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WOKINGHAM
BOROUGH COUNCIL

A Meeting of the **AUDIT COMMITTEE** will be held Virtually on **WEDNESDAY 3 FEBRUARY 2021** AT **7.00 PM**

Susan Parsonage
Chief Executive

Published on 26 January 2021

Note: The Council has made arrangements under the Coronavirus Act 2020 to hold the meeting virtually via Team Meetings, the meeting can be watched live at the following link:
https://youtu.be/Wy75aMsJbbk

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WOKINGHAM
BOROUGH COUNCIL

Our Vision

A great place to live, learn, work and grow and a great place to do business

Enriching Lives

- Champion outstanding education and enable our children and young people to achieve their full potential, regardless of their background.
- Support our residents to lead happy, healthy lives and provide access to good leisure facilities to complement an active lifestyle.
- Engage and involve our communities through arts and culture and create a sense of identity which people feel part of.
- Support growth in our local economy and help to build business.

Safe, Strong, Communities

- Protect and safeguard our children, young and vulnerable people.
- Offer quality care and support, at the right time, to prevent the need for long term care.
- Nurture communities and help them to thrive.
- Ensure our borough and communities remain safe for all.

A Clean and Green Borough

- Do all we can to become carbon neutral and sustainable for the future.
- Protect our borough, keep it clean and enhance our green areas.
- Reduce our waste, improve biodiversity and increase recycling.
- Connect our parks and open spaces with green cycleways.

Right Homes, Right Places

- Offer quality, affordable, sustainable homes fit for the future.
- Build our fair share of housing with the right infrastructure to support and enable our borough to grow.
- Protect our unique places and preserve our natural environment.
- Help with your housing needs and support people to live independently in their own homes.

Keeping the Borough Moving

- Maintain and improve our roads, footpaths and cycleways.
- Tackle traffic congestion, minimise delays and disruptions.
- Enable safe and sustainable travel around the borough with good transport infrastructure.
- Promote healthy alternative travel options and support our partners to offer affordable, accessible public transport with good network links.

Changing the Way We Work for You

- Be relentlessly customer focussed.
- Work with our partners to provide efficient, effective, joined up services which are focussed around you.
- Communicate better with you, owning issues, updating on progress and responding appropriately as well as promoting what is happening in our Borough.
- Drive innovative digital ways of working that will connect our communities, businesses and customers to our services in a way that suits their needs.

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors

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

ITEM NO.	WARD	SUBJECT	PAGE NO.
36.		**APOLOGIES** To receive any apologies for absence	
37.	None Specific	**MINUTES OF PREVIOUS MEETING** To confirm the Minutes of the Meeting held on 23 November 2020.	**5 - 12**
38.		**DECLARATION OF INTEREST** To receive any declarations of interest	
39.		**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	
40.		**MEMBER QUESTION TIME** To answer any member questions	
41.	None Specific	**FORMAL COMPLAINTS - QUARTER 3 SUMMARY** To receive a presentation on formal complaints – Quarter 3 Summary.	**13 - 24**
42.	None Specific	**TREASURY MANAGEMENT STRATEGY 2021/24** To receive the Treasury Management Strategy 2021/24.	**25 - 70**

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

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MINUTES OF A MEETING OF THE
AUDIT COMMITTEE
HELD ON 23 NOVEMBER 2020 FROM 7.00 PM TO 9.05 PM

Committee Members Present
Councillors: Bill Soane (Chairman), Dianne King (Vice-Chairman), Rachel Burgess, Maria Gee, Angus Ross, Daniel Sargeant and Imogen Shepherd-DuBey

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, Head of Finance
Julie Barker, Senior Specialist Audit & Investigations
Catherine Hickman, Head of Audit & Investigations

25. APOLOGIES
There were no apologies for absence.

26. MINUTES OF PREVIOUS MEETING
The Minutes of the meeting of the Committee held on 23 September 2020 were confirmed as a correct record and will be signed by the Chairman at the next available opportunity.

Councillor Burgess questioned when Members would see the survey on the effectiveness of the Audit Committee. It was explained that the CIPFA guidance that would be worked to, had been delayed, but a survey would be produced shortly.

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

28. PUBLIC QUESTION TIME
There were no Public questions.

29. MEMBER QUESTION TIME
There were no Member questions.

30. UPDATE ON STATEMENT OF ACCOUNTS
The Committee received an update on the Statement of Accounts.

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

- The Head of Finance commented that it had originally been envisaged that the Statement of Accounts would have been presented to the Committee for signature. However, they were delayed, as there were delays with the audit of the Berkshire Pension Fund. The delay on the audit opinion on the Pension Fund did not allow Ernst & Young to provide an audit opinion whilst an item on the Pension Fund remained outstanding.
- It was proposed that the Statement of Accounts be taken to the February Committee meeting. The Annual Governance Statement would be part of the Statement of Accounts.

- Councillor Gee commented that previously it had been indicated that extra work would need to be carried out around the value of property investments, given the uncertain market. She sought an update on whether this had been done after 31 March. The Head of Finance indicated that a review of valuations had been carried out to assess the impact on Covid. Anything post 31 March was a post balance sheet event. The Finance team were working with Ernst & Young on the matter.
- Councillor Ross questioned whether the delay was likely to be an annual occurrence. The Head of Finance hoped not and agreed that the situation was frustrating. The Section 151 Officer had taken the matter back to the Berkshire Treasurers. He felt that it not necessarily governance issues and additional assurance was being sorted.
- Helen Thompson stated that Deloitte, the auditors of the Pension Fund, had indicated that they had hoped to provide the relevant information by early October. However, this had been dependent on them receiving information from the Pension Fund and other third parties. It was believed that there had a delay in the provision of this information. It had been a challenging year for the auditors, however she understood Members' frustrations. Deloitte had been clearer on when work was likely to be completed which had meant that Ernst & Young and the Council had been better able to plan.

RESOLVED: That the update on the Statement of Accounts be noted.

31. WOKINGHAM BOROUGH COUNCIL AUDIT COMMITTEE - AUDIT PROGRESS REPORT

The Committee received the Wokingham Borough Council – Audit Progress Report.

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

- The delay from Deloitte had impacted on the completion of the audit. Deloitte would go back to complete the audit on the Pension Fund in early December. It was possible that the February Audit Committee would need to be moved later in the month as a result.
- There were two areas where Covid had particularly impacted on the audit process;
    - Valuations – where the valuers for the Council had included a material uncertainty that was linked to Covid 19 within their valuation report. That particularly impacted those properties that were either valued at fair value or at a market value. Ernst & Young had taken the approach that where there were assets that were valued at fair or market value and were material, there was a need to make use of the valuation specialists. This team had been particularly under pressure.
    - Going concern and disclosures around that – to ensure that disclosures around going concern stated the basis for preparation for the change in auditing standards that were coming in for 2022. This year was currently a bridging period.
- Working remotely and in different ways had been a challenge.
- With regards to the audit, two split visits had been carried out to date. Some work had been carried out in August and also in September/early October. Ernst & Young were due to visit again in the week beginning 30 November and had had a meeting with the Finance team regarding progress.
- Councillor Burgess sought further information on the valuation process. Helen Thompson explained that the material uncertainty clause was a cover for the valuers to be clear that whatever value they placed in their reports, may be

impacted by Covid. Whilst it was a general caveat that had been included, it was most applicable to those properties valued at either fair value or market value. A sample of assets would be selected to carry out a more detailed review. Ernst & Young had been required to use specialists for this work due to the level of uncertainty. The valuers would come to a potential range for an asset, and if the value that the Council's valuer had concluded fell within that range based on the same data, there was not an issue.

- Councillor Burgess questioned whether there had been discussions on going concern, and what key issues might be for going concern. She was informed that the going concerns assessment needed to cover a period of 12 months from the date of the signing of the Statement of Accounts so management had not yet been asked to undertake detailed assessments for areas of going concern.
- Councillor Gee asked what was meant by REFCUS and was informed that it was revenue expenditure funded from capital under statute. The Head of Finance explained that in certain limited circumstances capital money could be used to fund revenue expenditure. Councillor Gee asked whether this had been implemented this year. Helen Thompson indicated that she would report back once the audit work had been completed.
- With regards to going concern, Councillor Gee asked that if councils were unable to go bust, why whether the Council was a going concern, was considered. Helen Thompson referred to councils with significant exposure to particular commercial investment (e.g. Luton Council owned Luton Airport) and the fact that they would need to consider whether they had resources to continue to hold the asset. Councils could have going concern due to exposure to challenging circumstances or because they had run out of reserves. Croydon Council had issued a S114 notice and were now only going to deliver statutory services. Going concern was one of the auditing standards. The Head of Finance reminded Members that there were consequences to Councils that issued S114 notices.

RESOLVED: That the Wokingham Borough Council – Audit Progress Report be noted.

32. TREASURY MANAGEMENT MID - YEAR REPORT 2020-21

The Committee considered the Treasury Management Mid-Year Report 2020-21.

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

- It was one of three treasury management reports which went through Audit Committee and on to Council, the others being the Outturn Report and the Treasury Management Strategy.
- The format of the report had been changed to make it more readable and accessible.
- The statutory prudential indicators had not been breached.
- The Chief Financial Officer had asked that the report demonstrated that the Council was on a secure financial footing.
- The report demonstrated the level of debt that the Council held in terms of its overall internal and external debt, and the amount of that debt that was not funded by invest to save schemes or the income lines coming through the Council's development programmes.
- The cost that the council taxpayer had to fund was £7.52 for an average Band D property. He explained how this figure was reached.
- The debt financing costs in the Council's Medium Term Financial Plan were £7.8m.
- Net indebtedness after cash balances was £83m at end of September.

- The Government had provided some funding throughout the year to assist with cash flow, because of the pandemic.
- The amount of debt taken on board and investment balances had increased. Most of the money in the cash investments balances was a short-term hold based on the Council's cash flow expectations.
- Operational boundaries for debt and permitted debt levels had not been breached. The Council had tried to convert a certain amount of internal borrowing to external borrowing ratio to what was recognised as an industry standard rate. More debt had been taken on, but historically the Council had been under borrowed.
- Councillor Sargeant commented that the report was much clearer.
- Councillor Burgess commented that the Audit Committee was not a means of political point scoring and provided independent assurance. She went on to ask whether the presentation of the cost of financing debt and the net position had changed from previous years. The Head of Finance stated that the presentation had changed. It represented that not all of the £7.8m gross figure was funded by council tax income, being mostly funded through other income streams from the commercial investments and the treasury investments, and invests to save.
- Councillor Burgess commented that the presentation of the net indebtedness had changed and asked whether the Covid funding would be time limited or spent in the near future, meaning that the net indebtedness would rise. The Head of Finance indicated that the Government had given certain leeway as a result of Covid such as not having to pay all the business rates on a monthly basis. The indebtedness levels would decrease and more detail would be provided in the Outturn report.
- Councillor Burgess noted that the Value of Realisable Assets ratio to External Borrowing was 1.53:1, and asked the Head of Finance if he was comfortable with this level and what the lowest rate was that he would allow. The Head of Finance indicated that he was comfortable with 1.53.1.
- Councillor Shepard-DuBey stated that the loans had not been included in the Housing Revenue Account, and questioned how much a council tenant living in a Band D property would be paying. The Head of Finance indicated that there was no distinction because the council tax base was assessed in the same way and that it would be £7.52. Loans around the HRA were ring-fenced. He would provide further information on the HRA.
- Councillor Shepherd-Dubey questioned how interest that was charged on internal borrowing was reflected. The Head of Finance emphasised that the opportunity cost around internal borrowing was currently very low.
- Councillor Gee asked why it was reasonable to show the financing cost offset against the General Fund, if borrowing was not undertaken for particular investments. The Head of Finance emphasised that it depended on cash balances.
- In response to a question from Councillor Gee regarding realisable assets, the Head of Finance explained that the Council had a form of asset cover for the level of indebtedness that it held.
- Councillor Gee stated that in last year's report, the cost of debt financing was similar to this year, £7.4m was the budget and £7.3m was the forecast. However, the return on investment last year was only £3.5m-£4m. She asked what had been offset this year that did not appear in the treasury management report last year. The Head of Finance agreed to check and feedback to the Committee.
- Councillor Gee commented that it was difficult to compare reports following the change in presentation.

