit to assist in the smooth running of the accounts audit.
Meetings with Management	Ongoing	We have held regular meetings with management, to understand current issues, update on audit progress, and to plan for the year-end. We will maintain this approach going forward.

Progress on 2018/19 Audit

The following 'dashboard' summarises the progress of the 2018/19 audit after our interim audit visit. It seeks to provide the Audit Committee with an overview of the progress of the audit to date, and any issues arising.

Audit Area	Status	Details
Misstatements due to fraud and error [Significant audit risk].	In progress	Our work in this area will be undertaken through the year end visit. No additional risks have been identified from the interim audit testing.
Risk of incorrect capitalisation of revenue expenditure [Significant audit risk].	In progress	We are focussing our testing on the risk of incorrectly classifying revenue expenditure as capital additions. This would decrease the net expenditure from the general fund, and increase the value of non-current assets. At this stage, we have tested fixed asset additions and set our substantive analytical review expectations for depreciation and Revenue Expenditure Funded from Capital Under Statute (REFCUS), with no indication of incorrect capitalisation.
Related party transactions	In progress	We request that the Council and Members ensure all related party disclosures are complete and available for audit by July 2019.
PFI liability accounting [inherent audit risk]	In progress	PFI is a complex areas and we have again commissioned a detailed review of the RE3 Waste PFI arrangements for Bracknell, Reading and Wokingham Councils by our PFI specialist. This will include a review of the assumptions used in the RE3 PFI accounting model, comment on local adjustments made to the model and review the planned entries and disclosures in the 2018/19 draft financial statements.

Progress on 2018/19 Audit

The following 'dashboard' summarises the progress of the 2018/19 audit after our interim audit visit. It seeks to provide the Audit Committee with an overview of the progress of the audit to date, and any issues arising.

Audit Area	Status	Details
Valuation of Property Plant and Equipment/Investment Property [inherent audit risk]	In progress	The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances, at £776.1m and £6.1m respectively for the year ended 31 March 2018, in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, and we will critically analysis and test these judgements, particularly around PPE (asset and liability) value estimations, and Revenue Expenditure Funded from Capital Under Statute (REFCUS).
Pension Liability [inherent audit risk]	In progress	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. 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 2018 this totalled £279.5m. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council. This is not available yet for 2018/19 so early work in this area is limited to setting our expectations for substantive analytical procedures.
Group Accounts assessment	Completed	At the interim stage of the audit we assessed the group components to calculate the size compared to the parent entity (the Council). For subsidiaries, we have used the total expenditure amounts from the Shareholder's report presented to the Executive on 28 March 2019 and compared it with the Council 2017/18 audited accounts expenditure amounts (which are the most reasonable amounts for comparison purposes). Based on the calculations performed, none of the subsidiaries represent over 15% of the group or over 15% of the Council's total expenditure. We therefore accept management's assessment that full group accounts are out of scope on the basis of non-materiality. We note that the largest component, Optalis Ltd, has forecast expenditure of £45,868 million, which represents 13.85% of the parent and 12.18% of the group.

02 Value for Money update

Significant risk: Value for Money Conclusion

Following an external review of the Council's governance arrangements in November 2018, we have identified an additional significant Value for Money (VFM) risk that was not included in the Audit Planning Report as reported to the Audit Committee on 6 February 2019. That report stated that a significant VFM risk was likely but had not been crystallised at that point because the detail of the review required a more forensic analysis of the findings, and their potential impact on our VFM work. This has been discussed and agreed with Management, and is finalised as follows:

Informed decision making.

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What is the risk?

During 2018 there have been significant changes within the top management team and political leadership at the Council. This uncertainty could potentially give rise to a lack of clarity in role accountability and responsibility regarding delivery of the annual and medium term budget and savings targets, which could manifest itself in the presentation and ownership of the Medium Term Financial Plan (MTFP), and other key Council financial documents. We are content that the Council's financial plans are fully balanced with no budget gaps, however, this risk would be inherent at any local government body that has faced the levels of senior staff attrition that Wokingham Borough Council has faced over the past year.

Additional significant risk: Value for Money Conclusion

What will we do?

Our approach will focus on:

1. Reviewing and evaluating the governance arrangements around financial decision making established by the Council, to assess whether there are appropriate arrangements put in place to support informed decision making. We will do this through:
- review entity level controls focusing on the process of financial decision making;
- understand the reporting flow in the Council; and
- review arrangements around challenging senior management proposals and final decision making by the Council to establish whether the Council's decision-making arrangements are effective.

2. Reviewing the MTFP preparation process and perceived ease of extracting key information to inform decisions, to evaluate the adequacy of financial and non-financial information presented to the Council. We will:
- understand governance arrangements around production of the MTFP, including whether there is sufficient capacity and capability in the finance team preparing it; and
- evaluate information presented in the MTFP to the Council as to whether it is appropriate for informed decision making, including how the MTFP links into the Proposed Vision and Priorities Engagement Summary and the subsequent final Council Plan.

3. Reviewing minutes/videos of the Council meetings to determine whether key decisions were challenged appropriately, to understand the Council's response to overspending and how the critical financial and strategic decisions are implemented. We will do this by:

- selecting a number of key decisions made throughout the year that represent the Council's response to overspending in services and examine whether they were actioned, reported and monitored;
- reviewing documents given to the Council in support of the selected decisions;
- reviewing videos of the Council discussions around selected decisions to assess the extent to which the information presented was discussed/challenged; and
- conclude on the decisions made as to whether all necessary information was made available and whether there was sufficient challenge to inform the decisions taken.

Additional significant risk: Value for Money Conclusion

What will we do? Cont..

4. Understanding the governance and scrutiny arrangements put in place by the Council around control and oversight of its subsidiaries. We will:

- understand and assess control and oversight process; and
- review evidence of execution of control and scrutiny procedures (meeting minutes, reporting).

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03 Timetable

Timetable of communication and deliverables

Timeline

Below is a timetable for the remainder of the 2018/19 audit and the deliverables we have agreed to provide to you in this part of the audit cycle for 2018/19.

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.

Progress report

Reporting on our interim work including progress on risk areas, and any identified issues to date

Audit Results Report

Reporting our conclusions and final confirmation of our independence

Annual Audit Letter

The Annual Audit Letter will be provided following completion of our audit procedures

Feb	Mar	Apr	May	Jun	Jul	Aug
Interim		Interim				
				Substantive testing		

Interim Audit

Early substantive testing (work in April is documentation of samples selected in February)

Year End Audit

Substantive testing not completed at interim and all other opinion audit substantive testing.

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Susan Parsonage
Chief Executive
Wokingham Borough Council
Civic Offices, Shute End
Wokingham
RG40 1BN

26 April 2019

Ref: Fee Letter/19-20

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Susan

Annual Audit 2019/20

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year for Wokingham Borough Council.

From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

The appointment of an auditor to report on the Council's housing benefit subsidy claim is no longer covered by the PSAA appointment.

Indicative audit fee

For the 2019/20 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

Our final fee will include the impact of additional risks and/or circumstances that are out of the scope of the scale fee, for example:

- The preparation of group accounts;
- Additional work performed on asset valuations, including the involvement of our valuation specialists;
- Additional work performed on PFI arrangements, including the involvement of our PFI specialists;
- Additional work performed on the valuation of the net pension liability, including the involvement of our pension specialists; and
- Additional work arising from the implementation of IFRS 16 Leases.

At this stage, the indicative fee is set at the scale fee.

This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that of the prior year;
- Officers meet the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2018/19, our audit planning process for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Building a better working world

Summary of fees

	Indicative fee 2019/20 £	Planned fee 2018/19 £	Actual fee 2017/18 £
Scale Fee	81,325	81,325	105,617
Total Code audit fee	81,325	81,325	105,617

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance. All variations to the scale fee will be subject to PSAA approval.

Billing

The scale fee will be billed in 4 quarterly instalments of £20,331.

Audit plan

Our plan is expected to be issued in January 2020. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Corporate Services and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Audit Committee.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

Building a better working world

We remain committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me, or Janet Dawson as our Government and Public Sector Assurance Leader at jdawson1@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

Helen Thompson
Associate Partner
For and on behalf of Ernst & Young LLP

cc. Graham Ebers, Director of Corporate Services
Councillor Chris Smith, Chair of the Audit Committee

Confidential

EY working with you

An overview of our approach

March 2019

Building a better working world

Contents

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Our commitment to you

Wokingham Borough Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which started in 2018/19. PSAA appointed EY as your auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Janet Dawson – Partner

I am the lead partner for this contract, and EY's Global Government and Public Sector Assurance Leader. I have been a partner in Government and Public Sector (GPS) assurance services for 14 years, and have over 20 years of experience and knowledge from working in the sector. My work across health and central government brings an understanding of the broader context of the environment that you operate within.

My appreciation of the value of audit, transparency, and the importance of working in partnership with the public sector aligns with PSAA in promoting and supporting those values through our work. I have asked Helen Thompson to lead your engagement on behalf of EY. Our commitment to quality and culture of consultation means that they will draw on the expertise within the firm in fulfilling this responsibility.

Our extensive experience of providing a range of assurance services has demonstrated that strong relationships, clear communication, and investing time with our clients to understand their issues delivers the highest quality outcomes.

This is our commitment to you.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach, and what clients can expect from us. A summary of the key points of the method statement follows. It is provided as a guide and reference for liaising with us, and a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Working with you

Communication

Our experience shows that close, constructive working relationships are built on trust and open dialogue.

Helen Thompson is your engagement lead and responsible for our relationship protocols, overall audit service and quality. We meet regularly with Officers and Members, discussing sector challenges and bringing insights from our network. Your engagement manager, Malcolm Haines, is a key contact and brings significant experience of managing local authority audits.

Our relationship protocols allow you to escalate concerns to Janet Dawson (Contact Partner) or Steve Varley (UK Managing Partner) should you need to.

Our Audit Planning Report contains further information on our planning approach and timetable, giving you a risk based, tailored audit. We ensure our senior leaders are accessible for management and members.

Knowledge and training

Significant investment in the development of dedicated GPS teams is part of our commitment to improve skills in the public sector. Our structured recruiting and training approach delivers the best audit quality.

All our training is developed by technical specialists and is quality and risk assessed. Staff must pass online tests following training, to demonstrate they can apply the learning in practice.

GPS sector specific training including emerging opportunities and risks, new requirements and specific technical areas, e.g., capital accounting, group accounts, LG pensions and other areas.

Topics are derived from our sector knowledge and stakeholder engagement.

We share these insights with you via our Audit Committee Briefings, Public Sector Accounting Workshops, Audit Committee Forums and other bespoke training sessions.

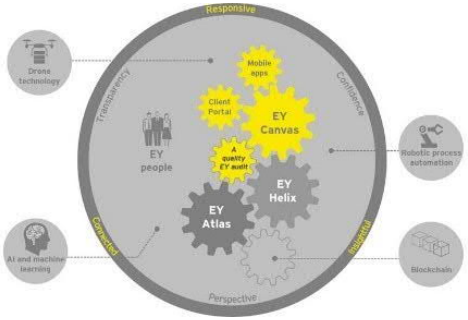
Quality and Innovation

Audit quality is our primary goal in ensuring confidence in public services in a landscape of constant change and uncertainty. Factors which contribute to achieving consistently high quality audits are our people, tailored audits, consultation, and engagement quality reviews.

Our consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues.

Audit quality is at the heart of our innovation strategy.

We will continue to innovate and integrate new technologies into our audit process. The technologies discussed so far are just the start of our journey, designed to grow and be enhanced with additional functionalities.



Value beyond the audit

In line with the firm's broader vision to build a better working world, EY's commitment to, and investment in, the public sector is focussed on delivering sustainable social value.

We are the first of the Big 4 firms to establish an apprenticeship programme awarded 'employer status' by the Skills Funding Agency, that specifically addresses the needs of deprived communities. 'EY Business Apprenticeships' is a way of investing in local people, directly challenging the UK skills gap, whilst prioritising those from deprived communities, and disadvantaged backgrounds. Our work under the PSAA contract enable us to create around 165 additional apprentice roles.

EY was also the major graduate recruiter to change our minimum entry requirements, increasing inclusivity by opening up opportunities for talented individuals regardless of their background and education.

Economic and Social

We deliver socio-economic improvements by carefully aligning existing initiatives to our clients' objectives, for example, local authorities' focus on local employability.

Examples include: Removing barriers to employment and education: our 'Smart Futures' initiative provides Year 12 students access to paid work experience, employability workshops and career talks plus 10-months of mentoring from an EY employee. We deliver this from 11 EY offices across the UK. The benefit to you is that we focus on state schools and prioritise those on free school meals. In addition, our 'Stay Curious' and 'Employability Support' initiatives raise awareness of audit career opportunities to STEM students and provide CV advice, networking, mock interviews and assessment centres. Collectively the improvement outcomes include increased employability for young people in the community, connecting schools, universities, employers and building confidence in the students themselves.

Supporting local businesses for prosperity in the community: the EY Foundation, our independent charity, supports collaboration between young people and local businesses. The benefit is a community better connected, focussed on key issues, and providing a voice to the under privileged.

Our global EY Ripples programme enables our staff to donate time to make use of their knowledge, skills and experience to support young people and impact entrepreneurs, by providing mentoring support, business skills training, and more equitable access to resources – to drive sustainable inclusive growth.

Environmental

We protect the environment by minimising waste and using resources efficiently, e.g., we proactively manage and monitor the environmental impacts of our supply chain, and our own people. We encourage carbon footprint reduction through initiatives such as Bike to Work, Flexible Working Policy, and our sustainable travel strategy. We have also made changes to our processes from procurement to recruitment to minimise the environmental impact of them on the wider world.

EY | Assurance | Tax | Transactions | Advisory

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

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

Ernst & Young LLP

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

ED None

EY-000089533-01 (UK) 03/19. CSG London.

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com/uk

TITLE	**Housing Rent Arrears - Update**
FOR CONSIDERATION BY	Audit Committee on 5 June 2019
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

Providing assurance on the internal controls in place to effectively and efficiently manage housing rent arrears.

RECOMMENDATION

That the Audit Committee note the update.

SUMMARY OF REPORT

At the last meeting of the Audit Committee, the Chairman asked for further information on the progress with implementing the recommendations from two independent reports on rent arrears management, together with current financial information on the collection of housing rents.

The report shows good progress with 42 of the 62 recommendations actions. The remaining recommendations are being implemented in 2019/20 as scheduled.

The action plan was split into three phases, the first two of which have now been completed. Themes for the first two phases included establishing partnerships with the Department for Work and Pensions for Universal Credit.

The improvement actions for housing income management are captured under the following themes:

- Implement a new strategic framework
- Promote a strong service identity
- Strengthen the performance management framework
- Manage demand to ensure that resources are targeted efficiently
- Agree and implement strategic partnerships
- Implement operational improvements – arrears prevention and case management

Further follow-up work will be conducted by internal audit in 2019/20.

Background

In February 2016, the Housing Quality Network (HQN) produced a report titled 'Report on rent arrears management'. This report contained 62 recommendations for consideration.

In September 2017, a further report was completed by an independent consultant. This report focussed on high level priorities that were divided into three phases with phase one the first priority. All 62 HQN recommendations were reviewed as part of the September 2017 report and some included as part of the highest priority phase one actions. An example was establishing partnerships with the Department for Work and Pensions for Universal Credit.

Analysis of Issues

Table 1 below shows 42 of the 62 actions have been completed

Table 1 – status of HQN recommended actions

Priority Phase	Actions completed	Actions in progress/to complete
Phase One	8	0
Phase Two	34	0
Phase Three	0	20
TOTAL actions completed	**42**	
TOTAL actions in progress		**20**

The team are continuing to complete the phase three actions that are part of the team action plan for 2019/20.

Effectiveness of the actions

The 2018/19 year-end performance outcomes are shown below that demonstrate the effectives of implementing the phase one and two actions of which some were HQN recommendations.

At 31 March 2019, collection (that excludes arrears brought forward) for the circa 2,600 Housing Revenue Account (HRA) properties was over 100% being 100.17% with collection for all tenancy types (HRA, garages, temporary accommodation, Loddon Homes Limited and Berry Brook Homes) at 100.22%.

In addition to collecting over 100%, arrears for the HRA properties reduced by £71,689, and arrears as a percentage of annual debit (the lower the figure, the better the performance) reduced by 0.40% as shown in **Table 2** below.

Table 2 – arrears reduction and arrears % annual debit for the circa 2,600 HRA properties

Time period	Arrears	Arrears as % annual debit
1 April 2018 (year-end end of week 52 – 2017/18)	£628,232	4.15%
31 March 2019 (year-end end of week 52 – 2018/19)	£556,543	3.75%
Total reduction	**£71,689**	**0.40%**

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £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)	£Nil	Yes	Housing Revenue Account (HRA)
Next Financial Year (Year 2)	£Nil	Yes	HRA
Following Financial Year (Year 3)	£Nil	Yes	HRA

Other financial information relevant to the Recommendation/Decision
None

Cross-Council Implications
None

Reasons for considering the report in Part 2
Not applicable

List of Background Papers
Independent reports – 2016, 2017

Contact Andrew Moulton	**Service** Governance
Telephone No Tel: 07747 777298	**Email** andrew.moulton@wokingham.gov.uk

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TITLE	**Internal Audit of Council Tax Reduction Scheme**
FOR CONSIDERATION BY	Audit Committee on 5 June 2019
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

Providing assurance that the Council has the appropriate internal controls in place when considering new/amendments to policy.

RECOMMENDATION

The Audit Committee is asked to note the Internal Audit report.

SUMMARY OF REPORT

This report presents the conclusions of the Internal Audit of the Council Tax Reduction Scheme which is shown at Appendix 1.

The principal objective of the audit was to examine the governance arrangements and processes for setting and approving the Council Tax Reduction Scheme (CTRS) for 2019/20.

Overall, the audit found that effective processes were in place for setting and approving the CTRS, which have been generally well followed by Officers. The process commenced in a timely manner and efforts were made to engage with leadership and Members, to ensure that the scheme was delivered on time and to manage the financial implications to the council. However, controls that should have ensured the successfully delivery of the CTRS were impacted by a number a key factors that occurred at that time, including instability in leadership with key Officers and Members being vacant from post, the major restructure programme that the team was heavily involved in and the ineffectiveness of Member oversight and decision-making.

It is recognised that there are some areas for development in order to strengthen controls within the process and address concerns around Members oversight of the CTRS. The process may be enhanced further by strengthening the public consultation, producing a project plan and communication plan to guide the process and reviewing safeguards for detecting legislative changes. Members may also benefit from a training session around the key changes within the benefits system and an Overview and Scrutiny review may provide further assurance over the arrangements for setting the annual CTRS. It is also considered that the process may benefit from forming a cross-party working group of Members to review proposed changes to the CTRS in future years.

A comprehensive management action is in place and a verbal update on progress towards implementing the actions will be provided at the meeting.

Background

Following the initial consideration of changes to the CTRS at Council in January 2019, the Chairman of the Audit Committee requested internal audit review the governance arrangements and processes for setting the CTRS for 2019/20.

A cross-party group of Members has met to review the draft conclusions from the audit.

Analysis of Issues

Details of the internal audit can be found in the report at Appendix 1.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £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)	£Nil	Yes	Not applicable
Next Financial Year (Year 2)	£Nil	Yes	Not applicable
Following Financial Year (Year 3)	£Nil	Yes	Not applicable

Other financial information relevant to the Recommendation/Decision
None

Cross-Council Implications

Reasons for considering the report in Part 2
Not applicable

List of Background Papers
Internal Audit of Council Tax Reduction Scheme

Contact Andrew Moulton	**Service** Governance
Telephone No Tel: 07747 777298	**Email** andrew.moulton@wokingham.gov.uk

www.rbwm.gov.uk

Royal Borough of Windsor & Maidenhead

WOKINGHAM BOROUGH COUNCIL

Shared Audit & Investigation Service

Final Internal Audit Report 2018-19

WBC Council Tax Reduction Scheme

Final Report Distribution

Name	Title
Council Tax Reduction Scheme Members Working Group	Councillor Chris Smith Councillor Imogen Shepherd-DuBey Councillor Daniel Sargeant Councillor Graham Howe Councillor Rachel Burgess
Susan Parsonage	Chief Executive
Graham Ebers	Director Corporate Services (Deputy Chief Executive, S.151 Officer)
Sarah Hollamby	Director Locality & Customer Services
Simon Price	Assistant Director Housing, Income and Assessments
Councillor Anthony Pollock	Executive Member for Finance
Bob Watson	Lead Specialist Finance (Deputy S.151 Officer)
Andrew Kupusarevic	Interim Senior Specialist Revenues and Recovery
Malcolm Haines	External Audit

Auditor:

Kelly Withers, Audit & Investigation Specialist

Report Approved by:

Andrew Moulton, Assistant Director Governance

1. INTRODUCTION

1.1 This review has been undertaken at the request of the Chairman of the Audit Committee in accordance with the 2018/19 Annual Internal Audit Plan, and the:

- Audit Charter
- Audit Protocol
- Agreed Terms of Reference previously issued

1.2 The format of this report is based on the Lean Systems Thinking Methodology. Management is therefore requested to specify and explain the countermeasure to the concerns raised, as detailed in the Management Action Plan.

2. EXECUTIVE SUMMARY & CONCLUSIONS

AUDIT OPINION

Based upon our review of the controls in place in relation to the Council Tax Reduction Scheme, we have concluded that controls are:

Substantially Complete and Generally Effective

(2nd highest of 4 Audit Opinions)

- 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 a small number of unacceptable financial implications.
- The majority of concerns are of a predominately moderate impact/likelihood.

(Risk management processes are good and controls are adequate although only partially effective).

2.1 The principal objective of this audit was to examine the governance arrangements and processes for setting and approving the Council Tax Reduction Scheme (CTRS) for 2019/20. The draft report was discussed with the Council Tax Reduction Scheme Members Working Group and it was noted that the collective view is that the assurance opinion should be 'Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated (3rd highest of 4 Audit Opinions). This view is based on the shortcomings in Executive decision-making on this occasion.

2.2 Overall, we have found that effective processes are in place for setting and approving the CTRS, which have been generally well followed by Officers. The process commenced in a timely manner and efforts were made to engage with leadership and Members, to ensure that the scheme was delivered on time and to manage the financial implications to the council. However, controls that should have ensured the successfully delivery of the CTRS were impacted by a number a key factors that occurred at that time, including instability in leadership with key Officers and Members being vacant from post, the major restructure programme that the team was heavily involved in and the ineffectiveness of Member oversight and decision-making.

2.3 It is recognised that there are some areas for development in order to strengthen controls within the process and address concerns around Members oversight of the CTRS. The process may be enhanced further by strengthening the public consultation, producing a project plan and communication plan to guide the process and reviewing safeguards for detecting legislative changes. Members may also benefit from a training session around the

key changes within the benefits system and an Overview and Scrutiny review may provide further assurance over the arrangements for setting the annual CTRS. It is also considered that the process may benefit from forming a cross-party working group of Members to review proposed changes to the CTRS in future years.

2.4 Timeline of key events

May 2018	The process commenced and budget discussions were held.
June	Policy in Practice (PiP) were commissioned to model CTRS proposals based on the current budget, as the team were transitioning into the new 21st Century Council structure at this time and had limited available resource.
August	First draft proposals were reported by PiP on 31 August 2018 and it is confirmed that discussions were held with the Executive Member for Finance, before he resigned from post in September. This post remained vacant until 14 December 2018.
October/ November	It was advised that the proposals were presented to Corporate Leadership Team, Joint Board and Exec Briefing before a public consultation took place between 15 November and 16 December 2018.
December	Fourteen public consultation responses were received on 18 December 2018.
January 2019	The CTRS was signed off by the Director Locality & Customer Services on 8 January 2019, before it was released on Modern.gov in advance of the extraordinary Council meeting.
January	The CTRS was approved by Members at the Extraordinary Council meeting on 24 January 2019.
February	Changes to the scheme are to be proposed at the Council meeting on 21 February 2019.

2.5 We identified five medium risk concerns as part of our audit review, which are recorded in the Management Action Plan that follows.

Audit Opinion

The opinion stated in the audit report provides management with a brief objective assessment of the status of current treatment measures, which have been put in place to reduce identified risks to the operation or strategy under review. It is not a statement of fact.

In reaching the Audit Opinion for this audit, the majority of the criteria for the relevant definition apply.

AUDIT OPINION DEFINITIONS
Complete and Effective • All necessary treatment measures are in place and operating effectively. • Residual risks have been reduced to an acceptable level. • There are no unacceptable financial implications. • Concerns reported are minor. (Risk management processes are strong and controls are adequate and effective).
Substantially Complete and Generally Effective • Most key treatment measures are in place and these operate effectively. • The majority of residual risks have been reduced to an acceptable level. • There are a small number of unacceptable financial implications. • The majority of concerns are of a predominately moderate impact/likelihood. (Risk management processes are good and controls are adequate although only partially effective).
Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated • Not all key treatment measures are in place and/or do not operate effectively. • Residual risks have not all been reduced to an acceptable level. • There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control. • There are a number of concerns that are predominantly of a major impact/likelihood. (Risk management processes and controls are adequate but not effective in mitigating the identified risks).
There is no effective Risk Management process in place • 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. (Risk management processes and controls are weak).

Management Action Plan

Council Tax Reduction Scheme

Please complete the Management Action Plan

For any one Concern, you may decide upon one or more countermeasures

PLEASE COPY AND PASTE THE TICK SHOWN ☑ INTO THE APPROPRIATE COUNTERMEASURE(S) CELL(S)

				COUNTER MEASURE							
Ref	**Concern**	**Risk**	**Finding**	**Treat**	**Tolerate**	**Transfer**	**Terminate**	**Counter Measure Action / Explanation**	**Responsible Officer**	**Target Date**	**Date: Transfer or Terminate**
1	Legislative changes to the CTRS may go undetected if current measures are not strengthened.	Medium	Whilst there are measures in place to inform the service of key legislative changes to the CTRS, an amendment in the Council Tax Reduction Schemes Regulations regarding a revised deadline from 31 January to 11 March, has gone undetected.	☑				This was an issue in many authorities. We will tighten up on guidance and information received to ensure our policies and procedures for this work are update accordingly.	Simon Price - Assistant Director, Housing, Income and Assessments	Ongoing	
2	There is a risk that public consultation responses may not be meaningful.	Medium	Whilst a public consultation has taken place for the CTRS and efforts have been made to target affected groups, there is scope to strengthen this area for next year's CTRS.	☑				Colleagues have agreed that our consultation was poor this year. In future years, stakeholder analysis will be applied to identify consultees and to agree the right questions	Simon Price - Assistant Director, Housing, Income and Assessments	31 October 2019	

			A review of the public consultation records identified the following: a) Survey questions did not clearly highlight the changes being introduced in the scheme. b) We could not find evidence of advertisements on social media or the WBC News Centre.					to draw out meaningful responses.			
3	In the absence of an agreed project plan and communications plan, the timeline, officer and member roles and responsibilities, governance and reporting arrangements may not be clearly understood by all parties.	Medium	There are currently no documented plans in place to implement the annual CTRS process or to identify key stakeholders involved in the process.	☑				Agreed. We met with Councillor Anthony Pollock to pick these points up and a draft plan is due to be agreed this week.	Simon Price - Assistant Director, Housing, Income and Assessments	12 April 2019	
4	Effective decision-making may be impeded if Members are not informed about key changes to the benefits system.	Medium	Members may benefit from a training session to brief them on the changes within the benefit system.	☑				Agreed. Member awareness will be provided on the welfare system.	Simon Price - Assistant Director, Housing, Income and Assessments	31 May 2019	

5	Without sufficient Member oversight, there is a risk of delayed approval for the annual process and ineffective decision-making.	Medium	Through discussion with a group of Council Members, it was considered that Member oversight of this process could be enhanced further and that the process may benefit from forming a working group of Members from various parties to review proposed changes to the CTRS in future years.	☑				Agreed. We will ensure that Members are included and briefed on the Council Tax Reduction Scheme Programme. We will also ensure that all key Members are briefed prior to the Executive Meeting and are fully engaged in the action plan.	Simon Price - Assistant Director, Housing, Income and Assessments	31 January 2020	

TITLE	**Annual Report 2018/19 - Shared Audit & Investigation Service**
FOR CONSIDERATION BY	Audit Committee on 5 June 2019
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The report contains the Assistant Director, Governance's (and Chief Audit Executive) overall opinion on the adequacy and effectiveness of the Council's internal control environment. This supports the 2018/19 Annual Governance Statement (AGS).

RECOMMENDATION

To note the 2018/19 Shared Audit and Investigation Service Annual Report.