- With regards to net indebtedness, Councillor Gee asked why the particular ratio had been selected and was informed that it demonstrated the Council had sufficient cover for the assets that it held in the balance sheet and the true level of debt.
- Councillor Burgess stated that borrowing was going to increase and including internal and external borrowing from reserves, this would go up to almost £700m in 2022/23. She asked what impact the effect of Covid would have on the timing of this debt reducing. The Head of Finance emphasised that the Council would remain within its levels for debt. It was likely that the peak debt would be moved later due to Covid as would the time of repayment. The pace of recovery of the country would have an impact.

RESOLVED: That the Audit Committee:

1) support this report and recommend it to Executive.

2) note all approved indicators set out in the treasury management strategy have been adhered to and that prudent and safe management has been maintained.

3) note that the net cost per council tax payer for the financing of all borrowing to date equates to £7.52 which is 0.4% of the average Band D council tax charge.

4) note that the total external general fund debt is £324m, which reduces to £83m after taking into account cash balances (net indebtedness).

5) note the Council's realisable asset value of £496m, of which its commercial assets is estimated at £192m.

33. CORPORATE RISK MANAGEMENT

The Committee considered a report on Corporate Risk Management.

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

- There had not been any significant changes to the Corporate Risk Register since the last iteration. Some additional governance measures had been added to a number of risks.
- The Director Children's Services provided an update about Children's Services. The fact that the full impact of Covid was not known was a concern. Children would potentially be one of the last to be impacted in terms of their development and pressures on family life. Consideration had to be given to how the Children's Services offered in the future, was shaped.
- Staff in the service had done a great job during the pandemic. As many face to face visits as could be carried out safely, including 100% of child protection visits, had been carried out during the first lockdown. Services had continued to be delivered, some of this remotely. Some parents had found the process of undertaking child protection conferences remotely, less stressful. Attendance at multi agency meetings had improved as people did not have not to travel to attend.
- Progress was been made about SEN and an SEN improvement plan was being developed. A Quality Assurance system and auditing programme had also been developed.
- Members were informed that Ofsted had made changes to the regulatory framework. It was likely that the Council would receive a safeguarding during Covid, visit, during early spring.

- Councillor Soane commented that home schooled children often undertook activities outside school in order to socialise, many of which had been unable to be carried out during the pandemic. He questioned the impact on the children's mental heath and how any issues were being addressed. The Director Children's Services indicated that the Council was working with the voluntary sector where it could to support activities when appropriate. The Council did assess elective home education offered to determine that a well-rounded education was being provided. However, this was a voluntary process and parents had to agree to a local authority assessment.
- Councillor Burgess asked how the safeguarding risk was being mitigated against, and noted that there had been an increase in reports of domestic abuse. The Director Children's Services commented that there had been an increase in the visibility in the community about being responsible and looking out for domestic abuse. Thames Valley Police had carried out a door knock of families known to be at risk, in a sensitive manner. The position of Domestic Abuse worker for Children had been advertised and would sit in Children's Services. In addition, Children's Services were funding a worker within the Berkshire Women's Aid.
- Mental health support teams in schools would going fully live in the new year. A therapies in schools service was being also being developed.
- With regards to children with autism or who used sign language, or required additional educational support, Councillor Shepard-DuBey asked how this had been managed during the pandemic. She was informed that teaching assistants had been provided with the relevant PPE to support working in close proximity with children with SEN.
- Respite centres had been kept open during the pandemic.
- Councillor Shepard-DuBey commented that a number of children had had to socially isolate due to classmates having symptoms of Covid. Those who did not have computers at home had been potentially disadvantaged. The Director Children's Services emphasised that schools were now set up for this situation and had contingency plans in place. If a child had to self-isolate and did not have access to a computer at home, it was for the school to provide one temporarily. Members were asked to inform her if they were aware of cases where this had not been the case.
- Councillor Shepard-DuBey questioned whether SEND transport was still being paid and was informed that it was. The appropriate guidance was being followed.
- With regards to the SEN team, Councillor Gee asked about staff morale and if there was sufficient permanence within the team to deliver the service. The Director Children's Services stated that this was a very difficult area to recruit to and to access high quality staff. She felt that there was a difference between stability and permanence. The team was stable and included some SEN locums. Councillor Gee asked whether any of the locums would be put on to permanent contracts. The Director Children's Services advised that this would be offered where appropriate.
- Councillor Burgess referred to the Climate Emergency risk and stated that the Climate Emergency Task and Finish Group had indicated that the Climate Emergency Action Plan needed further work. A 6 monthly update had been agreed but had not been taken forwards. The Assistant Director Governance agreed to feed back the comments made. An Internal Audit of the Climate Emergency project would be undertaken.
- Councillor Burgess asked what would be the main actions to reduce the financial risk. The Head of Finance indicated that it could not be mitigated entirely as some

factors such as the amount of government funding received, was outside of the Council's control.

- Councillor Burgess asked that the Brexit risk register be circulated to the Committee.
- The Assistant Director Governance commented that he had no further update to give in relation to the housing risk.
- Councillor Burgess commented that it had been agreed that the wording of the equalities risk would be amended to highlight the Covid related risks to this area.

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

34. 2020/21 INTERNAL AUDIT & INVESTIGATIONS - QUARTER 2 PROGRESS REPORT

The Committee received the 2020/21 Internal Audit and Investigations – Quarter 2 Progress Report.

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

- The Committee had received the annual report at the previous meeting.
- The Assistant Director Governance introduced the Senior Specialist – Audit and Investigations and the Head of Audit and Investigation. The Senior Specialist had undertaken the follow up work on the equalities and Public Health audits.
- The Head of Audit and Investigations indicated that the report highlighted progress up to September. There had been a need to refocus the audit work due to Covid as there had been some vacancies within the team and also some of the team had been redeployed. The Head of Audit and Investigations was confident that the team would be in a position to provide an audit opinion.
- The Public Health and Equalities audits had improved to Category 2.
- Councillor Gee felt that the layout of the report was confusing. She questioned what 'H, M and L' meant. The Lead Specialist – Audit and Investigations indicated that it stood for high, medium or low levels of concerns.
- Councillor Gee commented that it would be helpful to have more detail around the areas of concerns. The Senior Specialist – Audit and Investigations offered to provide a summary with regards to the Public Health and Equalities audits. Future reports could contain an appendix of findings.
- Councillor Burgess stated that it would be helpful to have more information on high risks and what actions had been taken.

RESOLVED: That the 2020/21 Internal Audit and Investigation Quarter 2 Progress Report be noted.

35. FORWARD PROGRAMME

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

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

- Helen Thompson indicated the Audit Plan 2020/21 would not be ready for the next meeting.
- The Head of Finance emphasised that the Annual Governance Statement would form part of the Statement of Accounts.

- **RESOLVED:** That the forward programme be noted.

Formal Complaints – Quarter 3 Summary

Quarterly Report

2020-’21

WOKINGHAM
BOROUGH COUNCIL

Formal Complaints – Quarter 3 | Executive Summary

Complaints focus group starting to show positive results, better recording and more early resolution of complaints.

Business Context for Q3

Establishment of Complaints Focus group is starting to show results:

- ✓ Early intervention and resolution of complaints, preventing unnecessary escalation
- ✓ Better reporting - resulting in a rise of early resolution cases reported, 52 in Q3 compared to 4 in Q2 (see breakdown of Q3 below)
- ✓ Directorate reps taking ownership to input into their slides – thank you to all reps for their comments
- ✓ Progressing actions to address the insight highlighted within this report, (see slide 11)

The rise is complaints for Q3 compared to Q2, is also due to demand for Housing repairs over the winter - COVID restrictions and social distancing meant contractors have not been able to complete as many maintenance calls per day. This has led to customer dissatisfaction.

Most formal complaints related to how the reasoning/justification for decisions was communicated, especially in relation to care assessments.

Directorate	Formal	Early Resolution
ASC	7	1
CIC	3	10
Children's Services	23	8
Place & Growth	22	24
Resources & Assets	23	9

What is the learning…

ear communication and accessible information about ocess and procedures for residents will help to better anage expectations, particularly around limits of the uncil's statutory powers.

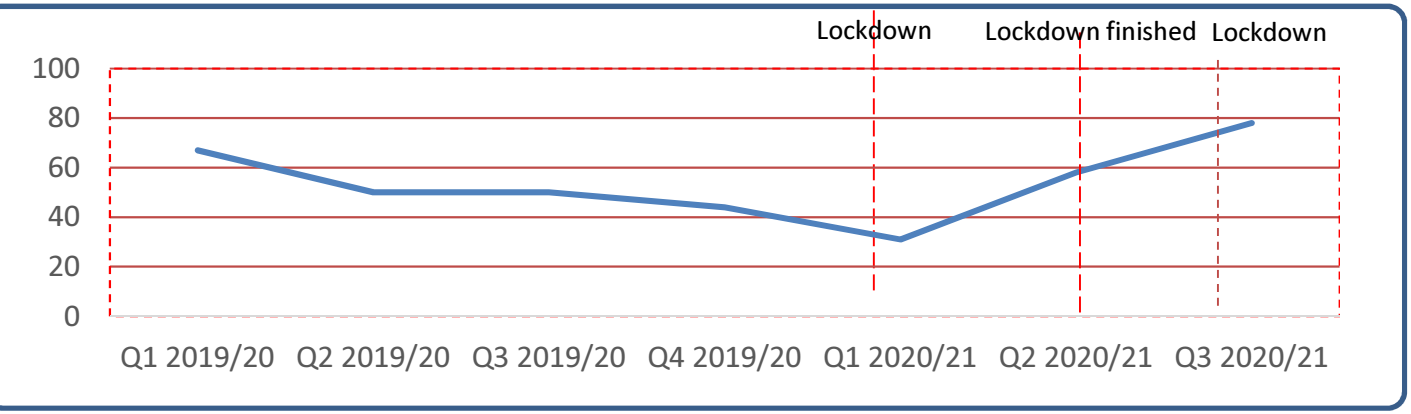
asonal pressures normally experienced (Heating aintenance call outs) have been exacerbated by Covid 19 strictions.

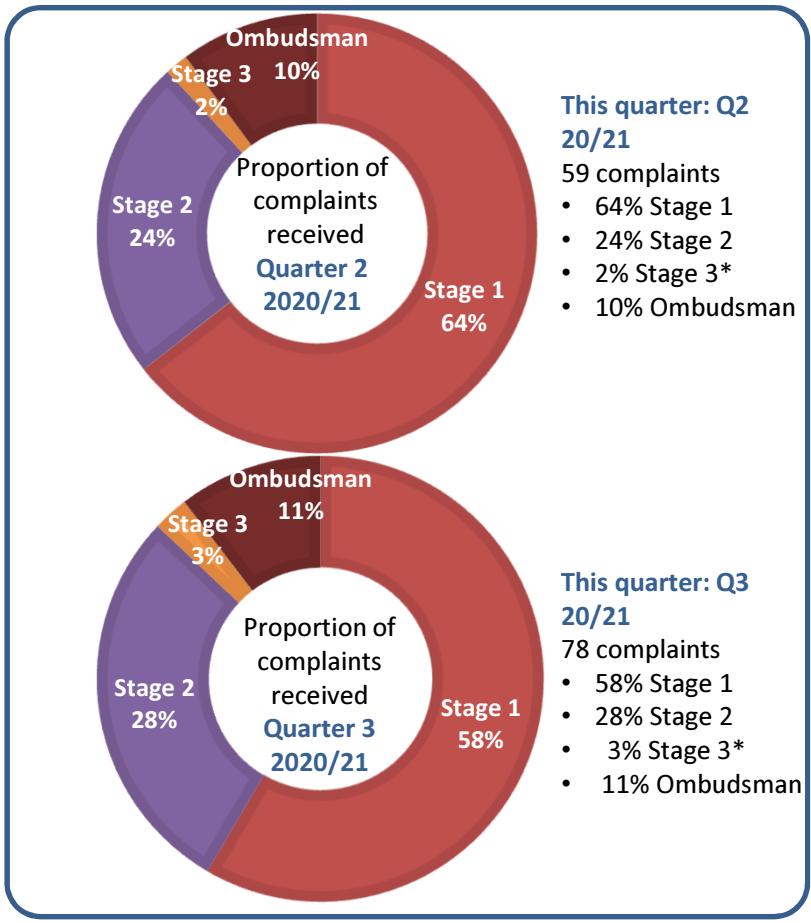
What is the action…

- Complaint owners to proactively communicate where residents can influence on decisions and b clear on those where they cannot.
- Children's Services have introduced a complaints learning log to identify what actions can initiate tangible improvements in service.
- Complaint owners to focus on root cause analysis to understand what mitigation can be done in future.
- Housing to engage with contractors to manage call out delays and customer expectations.

Formal Complaints - Quarter 3 | Volumes

Compared to Quarter 2, Quarter 3 saw a rise in the number of formal complaints by 32%. Increase due to complaints for Housing repairs where contractors were not able to complete as many maintenance calls in one day.





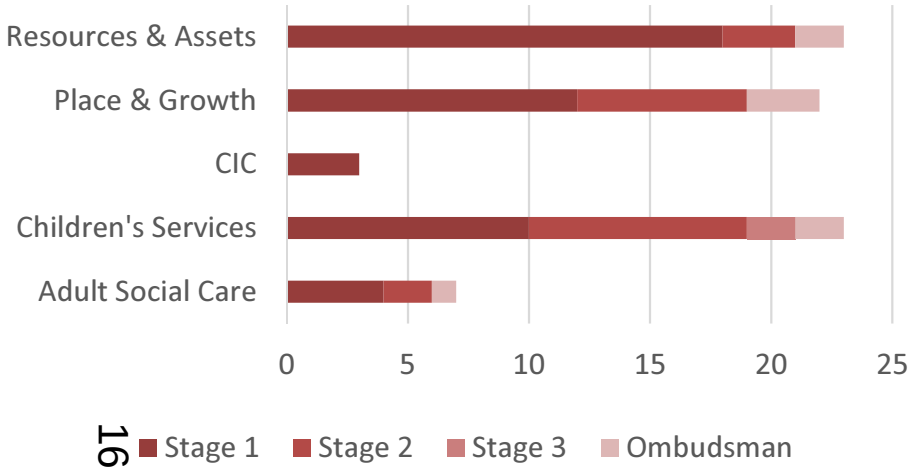
Period	Stage 1	Stage 2	Stage 3*	Ombudsman	**Total**	Direction of Travel
Q1 2019/20	48	10	0	9	**67**	N/A
Q2 2019/20	41	7	0	**2**	**50**	Improved
Q3 2019/20	38	10	0	**2**	**50**	Static
Q4 2019/20	34	4	0	**6**	**44**	Improved
Year end 2019/20	161	31	0	19	211	N/A
Q1 2020/21	20	7	1	**3**	**31**	Improved
Q2 2020/21	38	14	1	**6**	**59**	Stabilising
Q3 2020/21	45	22	2	**9**	**78**	Worsening
Year end 2020/21						

here was an increase of complaints at Stage 2, this may have arisen because of premature signposting to escalate by Services. Key themes for escalation by residents were nadequate communication, and lack of transparency in decision making.

ontact by the Ombudsman related to 3 decisions not to investigate, 3 currently being assessed, 1 being investigated, 1 upheld and 1 not upheld. On the 1 case upheld, the ouncil was found at fault for delay in the management and progression of the complaint.

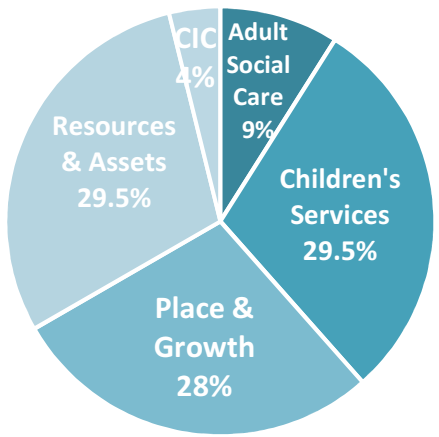
Formal Complaints - Quarter 3 I Directorates

4 directorates have seen an increase in the number of complaints this quarter, recurring issues feature around lack of communication and transparency of decision making.



This quarter: Q3 20/21

78 formal complaints received in total

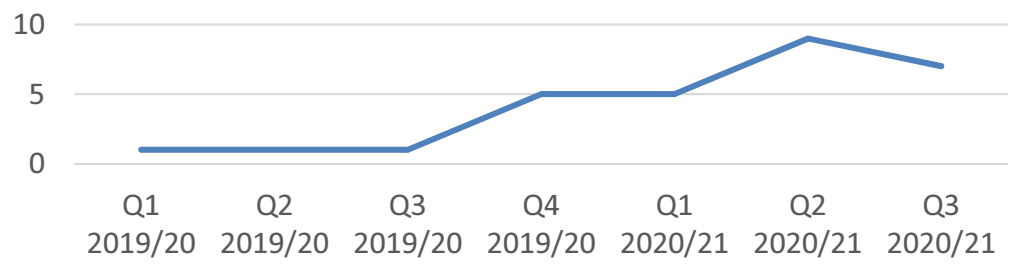


- Of the 4 Stage 1 **ASC** complaints, 1 escalated to Stage 2. Concern was expressed over how the Service justified and communicated their decisions regarding changes in care provision.
- Of the 11 Stage 1 **Place and Growth** complaints, 6 escalated to Stage 2, with 1 from the previous quarter. Dissatisfaction centred on transparency of decision making. Residents also felt there was a lack of communication regarding the progress made on Traffic Regulation Order consultations.
- Of the 17 Stage 1 **Resources & Assets** complaints, 3 escalated to Stage 2. 1 was withdrawn and 1 was partly upheld for a failure to communicate clearly the assessment decision. The re-introduction of lockdown measures impacted how maintenance call outs were carried out. This had a knock on effect in how many site jobs could be completed. Dissatisfaction was also expressed on behalf of residents by advocates. This related to how housing needs assessments were carried out.
- Of the 3 Stage one **CIC** complaints, 2 related to the quality of Service received and 1 dissatisfied with the web pages for Blue Badge applications. Quality of service was around lack of services available in the town centre during relaxation of the 2nd lockdown.
- The 10 Stage 1 **Children's** complaints, were evenly spread between Corporate and Social Care. The 9 Stage 2's comprised of 4 Social care with 2 of these carried over from the previous quarters. 1 of these was escalated in the quarter to Stage 3 with 1 other a carry over from the previous quarter. Parents were dissatisfied with delays in assessments for EHC plans and initial assessments and conduct of Social Workers. 2 complaints centred on the CTU policy of not offering part refunds for annual bus fares when, due to lockdown, when schools were forced to shut.

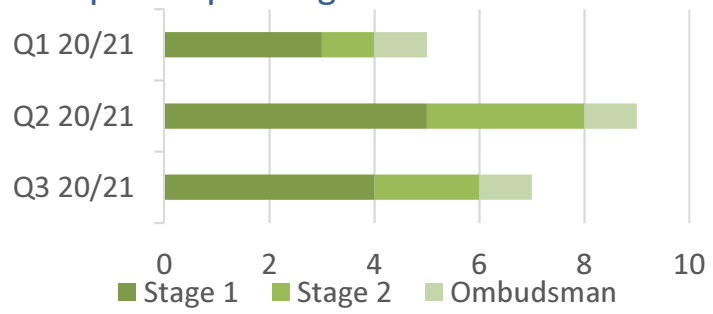
Formal Complaints - Quarter 3 I ASC

A reduction in complaints for this quarter. Complaints were around effective communication and documentation of concerns and decisions.

Total complaints



Complaints per stage



Last quarter: Q2 20/21

9 complaints

- 5 Stage 1
- 3 Stage 2
- 1 Ombudsman

This quarter: Q3 20/21

7 complaints

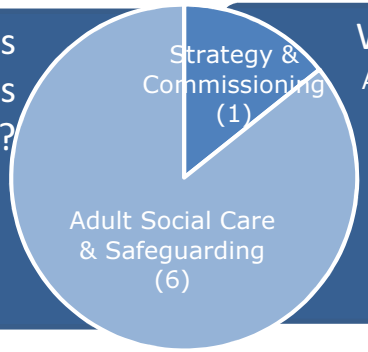
- 4 Stage 1
- 2 Stage 2
- 1 Ombudsman

How did we receive the complaints?

0 Via letter

7 Via email

Which services were complaints submitted to?



What were our residents dissatisfied with?

Assessment Decision

3

Quality of Service

2

Lack of communication

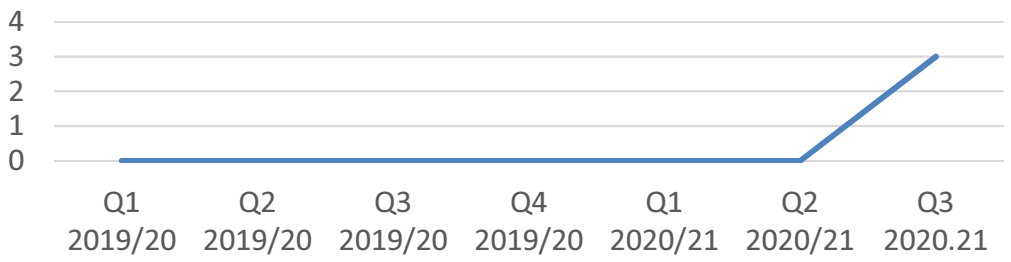
2

- The Service were able to resolve **1** complaint outside the formal complaints process.
- Several complaints related to professionals reaching an assessment decision at odds with the customer's family. The Service have acknowledged in some instances learning have been had. These mainly focus on the need to:
  - Communicate effectively with the client
  - Ensure communication of decisions has been documented and conveyed to external partners
  - Ensure reporting of significant concerns and events. For example, inadequate hospital discharge, falls and safeguarding.
- Frustration with the Service in not updating or consulting with next of kin about decisions.
- Complaint regarding the financial support offered to a carer and decision not to provide respite calls.

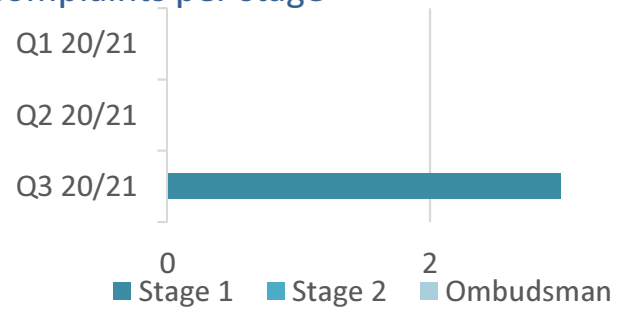
Formal Complaints - Quarter 3 I Communities, Insight & Change

Most complaints for this quarter have been addressed by early resolution, where a call to the complainant helped to identify and resolve issues quickly.

Total complaints



Complaints per stage



Last quarter: Q 2 20/21
0 complaints
- 0 Stage 1
- 0 Stage 2, 0 Ombudsman

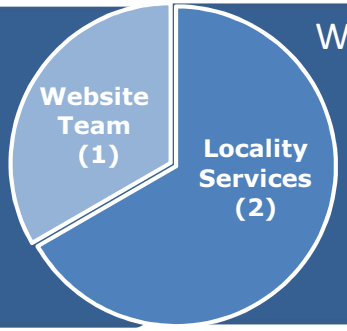
This quarter: Q3 20/21
3 complaints:
- 3 Stage 1
- 0 Stage 2, 0 Ombudsman

How did we receive the complaints?

0 Via letter

3 Via email

Which services were complaints submitted to?



What were our residents dissatisfied with?

Decision

1

Lack of communication

0

Quality of Service

2

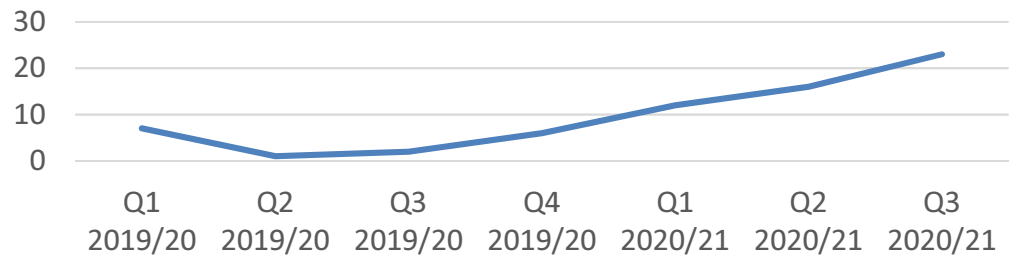
- **10** complaints received, were resolved outside the formal complaints process.
- Of the 3 Stage one **CIC** complaints, 2 related to the quality of Service received and 1 dissatisfied with the web pages for Blue Badge applications. Quality of service was around lack of services available from libraries and the closure of toilets in the town centre, during relaxation of the 2nd lockdown.