SUMMARY OF REPORT

The report provides the Assistant Director, Governance's (and Chief Audit Executive) opinion on the council's governance, risk management and internal control frameworks. It draws on the work of internal audit and investigations. The Assistant Director, Governance's (and Chief Audit Executive) opinion is unqualified and provides reasonable assurance over the internal control environment in operation.

The report also details the work of the Shared Audit and Investigation Service during 2018/19. It supplements quarterly progress reports previously reported to this Committee.

Background

The purpose of this report is to meet the annual reporting requirements set out in the Accounts and Audit Regulations 2015 to include an opinion on the overall adequacy and effectiveness of the Council's system of internal control.

The Regulations state that a written report should be provided to those charged with governance timed to support the AGS.

Analysis of Issues

The Shared Audit and Investigation Service Annual Report provides assurance to those charged with governance (CLT, Executive and the Audit Committee) and enables them to review, and where appropriate, approve the AGS.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £20m over the next three years and all Executive decisions should be made in this context

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

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

Cross-Council Implications
The Annual Report 2018/19 - Shared Audit and Investigation Service impacts on all Council's services as it provides assurance on the processes and systems that support governance, risk management and internal control in the Council.

Reasons for considering the report in Part 2
N/A

List of Background Papers
Appendix A – Annual Report 2018/19 Shared Audit and Investigation Service Appendix A(I) - Progress Against Revised 2018/19 Wokingham Borough Council Internal Audit Plan Status (as at 31 March 2019)

Contact Catherine Hickman	**Service** Governance
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APPENDIX A

2018/19 SHARED AUDIT AND INVESTIGATION SERVICE ANNUAL REPORT
Assistant Director, Governance

Introduction

1. The 2018/19 Internal Audit and Investigation Plan was approved by the Audit Committee on 7 February 2018. The emphasis on developing the Internal Audit part of the plan was based on mandatory and legislative requirements and the risks set out in the Corporate Risk Register (CRR) and was targeted at assisting the Council in achieving its key objectives.

2. The Quarter 3 Audit and Investigation Progress Report agenda item on the 6 February 2019 was deferred to this Audit Committee meeting, at the request of the Audit Committee Chairman. The Report was to be supplemented with information that explained to the Audit Committee that the 2018/19 Internal Audit and Investigation Plan had been re-aligned by the Assistant Director, Governance (and Chief Audit Executive) to match the resources of the Shared Service as a result of sickness within the team. In addition, relevant information from the Quarter 3 Progress Report has been incorporated into this report.

3. This report has been prepared to meet the requirements of the updated 2017 CIPFA / IIA Public Sector Internal Audit Standards (PSIAS) for the Assistant Director, Governance (and Chief Audit Executive) to deliver an annual internal audit opinion and report that can be used by the organisation to inform its 2018-19 Annual Governance Statement (AGS), which is presented as a separate report to this meeting. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Annual Report is required to incorporate:-

   - the opinion;
   - a summary of the work that supports the opinion;
   - a statement on conformance with the PSIAS;
   - the results of the quality assurance and improvement programme; and
   - if there have been any restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.

4. The body of this report presents the performance against the re-aligned 2018/19 Internal Audit and Investigation Plan and complements the Quarterly Progress Reports presented to previous meetings of this Committee. It also includes a summary of the performance of the Corporate Investigation Team.

Internal Audit Opinion

5. During the year, the Internal Audit Team has undertaken audits of key financial systems, as well as focusing on the Council's key risks, as identified in the CRR.

6. The overall audit opinion, which is largely a reflection of the system and procedural controls against the identified risks and mitigating treatment measures, is that they are "Substantially Complete and Generally Effective but with some improvements required". Based on audits completed during the year, most key controls are in place and are operating effectively with the majority of residual risks being reduced to an acceptable level and reported concerns being aimed by management to be reduced to a predominately moderate impact level. A small number of exceptions were identified and these have been summarised in the body of this report. This audit opinion supports other assurance mechanisms such as External Audit, external professional body inspections and the Annual Governance Statement.

7. There have been no restrictions imposed on the scope of the work of the Internal Audit function of the Shared Audit and Investigation Service.

PERFORMANCE SUMMARY

8. Key performance activity for Wokingham Borough Council of the Shared Audit and Investigation Service during 2018/19 included:-

- Assurance given to management on the Council's key risks and further strengthening of the CRR through independent verification of risks and treatment measures.
- Additional management requests for work to be undertaken using audit contingency demonstrating confidence in the work of Internal Audit.
- Cross skilling members of the team in the areas of audit and investigation activities.
- There has been the ability to identify and share best practices across partner and external clients.
- Additional income targets have been met through Audit and Investigation work that has been undertaken for Bracknell Forest Council and Rushmoor Borough Councils.,
- Continuing compliance with accredited Public Sector Internal Audit Standards.
- Flexibility in undertaking management requests, such as Councillor Code of Conduct, Monitoring Officer and Disciplinary Investigations.

9. 69% of the re-aligned Internal Audit and Investigation Plan was achieved with the reviews completed or at draft report stage. A number of audits have been carried forward which will be completed in early 2019/20. There has also been additional consultancy work requested by management that has been completed during the year. Progress against the plan has been affected by long term sickness within the team and in addition, in the early part of the year one officer was seconded to the 21st Century Programme.

10. Appendix A (I) details the status of audits against the re-aligned internal audit plan as at 31 March 2019. Table 1 provides a summary.

Table 1: Status of audits

Audit Status	Number of audits
Carried forward and Work in progress	12
Draft Report	7
Final Report	25
Total	44

11. For the reviews completed, where an audit opinion was appropriate, the following breakdown of classification is summarised in Table 2 below.

Table 2: Summary of Audit Opinions

Overall Audit Opinion	Summary of Audit Opinion	No of Audits (2018/19)	No of Audits (2017/18)
1	Complete and Effective	6	8
2	Substantially Complete and Generally Effective	16	14
3	Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	3	5
4	There is no effective Risk Management process in place	0	0
Total		**25**	**27**

12. During the 2018/19 year, it is encouraging to note that there were only 3 category 3 audits (Housing Rents 2017/18, Debtors 2017/18 and Shared Property Services 2018/19) and details are as follows;

2017/18 Housing Rents - Considerable progress has been made to address the concerns raised in 2016/17, with the majority of countermeasures either implemented or near to being implemented. The former and current tenant arrears figures, however, have not reduced and collectively stand at approximately £900k as at 4 March 2018 (it should be noted that work has been carried out on the report data to ensure that all relevant information is captured; we cannot therefore be confident that we are comparing like for like). Despite the work that has been done, the audit opinion remains 3rd of 4 due to the amount of debt involved and the lack of reduction since the previous audit. Management have stated that progress has been made against the actions included on the Management Action Plan, namely, the consistent trend of reduction in current tenant arrears and although former tenant arrears have increased, the debt is being actively managed and all necessary steps are being taken before the debt is considered for write off.

An update for this audit was presented to the February 2019 Audit Committee where it was resolved that the Committee be informed on the status of the 62 recommendations on rent arrears management from an external review by Tony Newman of HGN and information on sundry debt be sent to the Chairman monthly from the March month end. Further details on the HGN report can be found elsewhere on this agenda.

2017/18 Debtors - The 2017-18 review of Debtors included 3 High Risk concerns. With regard to the concern of adequate resourcing required to robustly collect corporate debt, as part of 21 CC, the permanent debtor staff have transferred to Customer Delivery Officers (CDOs) and some training has recently commenced for other CDOs on debtors work. There are two agency workers covering specialist debtor work on Adult Social Care debt/reporting /complex cases, and the other chasing the very old debt. Going forward, following the debtors review being undertaken by the Lead Specialist, Finance, any specialised requirement for debtors could sit with the separate recovery team, so that recovery for all debt is dealt with by those specialists and there would be an opportunity for cross-training to provide resilience. The management information template, once produced, will be presented to CLT and Joint Board for approval and then introduced. The verification that all services receive their monthly aged debt report are to be considered as part of the 21 CC review of budget books and enhancements in 2019.

Management has given an update on the areas actioned as at 9 May 2019 as follows:-

- Management information is now being produced locally for appropriate management and clear breakdown of debt position and what is collectable debt now identified.
- Senior management support being sought for debt recovery framework including permanent roles rather than temporary resource.
- Special focus on Adult Social Care with dedicated recovery resource (one temporary officer). Process mapping being developed to prevent situation worsening.
- Management meet monthly to discuss debt position. Action points to be recorded.
- The Lead Specialist, Finance to report to CSLT on current position in the next couple of months and on future proposals including supplementary estimate for 2019/20 and growth bid for 2020/21, for additional resource if agreed.
- Working on wording of invoices to assist collection, e.g. ‘payment within 30 days’.
- Some debt back to 2005 and write-offs policy and procedure to be identified in future approach.

2018/19 Shared Building Services - The direction of travel of the Shared Building Service is positive, and in view of the current and future changes it is progressing clearly towards a position where controls are substantially complete and generally effective. The Term Contracts have been tendered and let and a new cloud-based system is bedding-in to more effectively manage works and payments. The tender process for the service contracts is to commence in 2018-19 Quarter 4, for which some of the original risks remain in the interim and these will be re-visited in detail as part of the 2019/20 Internal Audit review.

13. There were 2 audits where the audit opinion was improved between draft report stage and final report stage (from a 2nd audit opinion at draft report stage to the highest audit opinion at final report stage – Colleton Primary School and Walter Infant School).

14. Audit reports are presented using lean terminology, using the concern, finding, management action and management are given the opportunity to treat, tolerate, terminate or transfer the concerns and associated risks. Management Action Plans have been put in place to address issues identified during audit work and audit follow up verification will confirm whether agreed countermeasures for Very High and High concerns have been actioned within agreed timescales.

15. 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.

Outstanding responses as at 31/3/19

16. There are outstanding responses awaited from management in respect of 2018/19 audits. The areas include; 21CC Self Service, Corporate Governance and Project Management.

Additional Work Requested by Members / Management

17. Contingency/Consultancy days have been used to respond to the following Management requests in respect of;

- Council Tax Reduction Scheme – see separate report on this agenda
- Planning

Public Sector Internal Audit Standards (PSIAS)

18. The external inspection of the Internal Audit Service against the PSIAS took place in 2018. and assessed the service as 'generally' conforming to the standards (the top category of opinion). The action plan and progress against it has been previously reported to the Committee and work continues to address the action points identified to assist the service in continuous improvement. The main areas include; updating the Audit Protocol and Audit Manual and a remit and effectiveness review of the Audit Committee.

Corporate Investigations

19. The year 2018/19 has been focussed on pro-active exercises (including Schools Admissions), 4 Councillor Code of Conduct investigations, 3 whistleblowing investigations, 1 grievance investigation and 1 consultancy investigation. A 2017/18 investigation at a school is still in progress which was referred to the Police by Shared Legal Services. An update on progress has been requested and it has been advised that the Crown Prosecution Service have made a decision to prosecute.

Regulation of Investigatory Powers Act

20. No new investigations have been undertaken during 2018/19 that has required Regulation of Investigatory Powers Act surveillance approval.

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Progress Against Revised 2018/19 Wokingham Borough Council Internal Audit Plan Status (as at 31 March 2019)

AUDIT TITLE (2018/19 Approved Revised Internal Audit and Investigation Plan)	DIRECTORATE	STATUS	DRAFT AUDIT REPORT OPINION	FINAL AUDIT REPORT OPINION
2018/19 Audits				
Key Financial Systems				
Cash and Bank Reconciliation	Corporate Services	FINAL	2	2
Treasury Management	Corporate Services	FINAL	2	2
Budgetary Control and Reporting	Corporate Services	DRAFT	2	
Fixed Asset Register	Corporate Services	DRAFT	2	
General Ledger	Corporate Services	DRAFT	2	
BACS, CHAPS and cheques	Corporate Services	WIP		
Capital Accounting	Corporate Services	WIP		
Creditors	Corporate Services	WIP		
Cashiers	Corporate Services	C/F (Q1 2019/20)		
Payroll	Corporate Services	C/F (Q1 2019/20)		
Benefits/CTRS	Locality and Customer Services	C/F (Q1 2019/20)		
Council Tax & NNDR	Locality and Customer Services	C/F (Q1 2019/20)		
Governance Building Blocks				
Constitution	Cross Cutting	FINAL	2	2
Performance Management	Cross Cutting	FINAL	2	2
Risk Management	Cross Cutting	FINAL	2	2
Corporate Governance	Cross Cutting	DRAFT	3	
Project Management	Cross Cutting	DRAFT	2	
Statutory Roles and Responsibilities	Cross Cutting	WIP		
Key Corporate Risks				
21st Century Council (Governance, Risk Management, Finance and IT)	Cross Cutting	FINAL	2	2
Vulnerable Child and Young Adult	People	FINAL	2	2
Information and GDPR Compliance	Cross Cutting	C/F (Q1 2019/20)		
School Places	People	C/F (Q1 2019/20)		
Key Operational Risks				
Shared Property Services (follow-up review)	Corporate Services	FINAL	3	3
Public Health	Corporate Services	DRAFT	3	
Town Centre Regeneration	Cross Cutting	DRAFT	2	
Fosters Extra Care Scheme	People	WIP		
Servicing the Business				

Schools				
Keep Hatch Primary School	Corporate Services	FINAL	2	2
Sonning C of E School	Corporate Services	FINAL	2	2
Walter Infant School	Corporate Services	FINAL	2	1
Emmbrook Secondary School	Corporate Services	FINAL	1	1
Hawthorn Primary School	Corporate Services	FINAL	2	2
Grants				
Bus Subsidy Grant	People			C
DFT Transport Capital Grant	People			C
Disabled Facilities Grant	People			C
Troubled Families Grant	People			C
Annual Governance Statement				E
Follow up				
Debtors	Corporate Service		N/A	
Housing Rents	Corporate Services		N/A	
Consultancy				
Council Tax Reduction Scheme	Corporate Services	FINAL	2	2
Planning	Corporate Services	FINAL	2	2
Fosters Extra Care Scheme	People	WIP		
2017/18 Audits Carried Forward				
Key Financial Systems				
Benefits/CTRS	Corporate Services	FINAL	1	1
Budgetary Control and Reporting	Corporate Services	FINAL	1	1
Capital Programme	Corporate Services	FINAL	2	2
Creditors	Corporate Services	FINAL	2	2
Debtors	Corporate Services	FINAL	3	3
General Ledger	Corporate Services	FINAL	1	1
Housing Rents	Corporate Services	FINAL	3	3
Payroll	Corporate Services	FINAL	2	2
Key Corporate Risks				
21st Century Council (Governance)	Cross Cutting	FINAL	2	2
Servicing the Business				
Colleton Primary School	Corporate Services	FINAL	2	1

Audit Opinion – Legend	
1. Complete and Effective	• All necessary Treatment Measures are in place and are operating effectively. • Residual risks have been reduced to an acceptable level • There are no unacceptable financial implications. • Concerns reported are minor. (Risk management processes are strong and controls are adequate and effective).
2. Substantially Complete and Generally Effective	• Most key Treatment Measures are in place and these operate effectively. • The majority of residual risks have been reduced to an acceptable level. • There are some unacceptable financial implications. • The majority of concerns are of a predominately moderate impact/likelihood. (Risk management processes are good and controls are adequate although only partially effective).
3. Range of Risk Mitigation Controls is incomplete and risks are not effectively mitigated	• Not all key Treatment Measures are in place and / or do not operate effectively • Residual risks have not all been reduced to an acceptable level • There are some unacceptable financial implications associated with more than one risk mitigation control or because of a lack of risk mitigation control. • There are a number of concerns that are predominantly of a major impact/likelihood. (Risk management processes and controls are adequate but not effective in mitigating the identified risks).
4. There is no effective Risk Management process in place	• There are no appropriate Treatment Measures in place. • Residual risks remain at an unacceptable level • Reported concerns are predominantly of a catastrophic or major impact/likelihood. (Risk management processes and controls are weak).
C	Certification
E	Exempt from classification
N/A	Not Applicable
C/F	Carried Forward

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TITLE	**Treasury Management Outturn 2018-19**
FOR CONSIDERATION BY	Audit Committee on 05 June 2019
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

To inform the executive and members of the public of the effective and safe management of the councils cash flow and investments. At the same time being able to make available resources to deliver service improvements and service continuity through the councils ambitious capital investment programme.

RECOMMENDATION

The Audit Committee are asked to:

1) note the Treasury Management outturn report for 2018/2019;

2) note the actual 2018/2019 prudential indicators within the report;

3) recommend the report to Council for approval.

SUMMARY OF REPORT

This report summarises the Treasury Management operations during 2018/2019. It is presented for the purpose of monitoring and review, in accordance with Council's treasury management practices. The council adhered to all agreed prudential indicators during 2018/2019.

The treasury management activities for 2018/2019 can be summarised as follows:

Capital investment funded by borrowing

Table 1 shows how much of the capital investment for 2018/2019 has been funded in year by available resources.

Table 1:

	2017/18 Actual	2018/19 Budget	2018/19 Actual
	£'M	£'M	£'m
Capital expenditure	89	147	132
Financed in year	(62)	(55)	(59)
Unfinanced capital investment	(26)	(91)	(74)

The unfinanced capital investment is the amount that needs to funded by either internal or external borrowing.

Borrowing out turn

As mentioned above, to be able to fund the Councils ambitious programme of investment, borrowing is required. . This can be achieved in two ways:

- Internal borrowing – the use of the Council's internal cash reserves to fund the capital investment/expenditure.
- External borrowing - receive loans from other organisations (i.e. PWLB, banks and other local authorities)

To address this borrowing requirement the council looks at capital investment and depending on this, 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 means that the Council's capital financing requirement is higher than its external borrowing figures.

Further information on the 2018-2019 capital investment is reported to the Executive in May as part of the Capital Outturn Report.

The following points highlight the key activities on treasury management throughout 2018-2019

1) External borrowing increased by a net movement of £57m to £202.5m, consisting of:
   a) General fund increased external borrowing by £60m
   b) HRA repaid external borrowing by £3m

2) Internal borrowing increased by a net movement of £4.9m from £126.1m o £131m

3) Ratio of internal borrowing to capital financing requirement (Total borrowing) reduced by 6.6% to 36.8%.This ratio is reviewed on a regular basis to make sure we are getting best value for money by reducing financing costs and using internal recourses where possible

4) Total borrowing increased from £263.0m to £326.5m
   - Internal from £117.8m to £124.0m (net movement)*
   - External from £145.2m to £202.5m
   -

5) Average interest rate of borrowing for 2018/2019 was 2.42% over an average loan length of 23 years (this has been calculated from our loan portfolio)
   a) This is lower than the PWLB rate of 2.69% for 23 years (PWLB rate @13-05-19)
   b) Through strong cash flow planning and monitoring the council have be able to avoid potential additional financing costs of £0.5m per years when comparing if we borrowed at the PWLB rate.
   c) These additional financing costs over the average loan life of 23 years would equal £12m,

6) Interest paid on loans during 2018-19 was:
   a) General fund - £2.2m
   b) A saving of (£1.7m) to budget This saving has be achieved through cash flow planning, monitoring and maximising value for money from the different types of

borrowing available (i.e. borrowing from other local authorities rather than the PWLB)

c) HRA - £2.8m (agreed to budget)

Investment outturn

Cash flow balances vary significantly throughout the year due to differences in timing of income (council tax, grants etc.) and expenditure (running costs - revenue, and investment in assets and services – capital). Through careful planning and monitoring the council make investments which generate return as outlined below:

- Returns on investments including loans has increased to £2.6m from £1.3m in 2017-18
- The council overachieved it returns on investment budget by £0.6m
- The council achieved an average rate of return including internal investments of 1.61 % during 2018-2019. This is broken down as follows:

Local authorities	0.68%
Fund managers / Money markets	0.77%
Loans to subsidiaries	5.29%
Total average rate of return	1.61%

- The average rate excluding loans to subsidiaries was 0.69% which is very positive when compared to the 7 Average LIBID rate of 0.51% as at the 31st of March 2019
- In addition, the Councils investment properties achieved £0.5m investment return in 18-19 which is a part year affect and is estimated to make £2.8m recurring on an annual basis.

Prudential indicators debt and investment

During 2018-2019 the council did not break and of its prudential indicators

Note: Please see Appendix A for breakdown

Background

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

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

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

Further detailed breakdown of the council's performance in these area as summarised in the summary section above and the attached appendices.

Financial Analysis

The performance headlines of this year's treasury management activities are :

Check amounts tie back to summary pages

External debt as at 31 March 2019 was:

- General fund (non-housing revenue account): £125.8m
- Housing revenue account: £76.7m.

Capital Investment for 2018/2019 was:

- General fund (non-housing revenue account): £124.4m
- Housing revenue account: £7.6m

Investment return for 2018/2019 was £2.6m

For further detail on the Council's achievement on its ambitious capital programme please refer to the Capital outturn 2018-2019

FINANCIAL IMPLICATION
S OF THE RECOMMENDATION
The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £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)	Debt charges – £5m Returns on investment £2.6m	Yes Yes	Revenue Revenue
Next Financial Year (Year 2)	See the 2019/2020 treasury management strategy	Yes	Revenue
Following Financial Year (Year 3)	See the 2019/2020 treasury management strategy	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
None

Cross-Council Implications

Reasons for considering the report in Part 2
N/A

List of Background Papers
Appendix A – Detailed TMS outturn Appendix B – Prudential indicators

Appendix C – Loan Portfolio Appendix D – Investment Portfolio Appendix E – In terser Forecast Appendix F – Glossary of terms

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WOKINGHAM BOROUGH COUNCIL

WOKINGHAM
BOROUGH COUNCIL

Treasury Management

Outturn Report 2017-18

Contents

Appendices

1. Introduction

This report presents the Council's treasury position for 2018/2019 in accordance with the Council treasury management practices. This is a backward-looking report reviewing performance to 31st March 2019.

The report provides a summary of the economic conditions affecting the Council's investment strategy over the last financial year. It analyses the capital outturn which is a key element of treasury management, driving the borrowing requirement of the organisation. It then shows how the Council has financed its borrowing between internal and external borrowing and how the Council has managed its short-term cash investments.

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

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

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

2. The Council's Capital Expenditure and Financing 2018/2019

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

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

Capital expenditure forms one of the required prudential indicators. Tables 1 and 2 on the following page show the actual capital expenditure and the funding.

Table 1: HRA and General fund

	2017/18 Actual	2018/19 Budget	2018/19 Actual
	£'000	£'000	£'000
Capital expenditure	88.6	146.5	132.3
Financed in year	(62.4)	(55.3)	(58.5)
Unfinanced capital investment	(26.2)	(91.2)	(73.8)

Table 2: HRA

	2017/18 Actual	2018/19 Budget	2018/19 Actual
	£'000	£'000	£'000
Capital expenditure	4.9	10.1	7.6
Financed in year	(4.9)	10.1	(7.6)
Unfinanced capital investment	0.0	0.0	0.0

Table 3: General fund

	2017/18 Actual £'000	2018/19 Budget £'000	2018/19 Actual £'000
Capital expenditure	83.0	136.4	124.4
Financed in year	(56.8)	(45.2)	(50.6)
Unfinanced capital investment	(26.2)	(91.2)	(73.8)

3. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). It represents the 2018/2019 capital expenditure financed by borrowing, and prior years' unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

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

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

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

The Council's CFR forecast for 2018/2019 year end is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. However no borrowing is actually required against these schemes as a borrowing facility is included in the contract.

Table 4:CFR : General fund & HRA

	2018/19 Outturn £'000
Opening balance	271,463
Invest to Save	19,360
Town Centre Regeneration	30,382
Wokingham Housing Ltd	1,112
MRP Borrowing	2,559
S106 forward funded	6,579
CIL Forward Funded	1,189
Investment Fund	12,615
Prior year adjustment (Swap funding)	(1,291)
new loan	0
Sub Total	343,968

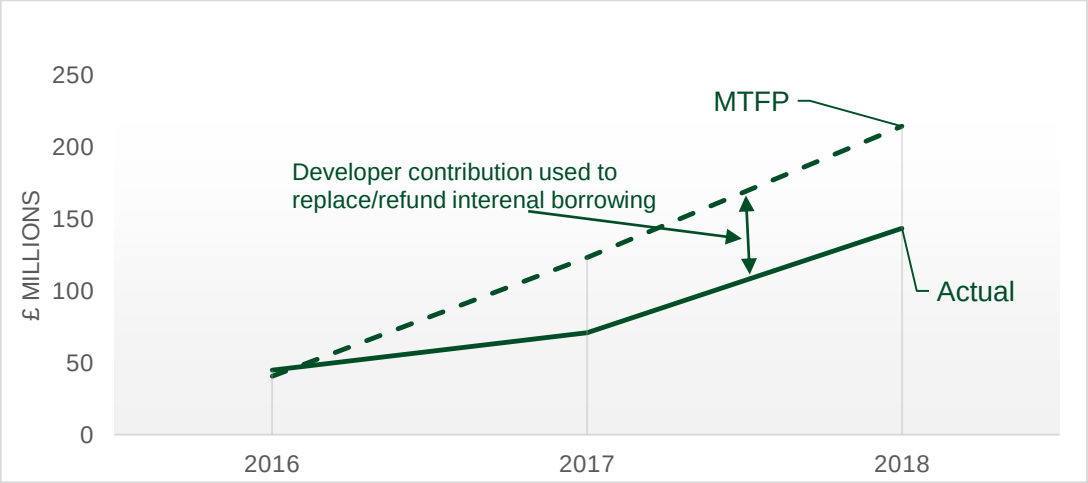
Less Minimum Revenue Provision	
MRP Charge	(2,746)
PFI Principal Charge	(2,770)
Contributions from services (MRP)	(133)
Contribution from income	(288)
Repayment of Loan Principal	(3,098)
Sub Total	(9,035)
Closing Balance	334,933
Movement	63,470

Table 5:CFR : HRA	2018/19 Outturn £'000
Opening balance	88,564
	0
Sub Total	88,564
Less voluntary Provision	
Repayment of Loan Principal	(3,098)
	0
Sub Total	(3,098)
Closing Balance	85,466

Table 6: CFR : General Fund	2018/19 Outturn £'000
Opening balance	182,899
Invest to Save	19,360
Town Centre Regeneration	30,382
Wokingham Housing Ltd	1,112
MRP Borrowing	2,559
S106 forward funded	6,579
CIL Forward Funded	1,189
Investment Fund	12,615
Prior year adjustment (Swap funding)	(1,291)
Sub Total	255,404
Less Minimum Revenue Provision	
MRP Charge	(2,746)
PFI Principal Charge	(2,770)
Contributions from services (MRP)	(133)
Contribution from income	(288)
Repayment of Loan Principal	
Sub Total	(5,937)
Closing Balance	249,467
Movement	66,568

The in-year increase in the borrowing requirement is due to a large increase in the capital programme for schemes such as the town centre regeneration and forward funding infrastructure spend; this will reduce again when capital receipts from these projects are recovered. It has also increased as a result of the forward funded infrastructure schemes.
The graph 1 below shows the developer contributions being used to refund/replace borrowing.

Graph 1: Actual borrowing compared to MTFP Budget



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.

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

The council external borrowing is broken as below:

Table 7: External borrowing	2018/2019 Budget £'000	2018/2019 Outturn £'000
Market	24.0	24.0
PWLB/Other Local Authorities	181.7	177.5
Local Enterprise Partnership	1.0	1.0
Total borrowing	206.7	202.5

During 2018/2019, the Council operated within the treasury limits as set out its borrowing treasury management strategy. The position for the prudential indicators is shown in table 8, which is found below. These show that all prudential indicators have been complied with. Further detail on each of these indicators is included in Appendix B.