Actions taken: Improvements have since been made to the Blue Badge application process and web pages

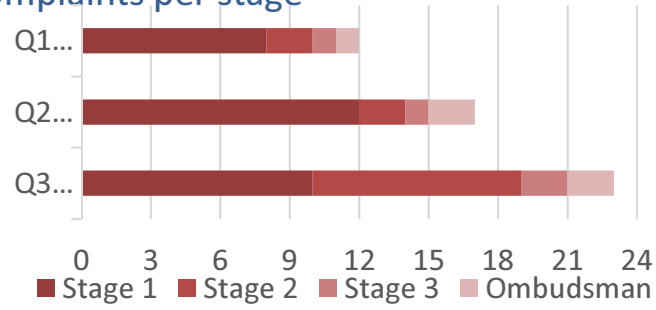
Formal Complaints - Quarter 3 I Children's Services

An increase in complaints for this quarter due to better understanding and reporting of the complaints process in the SEN team. Complaints Manager now in post and taking ownership for reporting on all Children's complaints.

Total complaints



Complaints per stage



Last quarter: Q2 20/21
17 complaints
- 12 Stage 1
- 2 Stage 2
- 1 Stage 3, 2 Ombudsman

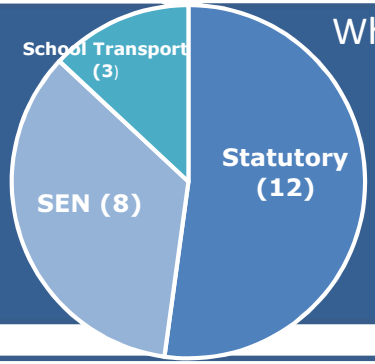
This quarter: Q3 20/21
23 complaints
- 10 Stage 1
- 9 Stage 2
- 2 Stage 3,
- 2 Ombudsman

How did we receive the complaints?

0 Via letter

23 Via email

Which services were complaints submitted to?



What were our residents dissatisfied with?

Assessment Decision

14

Inaccurate Records

3

Staff Attitude

6

8 complaints received were resolved outside the formal corporate and social care complaints process.

Dissatisfaction with the SEN team, related to delays in the annual review process and provision of EHCPS. Root cause seem to stem from staff changes, new allocations and delays from the setting in relation to a placement. The Team Manager now initiates an informal root cause analysis approach to understand what mitigation can be done in the future.

For Children's Act complaints, dissatisfaction was mixed between disputes around the accuracy of information captured through assessments, decisions coming out of assessments, and dissatisfaction with service user engagement with our staff. The Children's complaints manager has introduced a complaints learning log to identify what actions can initiate tangible improvements in service.

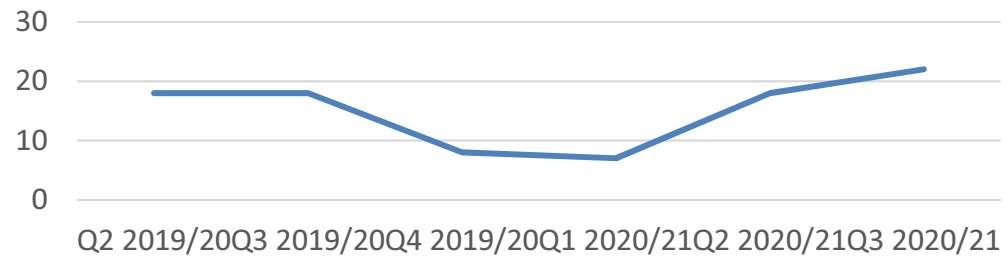
The **2** Stage 3 complaints, resulted in the Panel recommending improvements to procedures. The service are actioning the recommendations.

The Ombudsman investigation reached a final decision in favour of the complainant. The Service has agreed to the recommended actions which includes a financial payment.

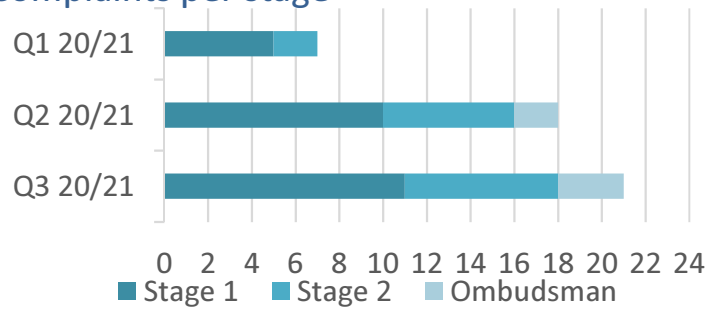
Formal Complaints - Quarter 3 | Place & Growth

Highways have seen an increase in complaints around traffic regulation orders, due to people being at home more and noticing issues in their area.

Total complaints



Complaints per stage



Last quarter: Q2 20/21
18 complaints
- 10 Stage 1
- 6 Stage 2, 2 Ombudsman

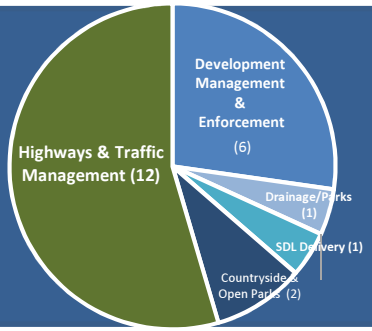
This quarter: Q3 20/21
22 complaints:
- 11 Stage 1
- 7 Stage 2, 4 Ombudsman

How did we receive the complaints?

0 Via letter

22 Via email

Which services were complaints submitted to?



What were our residents dissatisfied with?

Decision/lack of transparency

13

Inadequate communication

4

Road safety policy

4

Quality of Servic

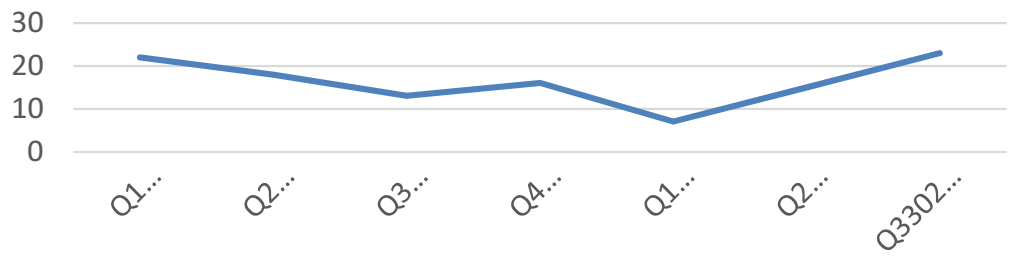
1

- **24** complaints were resolved outside the formal complaints process.
- Complainants disappointed with Traffic Management responses to requests for greater traffic controls. As part of the learning around drafting responses, the TM team is taking a more structured approach to dealing with complaints and writing responses. Including;
  - Acknowledge the issue from the customers point of view
  - Empathise over the impact this has on the customer and/or wider community
  - Inform the customer of what the Council can do, within its statutory, technical, environmental and political (STEP) framework
  - Commit to monitoring, future review and ongoing service improvement
- In response to Planning complaints, the Service is drafting information for neighbours in relation to householder planning applications to put on the web site. This will assist in better management of resident expectations.
- 4 ombudsman cases – 2 for Development Management are being assessed, 1 Highways case was not investigated and 1 for Flood Management found no fault.

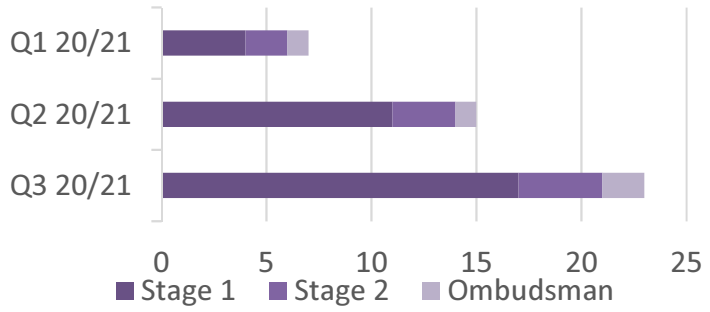
Formal Complaints - Quarter 3 I Resources & Assets

Lockdown and social distancing measures impacted on how Housing maintenance calls were addressed. This had a knock on effect in how many call outs could be completed, resulting in an increase in complaints.

Total complaints



Complaints per stage



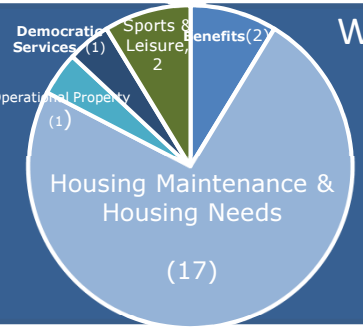
Last quarter: Q2 20/21
15 complaints;
11 Stage 1
3 Stage 2, 1 Ombudsman
This quarter: Q3 20/21
23 complaints:
- 17 Stage 1
- 4 Stage 2
- 2 Ombudsman

How did we receive the complaints?

0 Via letter

23 Via email

Which services were complaints submitted to?



What were our residents dissatisfied with?

Decision

6

Quality of Service

10

Lack of communication

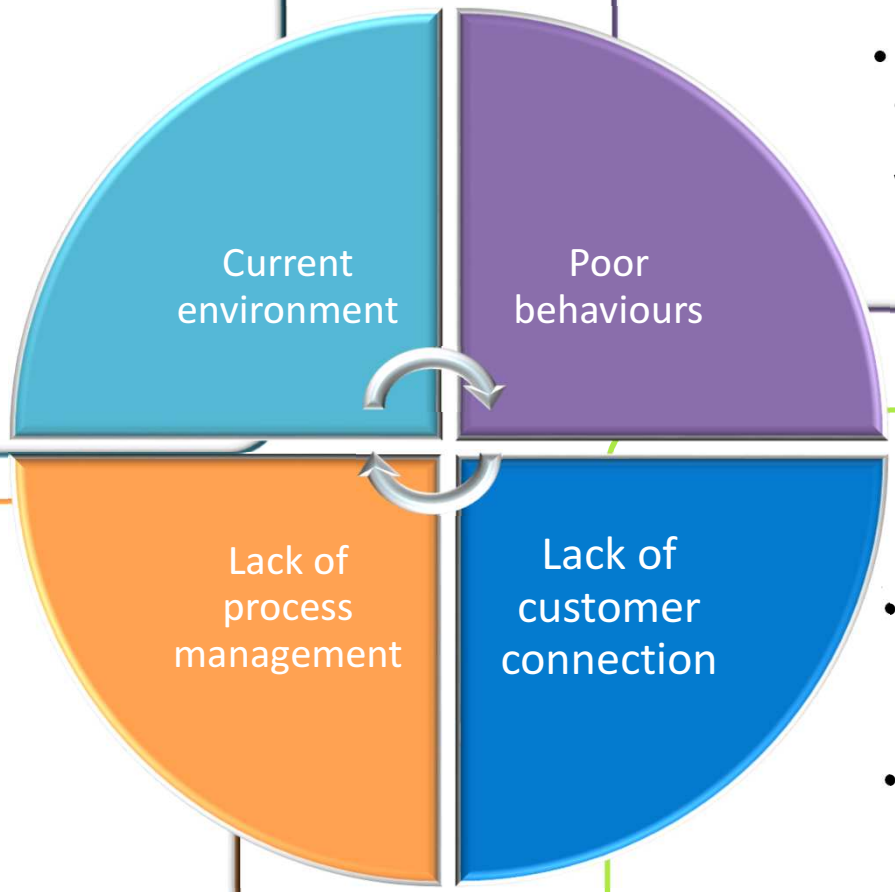
7

- **9** complaints were reported to have been resolved outside the formal complaints process.
- Of the **17** Stage 1 Resources & Assets complaints, 3 escalated to Stage 2. 1 was withdrawn and 1 was partly upheld for a failure to communicate the assessment decision clearly.
- The re-introduction of lockdown measures impacted how maintenance calls were completed. This had a knock on effect in how many site jobs could be attended. Dissatisfaction was also expressed on behalf of residents by advocates. These complaints related to how housing needs assessments were carried out around transparency of decisions.
- The Ombudsman advised it would not investigate 1 complaint as it had no legal remit to investigate the organisation of elections. The Ombudsman declined to investigate 1 other case as resolution to disputes concerning Housing benefit assessments, follows an appeal to the Benefits Tribunal..