Table 8: Prudential Indicator – Debt	Year-end position 2018/2019	
	Does gross borrowing exceed CFR?	Has the limit/boundary been broken
Gross external borrowing	NO	
Authorised limit		NO
Operational boundary for external debt		NO
HRA debt limit		NO
Maturity structure of borrowing		NO
Upper limits on interest rate exposure		NO
The percentage of financing costs set aside to service debt financing costs		NO

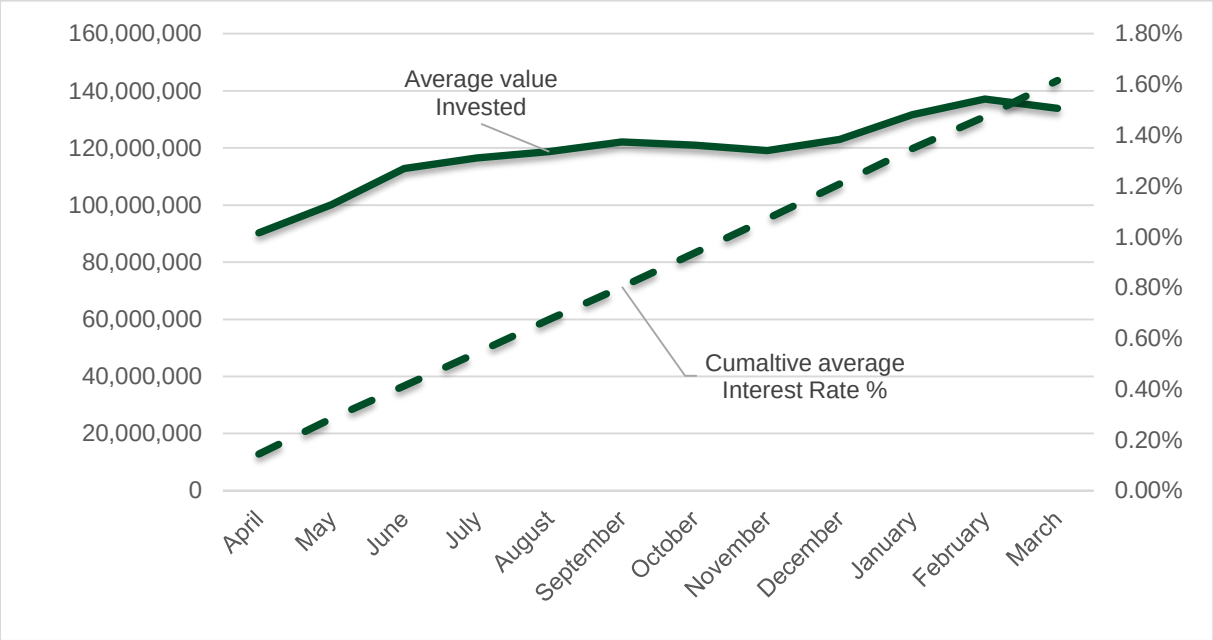
In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (plus the estimates of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

5. Compliance with treasury limits and prudential indicators for investments

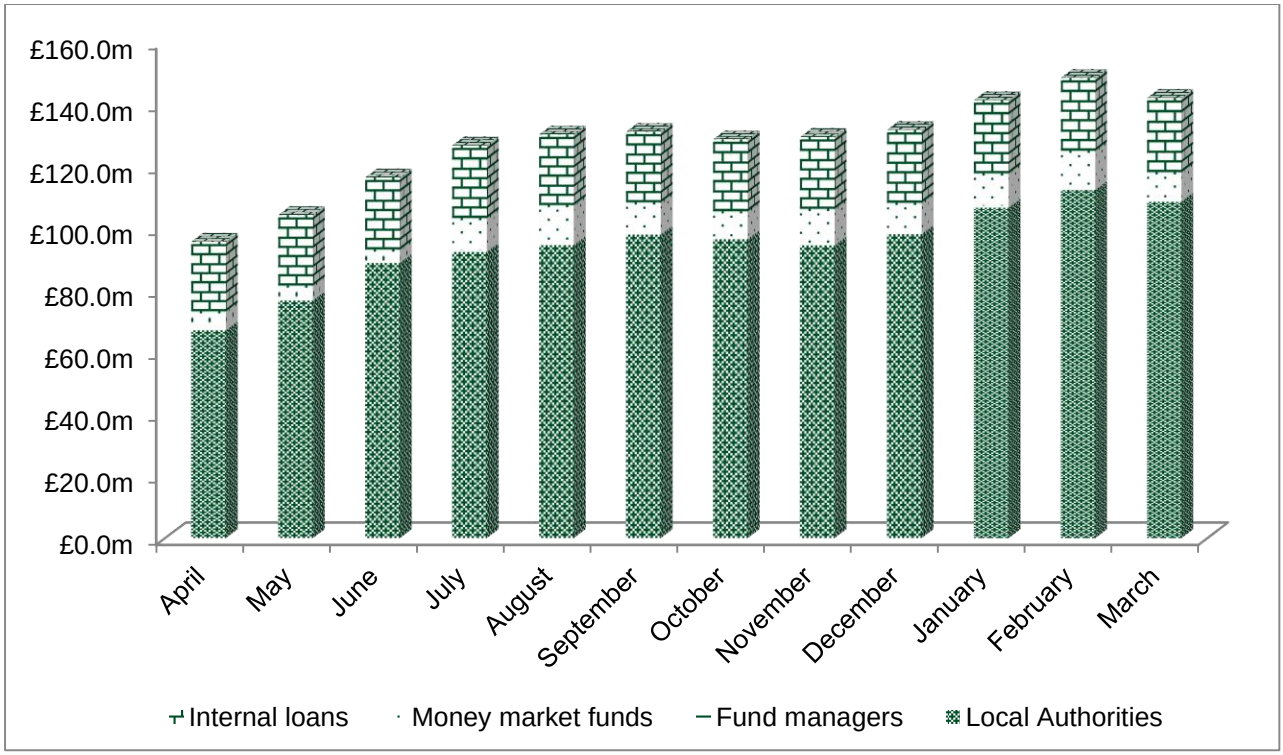
The treasury management team ensure the cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing security and liquidity initially before considering maximising investment return. The return on investments contributes to the Council's budget for both the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

The Council will continue to monitor the economic outlook and money markets to ensure it is able to achieve a yield in line with market expectations whilst ensuring security and liquidity of capital are maintained.

Graph 2: Value of investment and cumulative and rate of return 2018/2019.



Graph 3: Breakdown of value invested by month and type of investment



During 2018/2019 year the Council operated within the treasury limits as set out in investment strategy. The position for the investment prudential indicators is shown in table 10 and full details are available in appendix B.

The Council also loans money to its portfolio of companies which are classed as internal loans. For the financial year 2018/2019 the average rate of return was as follows:

- Local authorities 0.68%
- Fund managers / Money markets 0.77%
- Internal Loans 5.29%
- Total average rate of return 1.61%

The average rate excluding internal loans was 0.69% which is very positive when compared to the 7 Average LIBID rate of 0.51% as at the 31st of March 2019

6. Conclusion

The Director of Corporate Services confirms that the approved limits and prudential indicators incorporated within the Annual Investment Strategy were not breached during 2018/2019 with the prudential indicators. The Council is operating in a stringent financial climate, but is still managing to deliver within budgeted interest levels.

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Prudential and treasury indicators as at 31st March 2019

General fund

Table 1: Prudential indicators capital	2018/19 Budget £'M	2018/19 Year end Actual £'M
Capital expenditure	146.5	124.4
Capital financing requirement (CFR)	275.4	249.5
Annual change in CFR	76.5	66.6
In year borrowing requirement	(91.2)	(73.8)

Table 2: Prudential indicators borrowing	2018/19 Budget £'M	2018/19 Year end Actual £'M
Ratio of financing costs to net revenue stream	4.40%	2.48%

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

This is calculated as follows: financing cost divide by net revenue stream.

As per 2018/19: £2,890 / £116,347 = 2.48%

HRA

Table 3: Prudential Indicators HRA	2018/19 Budget £'M	2018/19 Year end Actual £'M
Capital expenditure	10.1	7.6
Capital financing requirement (CFR)	87.8	85.5
Annual change in CFR	(2.6)	(3.1)
In year borrowing requirement	0.0	0.0

Table 4: Prudential indicators borrowing	2018/19 Budget £'M	2018/19 Year end Actual £'M
Ratio of financing costs to net revenue stream	18.92%	18.26%

The percentage of the revenue budget set aside each year to service debt financing costs. This is calculated as follows: financing cost divide by total income received

As per budget 2018/19: £2,752 / £15,068 = 18.26%

General Fund & HRA

Table 5: Prudential indicators – capital expenditure & CFR	2018/19 Budget £'M	2018/19 Year end Actual £'M
Capital expenditure	156.6	132.0
Capital financing requirement (CFR)	359.7	334.9
Annual change in CFR	73.1	63.5
In year borrowing requirement	(91.2)	(73.8)

Table 6: Internal borrowing	2018/19 Budget £'M	2018/19 Year end Actual £'M
CFR (year-end position)	359.7	334.9
Less external borrowing	206.7	202.5
Less other long term liabilities	8.6	8.2
Internal borrowing *	144.4	124.2
Movement	12.0	12.1
% of internal borrowing to CFR	41.13%	37.09%

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

Table 7: Upper limit - investments only	2018/19 Budget £'M	2018/19 Year end Actual £'M
On fixed rate exposures	(100.0)	(99.0)
On variable rate exposures	(40.0)	(0.6)

Table 8: Upper limit - debt only	2018/19 Budget £'M	2018/19 Year end Actual £'M
On fixed rate exposures	210.0	205.3
On variable rate exposures	40.0	0.0

Table 9: Investment : Local authorities, Money markets, Fund managers & Internal Loans	2018/19 Year end Actual £'M
Average value invested	86,452.5
Interest received	1,920.0
Average rate of return	1.6%

Table 10: Investment : Local authorities, Money markets & Fund managers	2018/19 Year end Actual £'M
Average value invested	95,190.7
Interest received	657.4
Average rate of return	0.7%

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General Fund Loan portfolio @ 31st March 2019

Type of Loan	Loan no	Principal	Interest Rate	Maturity Date
General Fund		£'000	%	
Local Enterprise Board		250	0	16-May-19
Local Enterprise Board		750	0	16-May-19
London Borough of Bromley	L1046	10,000	1.45	18-Dec-20
London Borough of Barking and Dagenham	L1047	10,000	1.55	30-Jul-21
London Borough of Wandsworth	L1048	10,000	1.45	11-Mar-21
Police and Crime Commissioner for West Midlands, Birmingham	L1053	5,000	1.45	25-Mar-22
Tameside Metropolitan Borough Council	L1049	5,000	1.45	18-Mar-22
North Yorkshire County Council	L1052	5,000	1.45	26-Feb-21
Lincolnshire County Council	L1055	5,000	1.42	26-Mar-21
Islington Council	L1054	10,000	1.4	29-Mar-21
PWLB - GF	485805	976	4.88	01-Aug-22
PWLB - GF	488876	2,343	4.95	01-Feb-34
PWLB - GF	505948	6,000	2.3	31-Mar-34
PWLB - GF	505949	8,000	2.34	31-Mar-35
PWLB - GF	505950	4,000	2.37	31-Mar-36
PWLB - GF	491456	1,431	4.35	30-Sep-46
PWLB - GF	491320	2,929	3.85	01-Aug-51
PWLB - GF	491474	5,587	4.4	01-Aug-52
PWLB - GF	493309	9,764	4.6	31-Mar-54
Just Retirement	1c	4,882	4.88	06-Feb-66
Market - GF	4	1,953	3.68	16-Feb-66
Market - GF	5	4,882	3.73	19-Oct-76
Market - GF	6	1,953	3.77	19-Oct-76
Market - GF	2c	4,882	4.6	11-Jan-77
Market - GF	3b	4,882	4.35	24-Feb-77
	Total	65,464		

Housing Revenue Fund Loan portfolio @ 31st March 2019

Type of Loan	Loan no	Principal	Interest Rate %	Maturity Date
Housing Revenue Account		£'000	%	
HRA Self Financing	501036	1,988	1.99	28-Mar-20
HRA Self Financing	501034	3,482	2.21	28-Mar-21
HRA Self Financing	501038	4,199	2.4	28-Mar-22
PWLB - HRA	485805	24	4.88	01-Aug-22
HRA Self Financing	501050	3,484	2.56	28-Mar-23
HRA Self Financing	501049	4,116	2.7	28-Mar-24
HRA Self Financing	501045	3,744	2.82	28-Mar-25
HRA Self Financing	501048	3,971	2.92	28-Mar-26
HRA Self Financing	501040	5,415	3.01	28-Mar-27
HRA Self Financing	501046	5,981	3.08	28-Mar-28
HRA Self Financing	501039	6,378	3.15	28-Mar-29
HRA Self Financing	501047	6,789	3.21	28-Mar-30
HRA Self Financing	501037	7,231	3.26	28-Mar-31
HRA Self Financing	501035	8,516	3.3	28-Mar-32
HRA Self Financing	501043	9,276	3.34	28-Mar-33
PWLB - HRA	488876	57	4.95	01-Feb-34
HRA Self Financing	501044	1,000	3.37	28-Mar-34
PWLB - HRA	491456	35	4.35	30-Sep-46
PWLB - HRA	491320	71	3.85	01-Aug-51
PWLB - HRA	491474	135	4.4	01-Aug-52
PWLB - HRA	493309	236	4.6	31-Mar-54
Just Retirement	1c	118	4.88	08-Feb-66
Market - HRA	4	47	3.68	16-Feb-66
Market - HRA	5	118	3.73	19-Oct-76
Market - HRA	6	47	3.77	19-Oct-76
Market - HRA	2c	118	4.6	11-Jan-77
Market - HRA	3b	118	4.35	24-Feb-77
	External	76,694		
WBC General Fund *		8,874	4.5	
	Total	85,568		

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

Type of Loan	Loan no	Principal	Interest Rate	Maturity Date
General Fund		£'000	%	
London Borough of Bromley		10,000	1.45%	18-Dec-20
London Borough of Barking and Dagenham		10,000	1.55%	30-Jul-21
London Borough of Wandsworth		10,000	1.45%	11-Mar-21
Police and Crime Commissioner for West Midlands, Birmingham		5,000	1.45%	25-Mar-22
Tameside Metropolitan Borough Council		5,000	1.45%	18-Mar-22
North Yorkshire County Council		5,000	1.45%	26-Feb-21
Lincolnshire County Council		5,000	1.42%	26-Mar-21
Islington Council		10,000	1.40%	29-Mar-21
	Total	60,000		

Total borrowing loans @ 31st March 2019

WBC External Borrowing	Opening Balance @ 01-04-2018	Current Year movement	Closing Balance @ 31-03-2019
	£'000	£'000	£'000
Market Loans	24,000	0	24,000
PWLB Loans	120,256	(2,763)	117,493
Local Authority Loans	0	60,000	60,000
Local Enterprise Partnership loans	1,000	0	1,000
Total borrowing	145,256	57,237	202,493

Total borrowing	Opening Balance @ 01-04-2018	Current Year movement	Closing Balance @ 31-03-2019
	£'000	£'000	£'000
Internal borrowing	117,778	6,233	124,011
External borrowing	145,256	57,237	202,493
Total	263,034	63,470	326,504

Maturity structure @ 31st March 2019

Long Term Borrowing	31st March 2018 £,000	31st March 2019 £,000
Between 1 and 2 years	2,738	70,419
Between 2 and 5 years	12,232	8,600
Between 6 and 10 years	23,233	25,489
Between 11 and 15 years	40,634	41,212
Between 16 and 20 years	19,000	12,000
Between 21 and 25 years	0	0
Between 26 and 30 years	1,567	1,431
More than 30 years	42,843	42,757
Total Long Term	**142,246**	**201,908**
Short Term Borrowing		
less than 1 year	3,348	250
In House STB		
Total Borrowing	145,594	202,158