Formal Complaints - Quarter 3 I Insight

The Complaints Focus Group are progressing actions to address the insight highlighted.

- Lockdown measures impacted how many home maintenance visits could be made for tenants.
- The experience of lockdown has made residents more aware of daytime working week neighbourhood issues For example, traffic and parking. Whilst in the previous quarter this concerned relaxing regulations, this quarter saw a demand for greater regulation.



- Failure to document events and/or what occurred at meetings. This meant decisions weren't fully transparent or in line with guidance and procedure.

- Care and safeguarding decisions often involve several stakeholders. Occasionally, delays in awaiting a decision from one partner is not followed up by the service case owner. As a result, causes delay and ultimately a lack of service provision for the customer.

- Emails issued by the customer fail to reach the inbox despite receiving an auto acknowledgement.
- Lack of timely contact by the case owner in service, has frustrated customers.

Complaints Focus I Progress

The complaints focus group was established back in September. The priority for the next quarter is to focus on key areas of work:

1. **Better recording of complaints, for both formal and early resolution cases**
2. **Rebranding of complaints ethos and information into a *'Voice of the Customer'* theme – internal and external**
3. **Redrafting and branding of the complaints policy, including clearer definitions around what is a service request versus a complaint**
4. **New online complaint webpage and form, designed to give the customer all the information they need in one place**
5. **Better triaging of complaints received via the online form, before being directed to the appropriate team**
6. **Clearer internal communication around how to deal with complaints, using the directorate reps and improved tools to help teams**
7. **Training on how to deal with complaints, including the right communication methods, promotion of empathy and using plain English when writing responses**

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TITLE	**Treasury Management Strategy 2021/24**
FOR CONSIDERATION BY	Audit Committee on 3 February 2021
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

Agree the treasury management procedures, limits, and objectives for 2021/22.

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

RECOMMENDATION

Audit Committee is asked to recommend and approve the following:

1. to support this report and recommend it to Executive on 18 February 2021. (Executive will then be asked to recommend the report to Council).

2. the Treasury Management Strategy as set out in Appendix A including the following additional appendices;

    - Prudential Indicators (Appendix B)
    - Annual Investment Strategy 2021/22 (Appendix C)
    - Minimum Revenue Provision (MRP) policy (Appendix D)

3. to note the cumulative financial impact on the Council of its borrowing activities equates to a net benefit for the taxpayer per band D of £13.64 at end of 2021/22 and noting the net benefit increase to £62.86 at the end of 2023/24.

SUMMARY

The Chartered Institute of Public Finance & Accountancy (CIPFA) 2018 Prudential Code sets out the requirements in relation to the setting of a Treasury Management Strategy within Local Authorities. The key objectives of the Code are to ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable.

Under the prudential system, individual local authorities are responsible for deciding the level of their affordable borrowing, having regard to CIPFA's Prudential Code, which has been given legislative backing. Prudential limits apply to all borrowing, qualifying credit arrangements and other long-term liabilities – whether supported by government or entirely self-financed. The system is designed to encourage authorities that need and can afford to undertake capital investment to do so within a robust framework.

Using the guidance from the Prudential Code, every year the Council produce a **Treasury Management Strategy** and a **Capital Strategy.** Both strategies are closely linked and also support the Medium Term Financial Plan. The Capital Strategy is considered in a separate report.

This report outlines the expected treasury activity for the forthcoming year and includes prudential indicators relating specifically to Treasury Management for the next three years. Further reports are produced during the year: a mid-year monitoring and a year-end outturn.

A key requirement of this report is to explain both the risks and the management of the risks associated with the treasury management activity.

Treasury Management Strategy

The Executive are asked to recommend the Treasury Management Strategy as set out in Appendix A including the following appendices;

- Prudential Indicators (Appendix B)

  These are primary indicators designed to ensure the key objectives of the Prudential Code are met and that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice.

  These are summarised below and consist of limits and performance indicators for categories of Affordability and Prudence.

Prudential Indicators	2021/22 £m	2022/23 £m	2023/24 £m
Affordability			
Limits			
Authorised Limit	729	852	905
Operational Boundary	677	789	838
Performance Indicators			
Gross external borrowing – General Fund + HRA	427	529	580
% of internal borrowing to CFR	29%	30%	25%
Ratio of financing costs to net revenue stream	1.0%	0.7%	0.6%
Ratio of financing costs to net revenue stream HRA	16.5%	16.1%	15.1%
Prudence			
Maturity structure of borrowing	See Appendix C		

In relation to % of internal borrowing to CFR, although no set % is advised in the Prudential Code, the guideline across the industry is between 25% and 35% and depends very much on each local authorities circumstances and approach. Wokingham will aim to work within the guidelines of 25% and 35%.

The ratio of financing costs to net revenue stream calculation doesn't include any surplus income generated from assets which the Council have borrowed for. Although a statutory indicator, it is important to consider all the income as highlighted in the table below on the net benefit to the taxpayer.

- Annual Investment Strategy 2021/22 (Appendix C)

  This sets out the investment parameters that the Council treasury service will work within when making decisions. The CIPFA Code and MHCLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's investment priorities will be security first, liquidity second, then return.

- Minimum Revenue Provision (MRP) policy (Appendix D)

  The policy in which the Council set aside a prudent revenue provision each year to repay historic capital spend also known as the capital financing requirement.

Net benefit to taxpayer

The executive are asked to note and recommend to Council to note the cumulative financial impact on the Council of its borrowing activities equates to a net benefit for the taxpayer per band D of £13.64 at end of 2021/22 as shown in the table below. Over the medium term, these benefits will increase as the housing, local economy and regeneration projects deliver more surplus benefits over and above financing costs.

	2021/22	2022/23	2023/24
Net Annual Benefit £m	£1.0m	£3.9m	£4.7m
Divide by Council Tax Base (no. of band D equivalent properties)	73,297.1	74,030.1	74,770.4
Benefit per band D property - £	**£13.64**	**£52.68**	**£62.86**

BACKGROUND

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations is to ensure that the Council has sufficient available cash to manage its day-to- day operations. By planning this daily cashflow the treasury service is able to invest short term surplus balances in suitable low-risk counterparties, which provide security of the investment and the appropriate liquidity before considering investment return.

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

Details of the Council's capital spend plans are set out in the **Capital Strategy** document. As capital spend impacts on treasury management, key highlights from the capital strategy are included in the treasury management strategy (Appendix A) and summarised below;

	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Roads and Transport	94.0	54.3	11.3	159.6
Housing, Local Economy & Regeneration	72.6	64.6	18.8	156.0
Climate Emergency	22.2	27.2	21.6	71.0
Environment	12.1	5.2	6.0	23.3
Internal Services	3.9	4.6	4.1	12.6
Children Services and Schools	3.4	3.1	5.4	11.9
Adult Social Care	7.2	2.9	1.0	11.1
Total Capital Programme 2021/22 to 2023/24	**215.4**	**161.9**	**68.2**	**445.5**

The capital programme proposed for the next three years is prudent and affordable as per the principles of the treasury management code of practice. The proposed funding of the programme is summarised below;

	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Supported borrowing	(165.0)	(95.2)	(32.2)	(292.4)
Developer contributions (S106 / CIL)	(26.4)	(34.2)	(8.4)	(69.0)
Capital grants	(12.1)	(13.8)	(11.5)	(37.4)
Other contributions	(6.3)	(5.8)	(6.1)	(18.2)
General fund borrowing	(3.5)	(3.6)	(3.6)	(10.7)
Additional general fund borrowing*	0.0	(6.7)	(3.7)	(10.3)
Capital receipts	(2.2)	(2.6)	(2.7)	(7.5)
Total	**(215.4)**	**(161.9)**	**(68.2)**	**(445.5)**

* Additional general fund borrowing is currently the funding gap for years 2 and 3. Through the budget process, the aim will be to reduce to zero through seeking additional income and/or reducing expenditure.

ANALYSIS OF ISSUES

Borrowing Position

An important part of the treasury management strategy is to highlight the level of borrowing need. This is known as the capital financing requirement (CFR) and is an accounting concept which monitors how much capital expenditure has been incurred but not yet paid for.

The housing revenue account also has a CFR which is shown in Appendix A. This CFR is ringfenced and repaid through tenants rental income. This is estimated to be £83m for 2021/22.

A major source of funding for the Council's capital programme is borrowing. This is described in two forms, supported borrowing and general fund borrowing. A significant part of the Council's capital programme is either self financing or makes a surplus where the income generated is greater than the cost of financing and therefore is available to fund other council services. These are referred to as "supported borrowing". General fund borrowing is funded through existing base budget and supports general investment to maintain Council assets and continue to provide services to customers and residents.

A summary of the general fund CFR for the next three financial years is estimated below.

	Supported Borrowing			General Fund Borrowing		
	21/22	22/23	23/24	21/22	22/23	23/24
	£m	£m	£m	£m	£m	£m
Opening balance	310	415	513	110	114	120
Expenditure in year	159	118	61	8	10	8
Repayments in year	(54)	(20)	(20)	(4)	(4)	(4)
Closing balance	**415**	**513**	**554**	**114**	**120**	**124**

In the table above, it is important to note, the "expenditure in year" row is an estimate of actual capital expenditure to be incurred in the financial year and includes the impact of carry forwards from the previous year and carry forwards into future years based on historic trends. This ensure a more accurate CFR position which is important when considering investment and borrowing decisions. It will therefore be different to the amount identified as funding earlier in the report in the capital funding tables.

It is important to note that the CFR balance does not reflect the level of debt the Council holds. Where the Council hold surplus balances such as reserves, unspent grants and working capital, this avoids the need to borrow externally saving on interest costs. This is known as internal borrowing. Furthermore, it is important to take into account any treasury

investment balances when looking at external debt to understand a more accurate debt figure.

The table below sets out the annual cost of serving this borrowing and the income generated through the assets which have been borrowed for. Over the next three years, the income generated from these assets will give **an increasing net benefit to the taxpayer.**

	2021/22	2022/23	2023/24
	£m	£m	£m
General Fund – MRP Repayment and Interest	8.3	8.2	8.3
Less contributions towards financing costs from following areas:			
- Treasury investments	(1.4)	(1.1)	(1.2)
- Housing, Local Economy and Regeneration	(4.8)	(6.4)	(6.5)
Net Annual Financing Cost	2.1	0.7	0.6
Include additional income over and above the contributions shown above:			
- Commercial investments	(2.2)	(3.5)	(3.8)
- Town centre regeneration	(0.9)	(1.1)	(1.5)
Net Annual **Benefit** to the taxpayer	**(1.0)**	**(3.9)**	**(4.7)**

Net Annual Benefit £m	£1.0m	£3.9m	£4.7m
Divide by Council Tax Base (no. of band D equivalent properties)	73,297.1	74,030.1	74,770.4
Benefit per band D property - £	**£13.64**	**£52.68**	**£62.86**

Repayment Of Borrowing

As highlighted previously, the Council continue to invest significant amounts into the capital programme generating assets such as roads, schools, housing, regeneration properties and many more. The graph below sets out the expected repayment of this debt aswell as the asset value generated.

The graph includes three key lines in reference to debt;

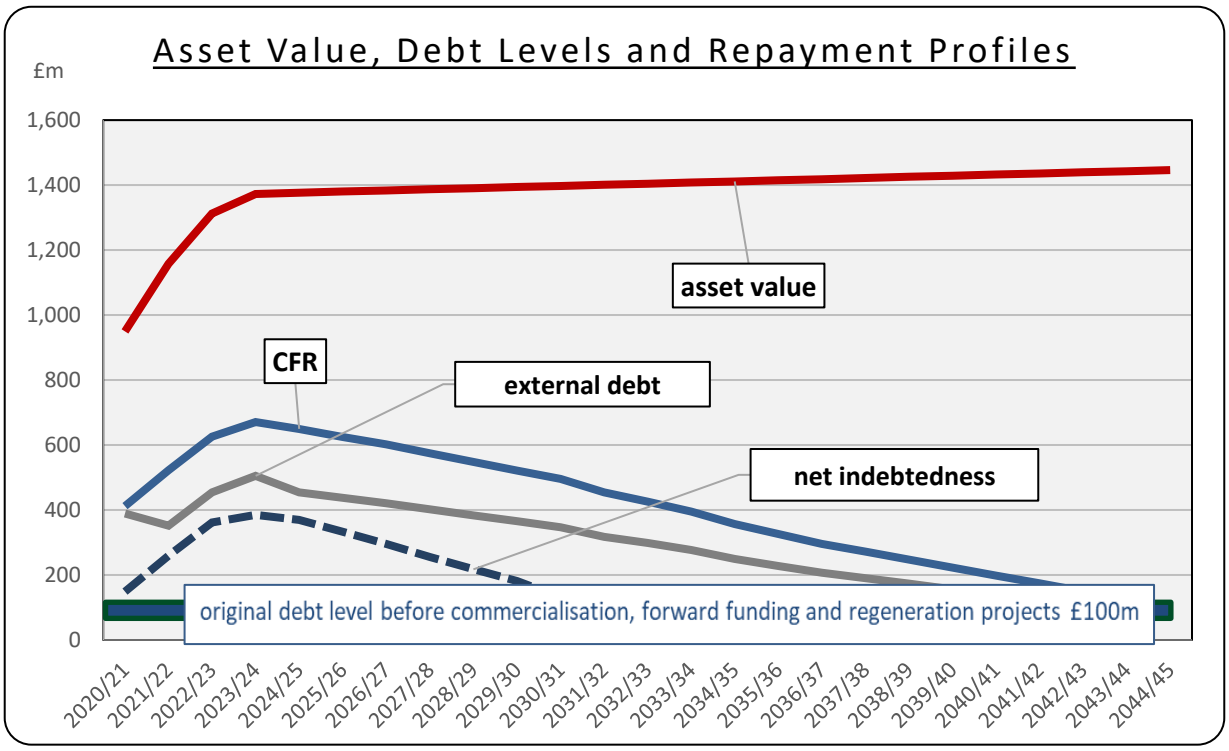
- Capital financing requirement (CFR) - It is a statutory accounting calculation that shows how much capital expenditure has historically been incurred but not yet paid for.
- External debt – this is the actual amount borrowed. The difference between CFR and external debt is referred to as internal borrowing.

- Net indebtedness – this is external debt less treasury investment balances. It is important that these are considered together as cash investments could be used to repay external debt.

The Council are expecting debt to rise over the next three years in line with the capital programme and then it is expected to reduce over time as income is generated from these projects and cost savings are realised.

CFR and external debt will reduce as borrowings are repaid through income and will reach a point in time when debt is fully repaid and the ongoing income will be transferred to benefit the general fund.

The graph is based on general fund only and excludes HRA as this is ringfenced.



The asset value used in the graph above are calculated using the total asset value from the Council's balance sheet, and an estimate of capital expenditure over the next three years. This new methodology is different to the asset value calculation used last year whereby only the asset values from new borrowing was included. This new methodology is more accurate and reflects all asset values that either have been or will be funded from an element of borrowing.

The above graph is summarised in the table below. After the first three years, the expectation is that the CFR, external debt and net indebtedness will start to reduce as repayments of borrowing start to increase, capital receipts and developer funding are received.

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
CFR (a)	523	626	671	650	625
Less internally funded (b)	171	171	166	169	171
External debt – general fund only (c = a+b)	352	454	505	481	454
Less treasury investments (d)	93	93	120	111	120
Net indebtedness (e = c – d)	**259**	**362**	**385**	**370**	**334**

Key Changes to the Strategy

The Council is recommending changes to the investment strategy as explained on page 5 of appendix A. The changes are designed to enhance the options available to the treasury team for daily management of cash funds, short term investing and borrowing.

These include;

- The option to be able to open a deposit account, with our transactional bank provider which will increase capacity to invest money in the short term (increase liquidity), particularly during current times of cashflow uncertainty.

- To increase the money market (liquid funds) limit from £5m to £10m which will increase capacity to invest money in the short term (increase liquidity), particularly during current times of cashflow uncertainty.

- The option to issue a local authority bond to raise borrowing as an alternative to traditional markets such as PWLB.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION
The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	• N/A	Yes	Revenue
Next Financial Year (Year 2)	• Benefit per band D property - £13.64	Yes	Revenue
Following Financial Year (Year 3)	• Benefit per band D property - £52.68	Yes	Revenue

Other Financial Information
Capital spend plans are outlined in further detail in the Capital Strategy which is available within the agenda pack for the 18 February 2021 Executive meeting and will be available on the Council's website once approved.

Public Sector Equality Duty
An Equality Impact Assessment is not required for this report

Climate Emergency – *This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030*
None

Reasons for considering the report in Part 2
None

List of Background Papers
Appendix A - Treasury Management Strategy Appendix B - Prudential & Treasury Management Indicators 2021/22 to 2023/24 Appendix C - Annual Investment Strategy Appendix D - MRP policy

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Treasury Management Strategy 2021-22

WOKINGHAM
BOROUGH COUNCIL

Contents

1. Introduction

The Chartered Institute of Public Finance & Accountancy (CIPFA) 2018 Prudential Code sets out the requirements for all local authorities to set an annual Treasury Management Strategy. The key objectives is to ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable.

Under the prudential system, individual local authorities are responsible for deciding the level of their affordable borrowing, having regard to the Code. Prudential limits apply to all borrowing, qualifying credit arrangements and other long-term liabilities – whether supported by government or entirely self-financed. The system is designed to encourage authorities that need and can afford to undertake capital investment to do so within a robust framework.

This report has been written using guidance from the Prudential Code, and has the Council's **Capital Strategy report.** Both strategies are closely linked and also support the Medium Term Financial Plan.

This report outlines the expected treasury activity for the forthcoming year and includes prudential indicators relating specifically to Treasury Management for the next three years. A key requirement of this report is to explain both the risks and the management of the risks associated with the treasury service.

The Strategy for 2021/22 covers two main areas:

Treasury Management activities

- treasury management policy statement
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the investment strategy;
- the borrowing strategy;
- policy on use of external service providers;
- reporting arrangements and management evaluation

Capital activities

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

2. Treasury Management Policy Statement

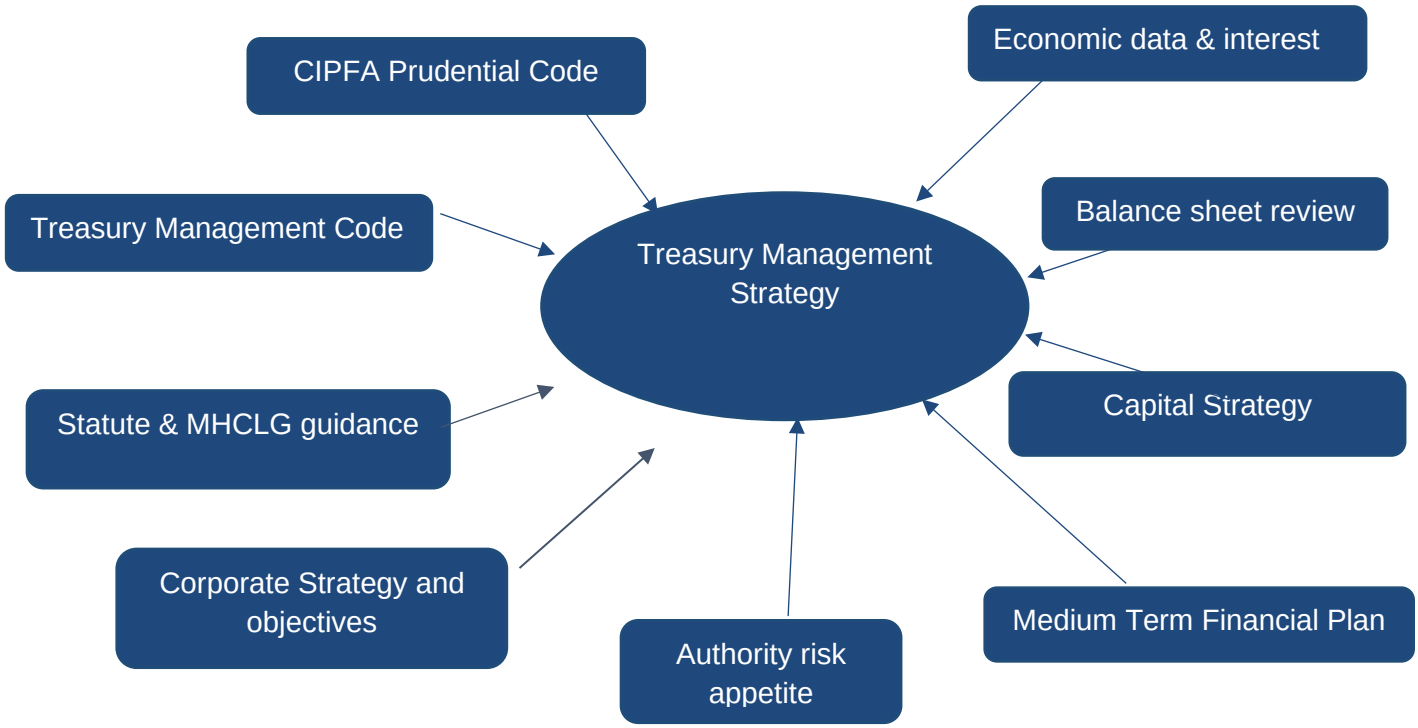
Wokingham Borough Council Treasury Management Policy Statement for 2021/22 is:

- The Council defines our treasury management activities as:
  The management of the Council's investments and cash flows, banking, money market and capital market transactions, the effective control of the risks associated with above mentioned activities and the pursuit of optimum performance consistent with those risks.

- The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

- The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Factors that shape the Treasury Strategy



Policy on use of external service providers

The Council use financial advisers Link Asset Services, to advise and support our treasury management practices, policies, investment and borrowing strategy.

When making investment or borrowing decisions, the Council have access to treasury brokers to ensure we achieve best value for money in our treasury deals.

3. Governance and Monitoring

The Deputy Chief Executive confirms that the treasury service will comply with the strategy set out within this document and any breaches to limits and prudential indicators will be reported to the Audit Committee as part of the two further statutory reports that are produced during the year: a mid-year monitoring report and a year-end outturn report.

During the year, the finance team engages in the following governance activities:-

- capital monitoring (forecast expenditure) is reported to Executive on a quarterly basis
- analysis of income projections for all funding assumptions
- cashflow review and forecasting
- treasury training including staff CPD
- financial modelling to support investment / borrowing strategy
- regular meetings with treasury advisors

4. Updates to Treasury Management Strategy

To request the following amendments to the 2021/22 Treasury Management Strategy:-

- to be able to open a deposit account, with our transactional bank provider increasing the capacity to invest money in the short term (increase liquidity), particularly during current times of cashflow uncertainty.

- increase to the money market limit from £5m to £10m, increasing capacity to invest money in the short term (increase liquidity), particularly during current times of cashflow uncertainty.

- option to issue a local authority bond to raise borrowing as an alternative to traditional markets such as PWLB.

5. The Council's Capital Expenditure and Financing 2021/22

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, capital contributions and revenue contributions etc.), which has no resulting impact on the Council's borrowing need or;

- funded by borrowing (internal or external);

  - internal borrowing - is the use of the internal cash reserves of the Council to fund the cashflow requirement for its capital expenditure.

  - external borrowing - is the use of loans from outside organisations to fund the cashflow requirements for its capital expenditure. For example, borrowing from other local authorities or the Public Works Loans Board.