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Investment portfolio @ 31st March 2019

Institution	Loan Number	Amount	Rate	Date Deal made	Maturity Date	Broker
Current lending		£'000				
Corby Borough Council	S1108	3,000	0.75%	04/04/2018	04/04/2019	Prebon
Salford CC	S1107	2,000	0.70%	04/04/2018	04/04/2019	Prebon
Merthyr Tydfil County BC	S1124	5,000	0.75%	10/01/2019	10/04/2019	Tradition
Suffolk County Council	S1111	5,000	0.70%	08/05/2018	07/05/2019	Tradition
Darlington Borough Council	S1115	5,000	0.70%	07/08/2018	16/05/2019	Tradition
Leeds CC	S1113	5,000	0.70%	25/07/2018	16/05/2019	Tradition
Surrey County Council	S1116	5,000	0.65%	00/01/1900	28/05/2019	Prebon
Telford and Wrekin BC	S1119	5,000	0.90%	09/11/2018	31/05/2019	Prebon
Aberdeenshire Council	S1112	5,000	0.70%	07/06/2018	06/06/2019	Tradition
Blaenau Gwent County Borough Council	S1118	3,000	0.90%	09/11/2018	08/07/2019	Tradition
West Dunbartonshire Council	S1134	5,000	0.90%	27/03/2019	01/10/2019	Tradition
Monmouthshire Council	S1120	5,000	1.00%	13/11/2018	03/10/2019	Prebon
Birmingham CC	S1130	3,000	0.88%	23/01/2019	28/10/2019	Prebon
London Borough of Southwark	S1125	5,000	1.00%	11/01/2019	10/01/2020	Tradition
Lancashire CC	S1126	5,000	1.00%	15/01/2019	14/01/2020	Tradition
Southampton City Council	S1127	5,000	1.00%	16/01/2019	15/01/2020	Tradition
Slough Borough Council	S1129	5,000	1.00%	17/01/2019	31/01/2020	Tradition
Fife Council	S1128	5,000	1.00%	17/01/2019	04/02/2020	Tradition
Aberdeen City Council	S1132	5,000	1.00%	13/02/2019	27/02/2020	Tradition
London Borough of Croydon	S1135	5,000	0.98%	28/03/2019	26/03/2020	Tradition
	Total	91,000				
Current lending		£'000				
Invesco	S1001	5,000	Variable			
Goldman sachs Govt	S1004	3,000	Variable			
	Total	8,000				
Investments by Broker/money market		£'000	No deals			
Invesco		5,000				
Goldman sachs Govt		3,000				
Tradition		68,000	14			
DMO		0	0			
Prebon		23,000	6			
	Total	99,000	20			
Investments with Subsidiaries		£'000				
		23,849				
	Total	23,849				
Investments with fund managers		£'000				
Aberdeen Asset Manager	S1133	643				
	Total	643				
	Total investments	123,492				

Appendix E

Interest Rate Forecast

PWLB (Includes Certainty Rate)					Forward Rates			
1y	5y	10y	25y	50y	3M/3M FWD	3M/6M FWD	3M/9M FWD	6M/12M FWD
1.44	1.5	1.8	2.36	2.2	0.80	0.78	0.79	0.88

Interest Rate Forecasts

Bank Rate	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Link	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Cap Econ	0.75%	0.75%	0.75%	1.00%	1.25%	1.50%	1.50%	1.50%
5Y PWLB RATE								
Link	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.30%	2.40%
Cap Econ	1.70%	1.80%	1.80%	1.90%	2.20%	2.30%	2.30%	2.40%
10Y PWLB RATE								
Link	2.20%	2.30%	2.40%	2.50%	2.60%	2.60%	2.70%	2.80%
Cap Econ	2.10%	2.20%	2.20%	2.30%	2.60%	2.60%	2.60%	2.60%
25Y PWLB RATE								
Link	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%
Cap Econ	2.70%	2.70%	2.80%	2.90%	3.10%	3.00%	3.00%	2.90%
50Y PWLB RATE								
Link	2.50%	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%
Cap Econ	2.50%	2.50%	2.60%	2.70%	2.90%	2.90%	2.90%	2.90%

Information provided by Link asset service: Daily Bulletin - Executive Summary Friday 29 March 2019

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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.

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

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

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

Ministry for Housing, Communities and Local Government (MHCLG) - is a ministerial department, supported by 12 agencies and public bodies. They are working to create great places to live and work, and to give more power to local people to shape what happens in their area.

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

Fair value - is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price

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

Financing cost to net revenue stream - the percentage of the revenue budget set aside each year to service debt financing costs.

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

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

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

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

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

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

Monetary policy committee (MPC) - interest rates are set by the bank's monetary policy committee. The MPC sets an interest rate it judges will enable the inflation target to be achieved.

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

Private finance initiative (PFI) - this is funding public infrastructure projects with private capital.

Public works loan board (PWLB) - is a statutory body operating within the Debt Management Office, an executive agency of HM Treasury.

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

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

Voluntary revenue provision (VRP) – this a discretionary provision to reduce the unfinanced capital expenditure (borrowing) by additional loan repayments.

TITLE	**Corporate Risk Register**
FOR CONSIDERATION BY	Audit Committee on 5 June 2019
WARD	None Specific
LEAD OFFICER	Deputy Chief Executive - 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

That the Audit Committee note the update.

SUMMARY OF REPORT

The Audit Committee function includes:-

i. receiving quarterly reports reviewing implementation of the Council's Risk Management Policy and Strategy to determine whether strategic risks are being actively managed;
ii. reviewing, revising as necessary and recommending adoption of the Risk Management Policy and Strategy to Executive when changes occur;
iii. having the knowledge and skills requisite to their role with regard to risk management and to undertake awareness training in respect of Enterprise Risk Management (ERM) as and when specific training needs are identified.

With regard to iii above, the Committee is asked to consider its training needs to be scheduled for a future date. For example, the meeting in September has been used historically to focus on risk management.

The Corporate Risk Register is currently undergoing a comprehensive reveiew and update, the results of which will be presented at the next meeting of the meeting on 24 July 2019.

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

With the recent appointments of the new Chief Executive and Director of Adult Services, the CRR is undergoing a comprehensive review the results of which will be reported in detail to the next Audit Committee on 24 July 2019.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £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)	£Nil	Yes	Revenue
Next Financial Year (Year 2)	£Nil	Yes	Revenue
Following Financial Year (Year 3)	£Nil	Yes	Revenue

Other financial information relevant to the Recommendation/Decision
There are no financial implications to be noted as a result of this update. 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

Corporate Risk Register Enterprise Risk Management Strategy and Policy

Contact Andrew Moulton	**Service** Governance
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TITLE	**Update on International Financial Reporting Standards 9, 15 and 16**
FOR CONSIDERATION BY	Audit Committee on 5 June 2019
WARD	None Specific
DIRECTOR	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The report provides the Audit Committee with information on the introduction of **International Financial Reporting Standards (IFRS) 9, 15 and 16** and their adoption into the Council's accounting policies.

RECOMMENDATION

That the Audit Committee notes the content of this information report.

SUMMARY OF REPORT

There are three new IFRS being introduced. These are IFRS 9 – Financial Instruments, IFRS 15 – Revenue from contracts with customers and IFRS 16 – Leases. Guidance on IFRS 16 is still being developed by CIPFA and the introduction of reporting on this IFRS has been deferred until the financial year commencing 1 April 2020.

The report outlines the IFRS, the likely impact on the Council's accounts and actions being taken to ensure these are fully incorporated in the relevant set of accounts.

IFRS 9 – Financial Instruments

This is a new standard effective from 1 January 2018 and included in the 2018/19 Code of Practice

- The main changes relate to the classification of financial instruments and impairments of financial assets as well as additional and revised disclosures. Financial assets and liabilities are now classified by their measurement basis subsequent to initial recognition as opposed to the type of instrument as previously.
- Financial assets are to be classified as follows:
  - At amortised cost
  - At fair value through profit and loss
  - At fair value through other comprehensive income

  The classifications are determined by reference to the Council's business model with regard to investments.
- Financial liabilities are classified as at amortised cost or fair value while PFI and lease liabilities are excluded from the recognition and measurement requirements although all other disclosures apply.
- Group entities and PFI and leases liabilities are excluded from the scope of IFRS 9.
- Impairments are determined by reference to an expected loss model.
- As part of the 2019 accounts preparation provisions of IFRS 9 were reviewed by reference to the Code of Practice including guidance notes and a review carried out of existing financial instruments held by the Council with an assessment of how these should be accounted for under IFRS 9 taking into account the Councils business model (included in the Treasury Management Strategy) for investments to determine the classifications of financial assets and liabilities. The disclosure requirements were reviewed and the accounts disclosures for the 2019 accounts updated accordingly.
- The main impacts for WBC are as follows:
  - All financial instruments are to be classified at amortised cost. This is purely a change in classification with no impact on values. The Council does not have any assets that would require to be classified at fair value through profit or loss or through other comprehensive income.
  - With regard to impairments the Council has adopted a matrix approach to determining expected credit losses in respect of trade receivables which is in accordance with the in terms of IFRS 9. This method is essentially the same as currently used, therefore, no financial impact.
  - The vast majority of the Council's investments are primarily short-term loans to other local authorities. No credit losses are applicable as the Code and guidance notes specifically state this.
  - There are a number of disclosure changes relating to the classification of financial instruments including the change from previous years, impairments and fair values. These have been incorporated in the 2019 accounts.

Action for the 18/19 accounts:

During February and March 2019, finance will review the current financial instruments in detail. As the majority of the changes relate to financial assets only, all financial assets will be reviewed and reclassified into the new categories under IFRS 9. The new categories are Amortised cost, Fair value through other comprehensive income and Fair value through profit and loss.

These will be accounted for and disclosed in accordance with the CIPFA Code of Practice for the 18/19 accounts.

IFRS 15 — revenue from contracts with customers

- This is a new standard effective from 1 January 2018 and included in the 2018/19 Code of Practice.
- This standard does not apply to leases, financial instruments and insurance contracts and non-exchange transactions. Council Tax and NNDR are regarded as non-exchange transactions and are excluded from the scope.
- The standard details the steps and recognition criteria in recognising revenue. The core principle in IFRS 15 is that local authorities will be required to recognise revenue to present the transfer of promised goods or services to service recipients as an amount which the authority expects to receive in exchange for those goods or services.
- There are additional disclosure requirements relating to details of income from such transactions, amounts included in debtors and significant judgements.
- A review of the sources of the Council's income streams has been carried out. The only revenues covered by IFRS 15 are in respect of fees, charges and other service income. The major revenue sources are from fees and charges, rents, car parking income and charges made to third parties primarily in relation to adult social care.
- Amounts are charged to third parties on provision of the relevant service or on receipt of payments for services. These charges are recognised in income on an accruals basis. If, as is the case with adult social care packages or car parking season tickets, charges are for a period which extends beyond the financial year a payment in advance is raised for that portion. In recognising the income all of the recognition criteria of IFRS 15 as outlined above have been met and this is consistent with previous years. Accordingly there are no changes in the basis of recognising revenue for the Council and there will be no requirement to restate prior year revenues or balances.
- Additional disclosures have been considered, and, where considered appropriate, have been included in the 2019 statement of accounts.

IFRS 16 - leases

- IFRS 16 replaces IAS 17 Leases and its related interpretations. The changes introduced by the standard will have substantial practical implications for any local

authority that currently has any material operating leases, and are also likely to impact on the capital financing arrangements of the authority.

- IFRS 16 leaves arrangements largely unchanged for lessors, with two exceptions: the classification of sub-leases and sale and leaseback accounting.
- The new leasing standard will lead to a substantial change in accounting practice for lessees for whom the current distinction between operating and finance leases will be removed. Instead it requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased property, and a lease liability representing the lessee's obligation to make lease payments for the asset. At the commencement date of the lease, a lessee is required to recognise a right-of-use asset and a lease liability.
- On 22 November 2018, the government's Financial Reporting Advisory Board (FRAB) decided to defer implementation of IFRS 16 for the majority of the public sector; CIPFA/LASAAC has agreed to delay implementation until 1 April 2020 to avoid additional work load from Whole of Government Accounts data collection processes.
- Due to the delay in implementation, no impact on the 18/19 or 19/20 statement of accounts. Once implemented, the potential impact on the accounts would be the recognition of new assets and liabilities on the Council's balance sheet as well as additional supporting information disclosed in the accounts.
- As the implementation of this IFRS has been deferred until the accounting year commencing 1 April 2020, in accordance with the CIPFA/LASAAC board's guidance, the Council's finance service will continue to prepare for implementation and ensure that the information, processes and systems are in place. This will mean working with council services and maintained schools on the early identification of material leases over the next year. The service will also consider the impact on the Council's capital financing arrangements including the prudential indicators.
- Once the 18/19 accounts are finished, Finance will prepare an accounting treatment paper which will be discussed with our External Auditors. The paper will set out our approach on dealing with the implementation of the changes covering roles and responsibilities, data collection, evidence gathering, materiality, accounting and disclosures in the accounts.

Group Accounts

The above changes have been reviewed and, where necessary incorporated in the group accounts.

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
N/A

List of Background Papers
None

Contact Bob Watson	**Service** Business Services
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TITLE	**Certification of Claims and Returns – Claims and Returns Organised by Local Authorities**
FOR CONSIDERATION BY	Audit Committee on 5 June 2019
WARD	None Specific
DIRECTOR	Deputy Chief Executive - 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 2017/18 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 2018/19 audits of the three claims is expected to be similar to the audit of the 2017/18 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 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 2017/18 Teachers Pensions return by the Wokingham firm, Rice Associates, was £995, a £45 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 2018/19 budget.

During the audit, 2 small errors were discovered. The additional audit time in relation to these errors cost an additional £200 for 17/18, bringing the total audit cost to £1,195. The auditors have seen email correspondence showing that work is ongoing to correct the errors identified. These errors have now been addressed and corrected.

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 Ministry of Housing, Communities and Local Government (MHCLG) 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 2017/18, seven Right to Buy (RTB) properties were sold for £1.153m and three non RTB properties sold for £1.163k, giving a total sales receipt of £2.316m, of which £292k had to be repaid to DCLG, with most of the remainder restricted for reinvestment in social housing in the borough.