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

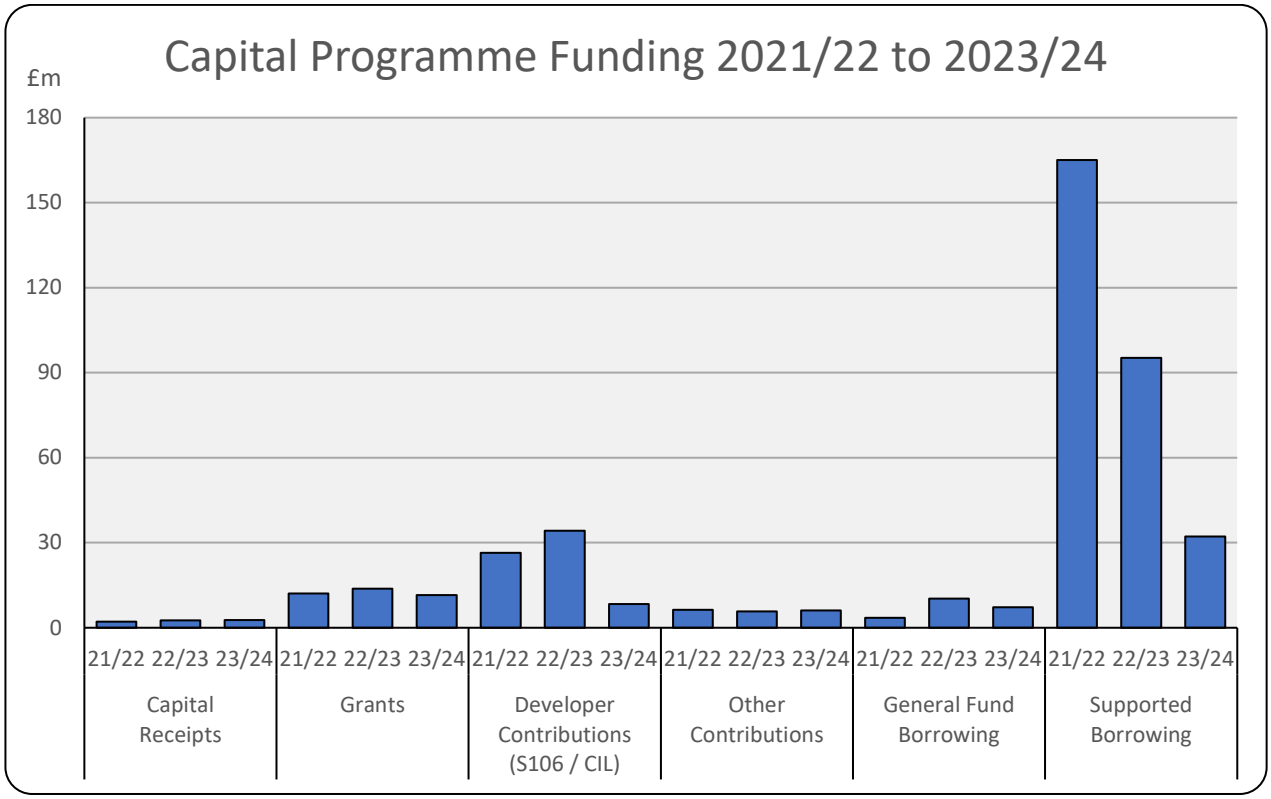
The table below sets out the capital programme for the next 3 years by key area. Full details of the Capital Programme can be found in the Capital Strategy 2021/22 and the MTFP 2021/22.

	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Roads and Transport	94.0	54.3	11.3	159.6
Housing, Local Economy & Regeneration	72.6	64.6	18.8	156.0
Climate Emergency	22.2	27.2	21.6	71.0
Environment	12.1	5.2	6.0	23.3
Internal Services	3.9	4.6	4.1	12.6
Children Services and Schools	3.4	3.1	5.4	11.9
Adult Social Care	7.2	2.9	1.0	11.1
Total Capital Programme 2021/22 to 2023/24	**215.4**	**161.9**	**68.2**	**445.5**

The capital programme proposed for the next three years is prudent and affordable as per the principles of the treasury management code of practice. The proposed funding of the programme is summarised below;

	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Supported borrowing	(165.0)	(95.2)	(32.2)	(292.4)
Developer contributions (S106 / CIL)	(26.4)	(34.2)	(8.4)	(69.0)
Capital grants	(12.1)	(13.8)	(11.5)	(37.4)
Other contributions	(6.3)	(5.8)	(6.1)	(18.2)
General fund borrowing	(3.5)	(3.6)	(3.6)	(10.7)
Additional general fund borrowing*	0.0	(6.7)	(3.7)	(10.3)
Capital receipts	(2.2)	(2.6)	(2.7)	(7.5)
Total	**(215.4)**	**(161.9)**	**(68.2)**	**(445.5)**

* Additional general fund borrowing is currently the funding gap for years 2 and 3. Through the budget process, the aim will be to reduce to zero through seeking additional income and/or reducing expenditure.



Supported borrowing is where a direct repayment source has been identified to cover the cost of borrowing, for example invest to save schemes (covered from the future income generation or cost reductions), and many projects under Housing, Local Economy and Regeneration classification. Another example is forward funding developer contributions, where borrowing will be repaid from future developer contributions to be received.

The Capital Financing Requirement (CFR)

The Capital Financing Requirement (CFR) is the total historic outstanding capital expenditure which has not yet been paid for from resources (e.g. Capital receipts or grants). Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

A major source of funding for the Council's capital programme is borrowing. This is described in two forms, supported borrowing and general fund borrowing. A significant part of the Council's capital programme is either self financing or makes a surplus where the income generated is greater than the cost of financing and therefore is available to fund other council services. These are referred to as "supported borrowing". General fund borrowing is funded through existing base budget and supports general investment to maintain Council assets and continue to provide services to customers and residents.

The table below shows the estimated CFR for supported borrowing and general fund borrowing over the next three years.

	Supported Borrowing			General Fund Borrowing		
	21/22	22/23	23/24	21/22	22/23	23/24
	£m	£m	£m	£m	£m	£m
Opening balance	310	415	513	110	114	120
Expenditure in year	159	118	61	8	10	8
Repayments in year	(54)	(20)	(20)	(4)	(4)	(4)
Closing balance	**415**	**513**	**554**	**114**	**120**	**124**

In the table above, it is important to note, the "expenditure in year" row is an estimate of actual capital expenditure to be incurred in the financial year and includes the impact of carry forwards from the previous year and carry forwards into future years based on historic trends. This ensure a more accurate CFR position which is important when considering investment and borrowing decisions. It will therefore be different to the amount identified as funding earlier in the report in the capital funding tables.

As mentioned above, supported borrowing are related to capital projects which are self financing and / or income generating. For the types of supported borrowing, a breakdown of the CFR is shown below.

	Supported Borrowing		
	21/22	22/23	23/24
	£m	£m	£m
Invest to save	209	274	310
Town centre regeneration	86	90	84
Wokingham housing companies	35	44	51
Developer contributions forward funded	85	105	109
Closing balance	**415**	**513**	**554**

The tables on the previous page are referred to as the "general fund" position and exclude the Housing Revenue Account (HRA) CFR because this is ringfenced and funded entirely from tenants rental income.

The HRA CFR for the next three years is estimated below.

	Housing Revenue Account		
	21/22	22/23	23/24
	£m	£m	£m
Opening balance	85	84	83
Expenditure in year	2	2	2
Repayments in year	(3)	(3)	(3)
Closing balance	**84**	**83**	**82**

The in-year increase in the borrowing requirement is due to the Council's ambitious Capital Programme which includes invest to schemes (these schemes will be able to create a saving and pay for the financing costs), many are Housing, Local Economy and Regeneration schemes, which will reduce over time when capital receipts are recovered or loans repaid. To be able to provide the infrastructure such as roads and facilities that the borough needs the council is continuing to forward fund schemes. These will decrease again as developer contributions are received. The CFR is also reduced each year by the minimum revenue provision (MRP) (see section 6). Part of the Councils financial strategy is based on diversifying income streams, by growing revenue generating assets through its housing companies and other strategic investments.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the Capital Programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the Capital Programme 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 approach saves the council on interest costs). 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], the money markets and other types of funding (local authorities, bonds etc.).

The CFR is estimated to reduce over the next 25 to 30 years to the pre 2011/12 level of £100m. 2011/12 is used as a benchmark because this was the level of balance before the housing, regeneration and forward funded projects.

This reduction is shown on the graph on the next page.

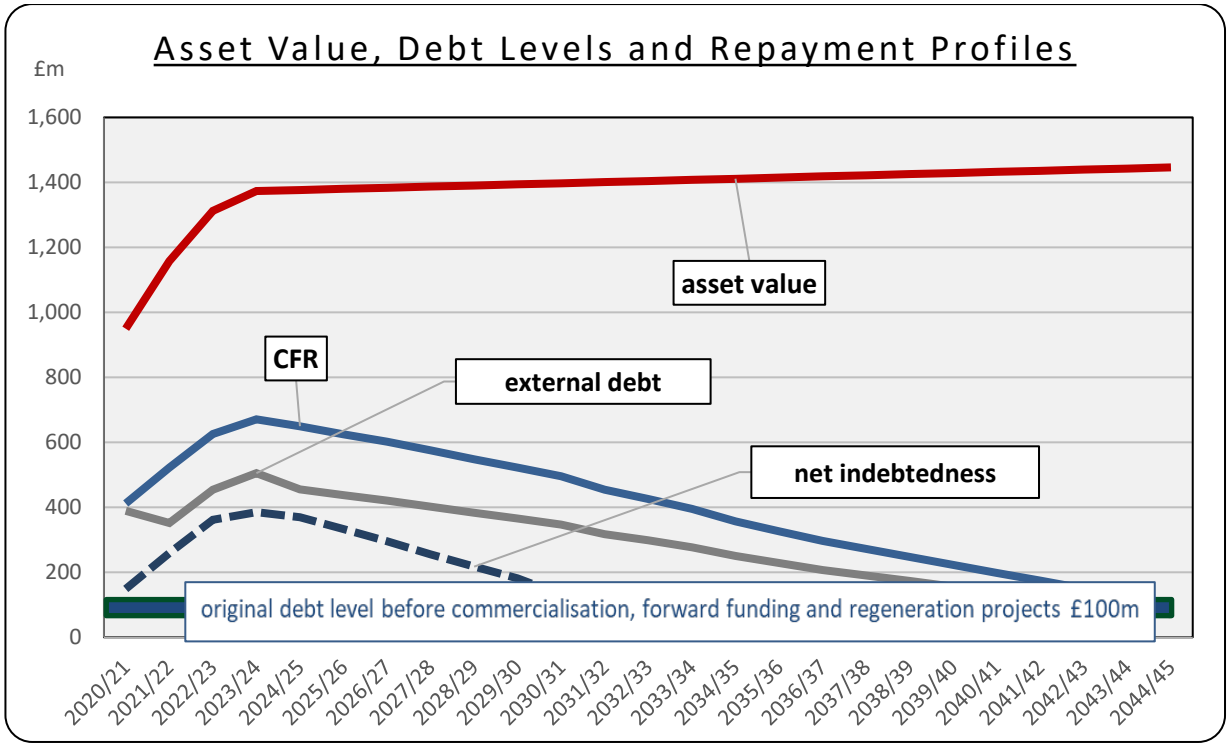
As highlighted previously, the Council continue to invest significant amounts into the capital programme generating assets such as roads, schools, housing, regeneration properties and many more. The graph below sets out the expected repayment of this debt aswell as the asset value generated.

The graph includes three key lines in reference to debt;

- Capital financing requirement (CFR) - It is a statutory accounting calculation that shows how much capital expenditure has historically been incurred but not yet paid for.
- External debt – this is the actual amount borrowed. The difference between CFR and external debt is referred to as internal borrowing.
- Net indebtedness – this is external debt less treasury investment balances. It is important that these are considered together as cash investments could be used to repay external debt.

The Council are expecting debt to rise over the next three years in line with the capital programme and then it is expected to reduce over time as income is generated from these projects and cost savings are realised.

CFR and external debt will reduce as borrowings are repaid through income and will reach a point in time when debt is fully repaid and the ongoing income will be transferred to benefit the general fund.



The asset value used in the graph above are calculated using the total asset value from the Council's balance sheet, and an estimate of capital expenditure over the next three years. This new methodology is different to the asset value calculation used last year whereby only the asset values from new borrowing was included. This new methodology is more accurate and reflects all asset values that either have been or will be funded from an element of borrowing.

6. Minimum Revenue Provision (MRP) Policy Statement

The Council is required to pay off an element of the accumulated General Fund underlying borrowing each year (the 'CFR') through a revenue charge known as the Minimum Revenue Provision (MRP). The Council is also permitted to undertake additional voluntary payments known as Voluntary Revenue Provision (VRP).