A local auditor, Haines Watts (formerly Choice Accountants), was selected at a cost of £1,425, the same as in 2015/16 and 2016/17, compared to a cost of £1,500 for the 2014/15 accounts. The auditor confirmed that the return was correct and certified using the MHCLG's internet returns portal (DELTA).

3. Providing External Assurance on Sub-Contracting Controls

Recipients 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 19th January 2019, 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. Two minor recommendations were made which have already been actioned.

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
None

List of Background Papers
N/A

Contact Mark Thompson	**Service** Business Services
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TITLE	**Update on changes to accounting policies**
FOR CONSIDERATION BY	Audit Committee on 5 June 2019
WARD	None Specific
DIRECTOR	Deputy Chief Executive - Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

The report provides the Audit Committee with information on the proposed changes to accounting policies for inclusion in the Statement of Accounts for the year ended 31 March 2019.

RECOMMENDATION

That the revised Statement of Accounting Policies as per Appendix 1 are approved for inclusion in the Statement of Accounts for the year ended 31 March 2019.

SUMMARY OF REPORT

The Statement of Accounting Policies have been reviewed for appropriateness and amended, where appropriate, to take into account changes in the CIPFA Code of Practice.

Details of the changes are summarised in Appendix 2 reflecting changes arising from changes to the Code of Practice relating to Revenue from Contracts with Customers (IFRS 15) and Financial Instruments (IFRS 9). Other main changes relate to the treatment of properties acquired for rental with economic development and regeneration elements as operational land and buildings, corrections with regard to the PFI accounting policy and additional disclosures re Fair Value (IFRS 9).

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
None

Reasons for considering the report in Part 2
N/A

List of Background Papers
Appendix A Accounting Policies 2018-19 Appendix B Summary of Changes to Accounting Policies 2018-19

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11. STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's and Group transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices.

The Statement of Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2018/19 supported by International Financial Reporting Standards (IFRS) and have been produced in accordance with the statutory framework established by sections 3 and 20 of the Local Audit and Accountability Act 2014.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools within the control of the local authority. Local authority maintained schools are those schools categorised in the School Standards and Framework Act 1998, i.e. community, voluntary controlled, voluntary aided, foundation, community special, foundation special and nursery schools.

The Statements reflect the requirements of International Financial Reporting Standards (IFRS) by adopting the core accounting principles and concepts of:

- **Accruals Basis –** other than the Cash Flow Statement, the financial statements have been prepared on an accruals basis and report transactions that have been recorded in the accounting period for which the goods and services were received or supplied rather than in which the cash was received or paid.

- **Going Concern -** the financial statements have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

- **Understandability –** the statements have been prepared to ensure they are as easy to understand as possible.

- **Relevance** - the financial statements provide information about the Council's performance and position that is useful to the users of the accounts to assess the stewardship of public funds and for making economic decisions.

- **Reliability –** the financial information faithfully represents the substance of the transactions, the activities underlying them and other events that have taken place, are free from deliberate or systematic bias and material error, are complete within the bounds of materiality and cost and have been prudently prepared.

- **Comparability –** the information has been prepared consistently and with adequate disclosures so that it can be compared with prior years and other local authorities.

- **Materiality –** the statements only disclose items of a certain value and nature such that they provide a fair presentation of the financial position and transactions of the Council. Where there are items below this threshold or are considered to have no impact on fair presentation in the accounts they are not included.

- **Legality –** where the accounting principles and specific legislation requirements are in conflict, the financial statements have been prepared to reflect legislative requirements

  Where the Council is acting as an agent for another party (e.g., in the collection of business rates and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services or the Council incurs expenses directly on its own behalf in rendering the services.

1. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place and when a right to consideration exists, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies and services are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Where payments are made or received in advance of a service being provided or received a payment or receipt in advance is recognised as a debtor or creditor in the Balance Sheet
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure

2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of less than 24 hours.

Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with little risk of change in value.

3. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Adjustments applicable to prior years arising from changes in accounting policies are accounted for by restating the comparative figures for the preceding period and by adjusting opening balances as if the new policy had always been applied.
Changes in accounting estimates are accounted for in the current and future years affected by the change but do not give rise to a prior year adjustment.

Material errors are corrected retrospectively by restating the comparative figures for the preceding period and by adjusting the opening balances.

5. Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, central support services and trading accounts are charged with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution (Minimum Revenue Provision) in the General Fund Balance by way of adjusting transactions with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Employee Benefits

i. Benefits Payable During Employment

Short term employee benefits are those to be settled within 12 months of the year end, for example wages and salaries, paid annual and sick leave, bonuses and non-monetary benefits such as cars. They are charged to the accounts in the period within which the employees worked. An accrual is made for the cost of any leave earned but not taken before the year end and which can be carried forward by the employee into the next financial year. The accrual is made at the wages and salaries rate in the new financial year as that will be when the employee will benefit. The charge is made to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and then reversed out by a credit to the Accumulating Compensated Absences Adjustment Account through the Movement in Reserves Statement, allowing the benefit to be charged to revenue when the leave occurs.

ii. Termination Benefits

Amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy are

charged on an accruals basis to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Termination benefits involving pension enhancement are required by statutory provisions to be charged to the General Fund balance on the basis of the amount payable by the Council to the pension fund or the pensioner in the year not the amount calculated according to relevant accounting standards.

Appropriations are required to and from the Pensions Reserve in the Movement in Reserves Statement to remove the notional debits and credits for pension enhancement termination benefits and to replace them with debits for the cash paid to the pension fund, the pensioners and any amounts payable but unpaid at the year end.

iii. Post-Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teacher's Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by the Royal Borough of Windsor and Maidenhead Council

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The arrangements for the teacher's scheme mean that liabilities for these benefits cannot be specifically identified to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme with no liability for future payments of benefits recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers Pensions in the year.

Local Government Pension Scheme

The Local Government Pension Scheme provides members of the scheme with defined benefits related to pay and service. The level of the employer's contribution is determined by triennial actuarial valuation. The latest review was undertaken as at 31 March 2019. Under Superannuation Regulations, the contribution rates are set to meet all the liabilities of the fund.

The Balance Sheet includes a Pension Reserve which includes the attributable share of the funds, assets and liabilities that relate to the Council. Employer contributions will be adjusted in future years to account for any projected deficit.

The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary, which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the employer's liabilities. This is consistent with the approach used at the previous accounting date.

The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The valuation of quoted securities for the pension scheme is based on bid price rather than mid-market value.

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked.
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- net interest on the net defined liability i.e. net interest expense for the Council– the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period, taking into account any changes in the net defined liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made in the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Berkshire County Council Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities is not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund, pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Details of the methods adopted in the valuation of scheme assets and liabilities are set out in the notes to the Balance Sheet.

7. Events after the Balance Sheet Date

These are events both favourable and unfavourable, which occur between the end of the Balance Sheet date and the date when the Statement of Accounts is authorised for issue:

- **Adjusting Event**
  The Statement of Accounts is adjusted to reflect events where there is evidence that conditions existed at the Balance Sheet date
- **Non-Adjusting Event**
  Where an event is indicative of conditions that arose after the Balance Sheet date, the Statement of Accounts are not adjusted. However, the following will be disclosed for each material category of non-adjusting event:
  - the nature of the event, and
  - an estimate of the financial effect, or a statement that such an estimate cannot be made reliably.

The date when the Statement of Accounts was authorised for issue and who gave the authorisation is disclosed in the notes to the accounts.

8. Financial Instruments

i. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council does not issue bonds.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the

Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

ii. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument). The Council does not hold any financial assets that are measured at FVPL and FVOCI.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of a financial asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

9. Foreign Currency Translation

Income and expenditure arising from a transaction denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred. If the rates do not fluctuate significantly, an average rate for a period is used as an approximation. Where the transaction is to be settled at a contracted rate, that rate is used.

At each Balance Sheet date, monetary assets and liabilities denominated in a foreign currency are reconverted at the spot exchange rate at 31 March or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. Government Grants and Contributions

Whatever their basis of payment, Government grants and other contributions or donations are accounted for on an accruals basis. They are recognised on the relevant service line or the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement once the conditions for their receipt have been complied with and there is reasonable assurance that the

grant or contribution will be received. Where conditions have not been satisfied, the grant or contribution is carried in the Balance Sheet as a creditor.

Capital grants credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund Balance in the Movement in Reserves Statement. Grants which have not yet been used to finance capital expenditure are transferred to the Capital Grants Unapplied reserve. When an amount in the Grants Unapplied Reserve is applied to fund capital expenditure, it is transferred to the Capital Adjustment Account through the Movement in Reserves Statement. There is no deferral of grant expenditure to match against the depreciation of the underlying asset the grant was used for.

Donated assets transferred to the Council for nil consideration are recognised at fair value in the Comprehensive Income and Expenditure Statement once any conditions attaching to them have been met.

11. Intangible Assets

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Council's business or which arise from contractual or other legal rights. They are recognised where they have a cost in excess of £10,000, where it is probable that future economic benefits will flow to, or service potential be provided to, the Council and where the cost of the asset can be measured reliably. Where internally generated assets are held for service potential, this involves a direct contribution to the delivery of services to the public.

Internally generated assets are capitalised only where all of the following can be demonstrated by the Council:

- technical feasibility of completing the asset so it will be available for use or sale;
- intention to complete the asset;
- ability to use or sell the asset;
- how the asset will generate future economic or service delivery benefits (by demonstrating a market for the asset or the usefulness of the asset);
- availability of adequate resources to complete the asset; and
- ability to measure reliably the expenses attributable to the asset during the development phase only (research expenditure cannot be capitalised)

Software which is integral to the operation of hardware (e.g. an operating system) is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware (e.g. application software licences), is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods and services and does not assist in the provision of effective services or generate an economic benefit.

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management. Subsequently intangible assets are recognised at fair value measured by reference to an active market. However, the types of intangible assets held by the Council are very unlikely to have readily ascertainable active market values so they are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life and charged to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. The useful economic lives of intangible assets disclosed in the Balance Sheet has been determined individually. Useful lives are reviewed at the end of each reporting period and revised if necessary.

An asset is tested for impairment whenever there is an indication that the asset might be impaired:

- at the end of the first full financial year following the acquisition, and
- in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable
- Intangible assets that are not amortised over a period are reviewed for impairment at the end of each reporting period

Any losses recognised as a result of impairment are treated as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains
- If there is insufficient or no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The reversal of an impairment loss is only recognised in the Comprehensive Income and Expenditure Statement if the value is directly attributable to the reversal of the event which caused the original impairment loss. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve for any sale proceeds greater than £10,000.

i. Landfill Allowances

Under the Waste and Emissions Trading Act 2003, the Council as a waste disposal authority is issued with landfill allowance permits on an annual basis for the amount of biodegradable waste that it is allowed to landfill. If the amount of biodegradable waste sent to landfill exceeds the allowance in any one year then additional permits are required to be purchased from other authorities or a cash penalty is paid to the Government for the shortfall. The scheme is known as a ‘cap and trade scheme’.

The fair value of allowances held by the Council (whether issued by the Government or purchased from another authority) is recognised as an intangible current asset within the Balance Sheet. The fair value of allowances issued by the Government is recognised as a government grant and accounted for in accordance with paragraph 10; (i.e., it is initially recognised as deferred income on the Balance Sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated). The fair value of allowances is taken as the present market value at the Balance Sheet date.

The value of allowances after the initial recognition is measured at the lower of cost and net realisable value.

An estimate of expenditure required to settle the obligation to deliver allowances equal to the biodegradable and municipal waste landfill usage to the government is recognised as a liability (provision) on the Balance Sheet. The value of the provision is measured as the present market value at the Balance Sheet date of the number of allowances required to be delivered to the government and/or the cash penalty required for any shortfall in allowances.

12. Interests in Companies and Other Entities

The Council has some interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded in the Balance Sheet if the company has share capital, as financial assets at cost less any provision for losses. The Council records the name, business, shareholding, net assets and results of operations and other financial transactions of any related companies including cross-reference to where the accounts of the related companies may be acquired.

13. Inventories and Long-Term Contracts

Inventories held by the Council will be included in the Balance Sheet at the lower of cost and net realisable value. At present the Council has no holdings of this nature.

A long-term contract is 'A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or of a combination of assets or services which together constitute a single project) where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods'. Long-term revenue contracts are charged to services in the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year and long-term capital contracts are charged to capital on the basis of the valuation certificate.

14. Investment Property

Investment properties are those that are used solely to earn rentals and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Where the Council acquires properties for rental income but have an element of economic development and/or regeneration these are classified as operational land and buildings as such properties are not solely used for investment purposes.

Refer to Note 25 in the Statement of Accounts for explanations of the basis of the valuation of properties, and the categorisation required under IFRS 13.

Investment properties are measured initially at cost and subsequently at fair value (Highest and Best Use), based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually, according to market conditions at the year end. Gains and losses on revaluation or disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement with the carrying value of the asset transferred to the Capital Adjustment Account and the sale proceeds above £10,000 transferred to the Capital Receipts Reserve.

15. Jointly Controlled Operations and Jointly Controlled Assets

The Council is involved in arrangements with public sector partners to engage in joint activities that involve the use of the assets and resources of the partners rather than the establishment of a

separate entity. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and its partners, with the assets being used to obtain benefits for the partners. The Council accounts only for its share of the assets, liabilities, income, expenditure and cash flows held within the jointly controlled operations within its financial statements.

16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, they are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

i. The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at the lower of its fair value, measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.
Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as an expense in the periods in which they are incurred.

Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the asset-applied to write-down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Assets recognised under finance leases are accounted for using the policies applied generally to Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation, revaluation or impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Where assets are acquired by the Council (as a lessee) under operating leases, the lease rentals payable are charged to the revenue accounts of those services that use the assets as they are made.

Any hire purchase contracts that have similar characteristics to an operating lease are accounted for as an operating lease and disclosed in a note to the Balance Sheet.

ii. The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is transferred from the General Fund Balance to the Capital Receipts Reserve through the Movement in Reserves Statement. Where the amount due in relation to the leased asset is to be settled by the payment of rentals in future financial years, this is transferred from the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor with a corresponding transfer from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.
The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

An asset held by the Council for use in operating leases by a lessor is retained in the Balance Sheet and depreciated over its useful life. Rental income from operating leases, excluding charges, is recognised in the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as income is received.

This policy is a departure from the Code which states that rentals receivable should be charged to revenue on a straight-line basis over the term of the lease, even if this does not match the pattern of the payments. The Council believes that this departure from the Code is not material.

17. Overheads and Support Services

The costs of overheads and support service costs (e.g., legal, human resources and finance) are charged to the relevant teams and departments (i.e., the front line service departments) in accordance with the Council's arrangements for accountability and financial performance. The total absorption costing principle is used in that the full cost of overheads and support services are shared between users in proportion to the benefit received.

18. Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment (PPE).

i. Recognition

Items of PPE that qualify for recognition will be measured at cost and capitalised on an accruals basis. Cost is defined as either purchase price, costs attributable to bringing the asset to location and condition necessary for it to be capable of operating in the manner intended by management or the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

ii. De-Minimis

Capitalisation of expenditure on PPE is not necessary where the amounts involved are not material to the true and fair presentation of the financial position and transactions of the authority and to an understanding of the Statement of Accounts by a reader. The Council has agreed a de-minimus level of £10,000 for expenditure to be capitalised, with the exception of capital works for schools where the de-minimus level is £1,000, and in order to utilise ring-fenced funding no de-minimus is applied.

iii. Measurement

Assets will be disclosed and valued on the Balance Sheet on the following bases:

Asset Category	Valuation Method
Assets under Construction Infrastructure Assets	Depreciated Historic Cost
Council Dwellings	Fair Value (Existing Use Value – Social Housing) EUV-SH
Community Assets	Depreciated Historic Cost or Valuation in accordance with section 4.10 of the Code
Other, Land and Buildings Vehicles, Plant and Equipment	Fair Value (Existing Use Value) EUV or DRC*
Surplus Assets	Fair Value (Highest and Best Use)
Heritage Assets	Individual Asset Valuation

* Depreciated Replacement Cost (DRC) using the 'instant build' will be used if Existing Use Value (EUV) cannot be determined.

A full valuation of a property is conducted by the Council's internal valuer, Mrs I Kearns, the Council's Senior Estates Surveyor and also a Professional Member of the Royal Institution of Chartered Surveyors (RICS). The valuations have been prepared in accordance with the Practice Statements and UK Practice Statements contained in the RICS Appraisal and Valuation Standards.

The asset valuations have been prepared using the following assumptions:-

a) The Council has good title free from encumbrances;

b) There are no hazardous substances or latent defects in the properties and there is no contamination present;
c) The properties have permanent planning permission and any other necessary statutory consent for their current use;
d) Plant and machinery is included in the valuation of the property, where applicable;
e) No special circumstances beyond those likely to be considered by a prospective purchaser in the open market have been taken into account;
f) No allowance has been made for any liability to taxation, which may arise on disposal, nor for costs of acquisition or realisation.
g) All transactions agree with the Council's de-minimus level

Not all properties are specifically inspected for the purpose of asset valuations. This is neither practicable, nor considered by the valuer to be necessary, for the purpose of the valuation. However, regular inspections are made by the Council's Property Section of all the Council's property assets. The inspections and report do not purport to be a building survey.

The Council operates a 5 yearly revaluation cycle for all assets, with the exception of Council Dwellings and Investment properties which are reviewed on an annual basis as per the Code's requirements.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

iv. Depreciation

Depreciation is provided for on all Property Plant and Equipment by the allocation of their depreciable amounts over their useful lives, in line with IAS 16. An exception is made for assets without a determinable useful life (e.g. freehold land and some community assets) and assets not yet available for use (e.g. assets under construction). The useful lives of assets are estimated on a realistic basis and are reviewed on a regular basis and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been charged based on their historical cost being transferred from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the amount at which the asset is included in the Balance Sheet, whether current cost or historical cost. Depreciation has been calculated as follows:

- All assets are depreciated on straight line basis over the useful life of the asset taking into account land value and residual value. The range of estimated lives of each asset is set out in note 24.
- Investment Properties are not depreciated as per the Code's guidance; instead they are revalued on an annual basis.
- Newly acquired assets are not depreciated in the year of acquisition, while assets under construction are only depreciated once the asset becomes operational.
- Community assets are also exempt from depreciation requirements as a determinable finite useful life cannot be obtained.
- Assets are depreciated in the year of disposal.

A change from one method of providing depreciation to another is only made where the new method will give a fairer presentation of the results and of the financial position. Such a change does not, however, constitute a change of accounting policy; the carrying amount of the fixed asset is depreciated using the revised method over the remaining useful life, beginning in the period in which the change is made.

Componentisation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

The Council's policy is to componentise part of assets where the part subject to componentisation is more than £500k or 10% or more of the building value of the asset and the value of the building itself is greater than £5m. Any amounts below these levels would not be considered material enough for componentisation purposes.

v. Impairment

The value at which each category of assets is included in the Balance Sheet is reviewed at each year-end. Where there is reason to believe that its value has changed materially in the period, the recoverable amount of the asset is estimated and where this is less than the carrying amount, an impairment loss is recognised for the shortfall.

Events and changes in circumstances that indicate a reduction in value may have incurred include:

- a significant decline in an asset's market value during the period
- evidence of obsolescence or physical damage to the asset
- a significant adverse change in the statutory or other regulatory environment in which the Council operates
- a commitment by the Council to undertake a significant reorganisation.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the amount of the accumulated gains
- If there is insufficient or no balance in the Revaluation Reserve , the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

vi. Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered through a sale rather than continuing use, it is reclassified as an Asset Held for Sale, but only if the following criteria are met:

a) The asset must be available for sale in its present condition subject to terms that are usual and customary for sales of such assets.
b) The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
c) The asset must be actively marketed for a sale at a price that is reasonable in relation to the current value.
d) The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Immediately before reclassification the asset is revalued and carried at the lower of this figure and fair value (Highest and Best Use) less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Assets Held for Sale are not depreciated.

If an asset no longer meets the criteria to be classified as Assets Held for Sale, they are classified back to non-current assets at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised if they had not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell. Assets that are abandoned or scrapped are not reclassified as Assets Held for Sale.

When an item of Property, Plant, Equipment or Asset Held for Sale is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal.

Amounts received in excess of £10,000 are categorised as capital receipts. The proportion that is required to be paid over to Central Government for housing disposals is appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

Where a fixed asset is disposed of for other than a cash consideration, or payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value.

The written-off value of disposals is not a charge against council tax because the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are

appropriated to the Capital Adjustment Account from General Fund Balance in the Movement in Reserves Statement.

19. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council has one PFI contract with Reading and Bracknell Councils for waste disposal under the RE3 Partnership. The Council receives the benefit of the services that are provided under its PFI scheme and ownership of the property, plant and equipment will pass to the partnership at the end of the contract for no additional charge. The Council carries its share of the property, plant and equipment used under the contract on the Balance Sheet.

The original recognition of these assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge of 7.5% on the outstanding Balance Sheet liability, debited to Financing and Investment Income line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – these are included within the fair value of services and not recognised as additions to Property, Plant and Equipment as the amounts involved are not material and details of the actual spend is not readily available.

21. Provisions, Contingent Liabilities and Contingent Assets

i. Provisions

Provisions are made for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when:

- the Council has a legal or constructive obligation as a result of a past event
- it is probable that a transfer of economic benefits or service potential will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events. When payments for expenditure are incurred to which the provision relates they are charged direct to the provision carried in the Balance Sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as income for the relevant service only when it is virtually certain that reimbursement will be received if the obligation is settled.

In the case of a provision for bad or doubtful debts, the carrying amount of debtors is adjusted and known uncollectable debts are written off.

ii. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent liabilities are not recognised in the accounting statements; they are disclosed by way of notes if there is a possible obligation that may require a payment or a transfer of economic benefits. For each class of contingent liability, the nature of the contingency, a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement will be disclosed.

iii. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the accounting statements; they are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. The disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

21. Reserves

Transfers to and from reserves are distinguished from service expenditure. The movements in reserves available to this Council are detailed in a note to the financial statements. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so there is no net charge against council tax for the expenditure.

Most capital reserves are not available for revenue purposes and some of them can only be used for specific statutory purposes. The Revaluation Reserve and Capital Adjustment Account are non-distributable reserves. The Capital Receipts Reserve is a reserve established for specific statutory purposes.

The Major Repairs Reserve is required by statutory provision to be established in relation to the HRA in England.

22. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure classified as capital under statute, formerly known as deferred charges, represents expenditure that may be capitalised but does not result in the creation of non-current assets. The expenditure has been charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves

Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

23. VAT

VAT payable is included as an expense, whether of a capital or revenue nature, only to the extent that it is irrecoverable. VAT receivable is excluded from income.

24. Group Accounts

The Code requires the Council to consider all of its interests and to prepare a full set of group accounting statements where there are material interests in subsidiaries, associates and joint ventures. The Council has investigated all potential interests that could qualify for group accounts and has determined it has five group relationships which qualify for the preparation of, and inclusion in, group accounts. The companies all operate the same financial year and follow the same accounting policies as Wokingham Borough Council.

The Council has a holding company, WBC (Holdings) Ltd, whose main purpose is to enable group tax relief to be claimed, and in addition to coordinate the management of the Council's interests in the companies included in the group accounts, which are summarised below. The company is 100% owned by the Council. WBC (Holdings) Ltd wholly owns three housing companies: Wokingham Housing Ltd, Loddon Homes Ltd and Berry Brook Homes Ltd. All of these companies' accounts are consolidated into the group accounts.

Optalis Ltd is a partially owned subsidiary of Wokingham Borough Council with the other 45% owned by the Royal Borough of Windsor and Maidenhead. The company was established in June 2011 and became operational during 2011/12. 2017/18 has been the first year of joint operation with the Royal Borough of Windsor and Maidenhead. Optalis Ltd is consolidated on a subsidiary basis at 100%, with RBWM's 45% share disclosed as a minority interest on the group balance sheet.

25. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council so that heritage assets must be shown separately on the balance sheet. The Council undertook a detailed review and at present does not have any heritage assets.

26. Tax Income (Council Tax, and Non-Domestic Rates)

Non-Domestic rates (NDR)

- Retained Business Rates income included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued income.
- Levy expenditure included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued expenditure

Council Tax

- Council Tax income included in the Comprehensive Income and Expenditure Statement for the year is treated as accrued income

Both NDR income, less tariff and levy expenditure, and Council tax are recognised in the Comprehensive Income and Expenditure Statement in the line Taxation and Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is transferred to the Collection Fund Adjustment Account through the

Movement in Reserves Statement. Each preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

The income for Council Tax, and NDR, is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of the revenue can be measured reliably. Revenue relating to such things as council tax, business rates, etc., shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

27. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Wokingham Borough Council

Summary of Changes to Accounting Policies

Year ended 31 March 2019

Details of the proposed changes to the Council's accounting policies are detailed below. Full details are included in the accounting policies document.

1. **Main Changes**

1.1 Accounting Policy 1-Accruals of Income and Expenditure

Changes to revenue recognition arising from IFRS 15 Revenue from Transactions with Customers. This is essentially a change in terminology

1.2 Accounting Policy 8-Financial instruments

Replacement of accounting policy for financial assets with revised wording to take into account the requirements of IFRS 9 and the requirements of the Code of Practice. This essentially deals with the classification of financial assets by the measurement basis and resultant measurement including the change in methodology in expected credit losses.

1.3 Accounting Policy 14-Investment Property

Additional narrative added with regard to properties acquired that are potentially investment property, however, are also acquired for economic development and regeneration and accordingly treated as operational land and buildings.
Deletion of paragraph re properties reclassified in 2015-16 as this no longer appropriate.

1.4 Accounting Policy 19 PFI Contracts

Change to last paragraph re the analysis of the unitary payment

- Inclusion of contingent rental as one of the 5 elements
- Correction of treatment of lifecycle costs to reflect the actual accounting treatment.

1.5 Accounting Policy 27 Fair Value Measurement

New policy added with regard to details of the measurement bases and fair value. This has arisen out of the provisions of IFRS 13 Fair Value which was implemented 2 years ago, however, no accounting policy was included for this.

2. **Minor Changes**

2.1 Opening paragraph

Changed to remove reference to SeRCOP-no longer applicable. Duplication of opening sentence from next paragraph deleted.

2.2 Accounting Policies 2 and 3

Accounting policies 2 and 3 re acquired and discontinued operations deleted as these are not accounting policies.

2.3 Accounting Policy 17 Overheads and Support Services

Removal of reference to SeRCOP and change in wording

2.4 Accounting Policy 18 Property, Plant and Equipment iii Measurement

Addition of additional narrative re treatment of revaluation gains and losses in accounting policy 18 Property, Plant and Equipment iii Measurement to replace previous narrative which referred only to the Code.

3. Other

3.1 Various changes to the wording in the accounting policies with regard to terminology, grammar, duplications etc. These represent a tidying up exercise rather than changes in policies as such.

WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME – 2019/20 MUNICIPAL YEAR

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 24 July 2019	1.	External Audit – Audit Results Report 2018/19	**Ernst & Young**
	2.	Financial Statements 2018/19	**Graham Ebers, Deputy Chief Executive**
	3.	Annual Governance Statement 2018-19	**Graham Ebers, Deputy Chief Executive**
	4.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**
	5.	Internal Audit and Investigations Q1 Progress Report 2019/20	**Shared Audit and Investigation Service**
	6.	Complaints and compliments	**Customer Services**

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 25 September 2019	1.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**

WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME – 2019/20 MUNICIPAL YEAR

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 6 November 2019	1.	External Audit Progress Report	**Ernst & Young**
	2.	2019/20 Audit Plan	**Ernst & Young**
	3.	Treasury Management Mid-Year Report 2019/20	**Graham Ebers, Deputy Chief Executive**
	4.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**
	5.	Internal Audit and Investigation Q2 Progress Report 2019/20	**Shared Audit and Investigation Service**

WOKINGHAM BOROUGH COUNCIL'S AUDIT COMMITTEE FORWARD PROGRAMME – 2019/20 MUNICIPAL YEAR

DATE OF MEETING	ITEM No.	ITEM DESCRIPTION	RESPONSIBLE OFFICER
Wednesday 5 February 2020	1.	Certification of Claims and Returns – Annual Report 2018/19	**Ernst & Young**
	2.	Certification of Claims and Returns – Claims and Returns Organised by Local Authorities.	**Graham Ebers, Deputy Chief Executive**
	3.	Treasury Management Strategy 2019/20	**Graham Ebers, Deputy Chief Executive**
	4.	Corporate Risk Register Update	**Graham Ebers, Deputy Chief Executive**
	5.	Internal Audit and Investigation Q3 Progress Report 2019/20	**Shared Audit and Investigation Service**
	6.	Annual Audit & Investigations Plan 2020-21	**Shared Audit and Investigation Service**

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