The Ministry for Housing, Communities and Local Government (MHCLG) regulations have been issued which require the full Council to approve a MRP Statement in advance of each financial year. The decision on the amount of MRP lies with the Council although a prudent provision must be made. **The Council is recommended to approve the MRP Statement which can be found in Appendix D.**

Principles of the guidance have been reflected in the Council's strategy now the guidance has been finalised. However where we identify an alternative prudent and more pertinent MRP policy, we are permitted to follow that instead.

For 2021/22 Wokingham Borough Council's MRP policy will follow the main MHCLG principles, except in some instances. The table below summarises areas where WBC are planning to divert from the guidance.

Expenditure type	WBC MRP charging policy
Freehold land	maximum 60 years using asset life as a guide
Bridges	maximum 60 years using asset life as a guide
Housing, Local Economy and Regeneration a) assets that can be disposed of for appreciation	10% of maximum 15 years asset life
Housing, Local Economy and Regeneration b) all other assets	range of 5 to 40 years (depending on life of asset type)
Loan Capital in WBC holdings	no charge - loan secured by company assets
Forward Funding Schemes	no charge – developer contributions are used to repay principle

Housing, Local Economy and Regeneration - a) assets that can be disposed of for appreciation – 10% for a maximum of 15 years asset life. This is a prudent contingency for assets which can be disposed of for appreciation, if they reduce in value when sold, to cover any loss on disposal.

7. Balance Sheet Projections

The balance sheet projection is a financial model used to help understand the current and future levels of external and internal borrowing in relation to the CFR estimates and the underlying cash balances. It is not required in the Prudential Code however is consider best practice to do and helps to ensure our borrowing is prudent, affordable and sustainable.

With support from our financial advisors Link Asset Services, we produce a balance sheet review on a quarterly basis. One of the key performance indicators identified in the strategy is the ratio of internal borrowing to CFR. The industry benchmark is a ratio of 25% - 35%. This ratio is important as it indicates if the Council can take on capital expenditure without the need to secure borrowing at the point of expenditure. This helps ensure borrowing costs are minimised. The balance sheet review will calculate the ratio for the current year and future years.

The balance sheet reviews looks at;

- CFR position
- Level of investment balance
- External debt requirement
- Working capital position
- Level of reserves

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8. External Borrowing and Compliance with Treasury Limits and Prudential Indicators for Debt

We have looked at the overall Capital Programme (above) but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Further detail on each of these indicators is included in Appendix B.

Authorised limit – Limit beyond which borrowing is prohibited, and needs to be set and revised by Council and should reflect a level of borrowing which, while not desired, could be afforded but may not be sustainable.

Operational boundaries limit – Limit of borrowing which is deemed prudent and affordable whilst allowing the Council to fund it's capital programme plan.

Gross external borrowing – borrowing with external parties which attract an interest charge (e.g. PWLB).

% of internal borrowing to CFR – percentage of the use of the internal cash reserves of the Council to fund the cashflow of its capital expenditure (internal borrowing) over the 'total historic outstanding capital expenditure which has not yet been paid for from capital resources' (capital financing requirement).

Maturity structure of borrowing – time period when loans borrowed will be required to be repaid.

Ratio of financing costs to net revenue stream - The ratio of the financing costs against the net revenue expenditure.

The Council is asked to approve the following prudential indicators in the table below;

Prudential Indicators	2021/22 £m	2022/23 £m	2023/24 £m
Affordability			
Limits			
Authorised Limit (Note: CFR*120%)	729	852	905
Operational Boundary (Note: CFR *110%)	677	789	838
Performance Indicators			
Gross external borrowing	427	529	580
% of internal borrowing to CFR	29%	30%	25%
Ratio of financing costs to net revenue stream	1.0%	0.7%	0.6%
Ratio of financing costs to net revenue stream HRA	16.5%	16.1%	15.1%
Prudence			
Maturity structure of borrowing	See Appendix C		

9. Investment Strategy

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

Annual investment strategy

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

The Council will only invest its surplus funds in accordance with its time and monetary limits for institutions on the Council's counterparty list.

Time and monetary limits for institutions on the Council's counterparty list

	* Minimum credit criteria / colour band*	Money Limit	Max. maturity period
DMADF – UK Government	UK sovereign rating	£20M	3 months
UK Government gilts	UK sovereign rating	£5m	1 year
UK Government Treasury bills	UK sovereign rating	£5m	1 year
Money market funds	AAA	£10m	Liquid
Local authorities	N/A	£10m	5 year
Term deposits with banks and building societies**	AA	£5m	Liquid
Term deposits with building societies	A-	£5m	Liquid
CDs or corporate bonds with banks and building societies	AA	£5m	Liquid

Note*: The credit criteria shown here is Fitch credit ratings agencies long term ratings. When using the credit rating the Council will use the lower of the three credit rating agencies.(See appendix C)
Note **for each banking group the following limits will apply, dependent on the rating of the Parent Bank (i.e. Lloyds group)

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

The annual investment strategy can be found in Appendix C.

Wherever possible the Council will not invest in funds returning negative rates of interest.

Changes to investment strategy for 2021/22

The strategy requests the approval of the following changes to the Investment Strategy:-

- to be able to open a deposit account, with our transactional bank provider increasing capacity to invest money in the short term (increase liquidity), particularly during current times of cashflow uncertainty.

- increase the money market limit from £5m to £10m, increasing capacity to invest money in the short term (increase liquidity), particularly during current times of cashflow uncertainty.

Treasury investment projections

The Council assesses future investment projections, so as to maintain an operational cash balance so that it is able to manage its planned future day-to-day cashflow, without the requirement of short-term borrowing. Once planned short term expenditures are covered, treasury will look to invest in the longer term (plus 1 year).

The table below shows the Councils treasury investment projections for the next three years.

	2021/22 £m	2022/23 £m	2023/24 £m
Loans to council owned companies	37	44	46
Loans to local authorities / fund managers	79	79	86
Total	**116**	**123**	**132**

Estimated investment return rates for treasury investments

Investment returns are likely to remain low during 2021/22 but are expected to rise gradually over the next 3-5 years. There remains a lot of uncertainty in terms of the global and national economy and the longer terms impact from Covid-19.

	Interest forests							
	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022
Bank rate	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

Cash flow management

The Council's officers maintain a detailed cash flow forecast for each coming year revising it as more information is available. This informs the short-term investments. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Long term investment strategy is based on the Council's Medium Term Financial Strategy.

Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the MHCLG Guidance, the Council may also make loans and investments for service purposes or where the local authority is setting up local authority owned companies. Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this Treasury Management Strategy.

The council will acquire land and buildings within the borough boundaries for the primary reason of economic development, regeneration or to protect local employment for residents and has to take on external debt to pay for these, the minimum revenue provision and the cost of debt financing is expected to be covered from any income streams generated by the acquisition.

THE COUNCIL WILL NOT BORROW TO ACQUIRE ASSETS PRIMARILY FOR FINANCIAL RETURN.

The previous commercial properties investment made before changes to the PWLB borrowing regulations will be retained until the optimum point for disposal in accordance with the strategy agreed by Council on 23 November 2017. This strategy is currently being revised by the Council's Property Service. Where these investments have treasury or MRP implications this strategy will be followed.

Investment Performance Benchmarking

Prior to investing funds the Council is required to ensure that it follows the following indicators to achieve security, liquidity and return (in this order).
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Performance Benchmark	2021/22	2022/23	2023/24
Review of investment strategy to be undertaken during year	Yes	Yes	Yes
Bank overdraft limit	£0m	£0m	£0m
Liquid short term deposits available with a week's notice of at least	£5m	£5m	£5m
Weighted average life benchmark is expected to be 0.25 years, with a maximum of 0.5 years.	0.5 Years	0.5 Years	0.5 Years

10. Borrowing Strategy

In order to fund the capital programme highlighted earlier in the strategy, the Council will be required to borrow. Depending on the cashflow position of the Council at the time, borrowing will vary from short term (due to a requirement for liquidity), or over a longer period so as to fund a major project.

The following factors are to considered when making borrowing decisions;

- Need for short term or long term borrowing.
- Forecast ratio of Internal / External borrowing.
  - i) Internal borrowing - is the use of the internal cash reserves of the Council to fund its capital expenditure
  - ii) External borrowing - is the use of loans from outside the organisations to fund its capital expenditure
- Maturity Structure - link maturity payments dates to when other income receipts due to be received to match against the repayment of debt (part of the long- term cash-flow).
- View of the interest rate market.

Once a decision is made on the type of borrowing required, the Council will look to borrow from the following places (in no particular order);

- PWLB (Public Works Loans Board)
- Local Authorities.
- Financial Institutions (e.g. banks, pensions funds)
- Municipal Bonds Agency (MBA) borrowing – Local Government Funded Agency, raises funds from selling municipal bonds to lend to local authorities
- Issuance of Local Authority Bonds (from Wokingham Borough Council) – Council issue bonds on bond market

<u>Changes to the borrowing strategy for 2021/22</u>

For 2021/22, the following change is being made to the borrowing strategy;

- Option to issue a local authority bond to raise borrowing as an alternative to traditional markets such as PWLB.

11. Appendices

- Appendix B – Prudential & Treasury Management Indicators 2021/22 to 2023/24
- Appendix C - Annual Investment Strategy
- Appendix D - MRP Policy

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Prudential & Treasury Management Indicators 2021/22 to 2023/24

These are primary indicators designed to ensure the key objectives of the Prudential Code are met and that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice.

Capital Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital programme**.**

The Council's Capital programme is summarised below as the required prudential indicators for capital expenditure.

Capital Programme Expenditure	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Housing, Local Economy and Regeneration	72.6	64.6	18.8	156.0
Roads and Transport	94.0	54.3	11.3	159.6
Climate Emergency	22.2	27.2	21.6	71.0
Environment	12.1	5.2	6.0	23.3
Internal Services	3.9	4.6	4.1	12.6
Children Services and Schools	3.4	3.1	5.4	11.9
Adult Social Care	7.2	2.9	1.0	11.1
Total Capital Programme	**215.4**	**161.9**	**68.2**	**445.5**

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of funding resources results in a borrowing need.

Capital Programme Funding

	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Supported borrowing	(165.0)	(95.2)	(32.2)	(292.4)
Developer contributions (S106 / CIL)	(26.4)	(34.2)	(8.4)	(69.0)
Capital grants	(12.1)	(13.8)	(11.5)	(37.4)
Other contributions	(6.3)	(5.8)	(6.1)	(18.2)
General fund borrowing	(3.5)	(3.6)	(3.6)	(10.7)
Additional general fund borrowing*	0.0	(6.7)	(3.7)	(10.3)
Capital receipts	(2.2)	(2.6)	(2.7)	(7.5)
Total	**(215.4)**	**(161.9)**	**(68.2)**	**(445.5)**

* Additional general fund borrowing is currently the funding gap for years 2 and 3. Through the budget process, the aim will be to reduce to zero through seeking additional income and/or reducing expenditure.

A major source of funding for the Council's capital programme is borrowing. This is described in two forms, supported borrowing and general fund borrowing. A significant part of the Council's capital programme is either self financing or makes a surplus where the income generated is greater than the cost of financing and therefore is available to fund other council services. These are referred to as "supported borrowing". General fund borrowing is funded through existing base budget and supports general investment to maintain Council assets and continue to provide services to customers and residents.

Capital Financing Requirement

The Capital Financing Requirement (CFR) is any capital expenditure above, which has not been funded (resulting in a borrowing need). The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which reduces the borrowing need in line with our MRP policy. The CFR includes any other long- term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include the financing of the asset and so the Council is not required to separately borrow for these schemes.

The following table shows the total CFR for the general fund and therefore excludes the HRA which is shown separately further below.

CFR : General fund Total	Total		
	21/22	22/23	23/24
	£m	£m	£m
Opening balance	420	529	633
Expenditure in year	167	128	69
Repayments in year	(58)	(24)	(24)
Closing balance	**529**	**633**	**678**

This can be broken down further into supported and general fund borrowing.

CFR : General fund	Supported Borrowing			General Fund Borrowing		
	21/22 £m	22/23 £m	23/24 £m	21/22 £m	22/23 £m	23/24 £m
Opening balance	310	415	513	110	114	120
Expenditure in year	159	118	61	8	10	8
Repayments in year	(54)	(20)	(20)	(4)	(4)	(4)
Closing balance	**415**	**513**	**554**	**114**	**120**	**124**

Supported borrowing consists of different types of supported borrowing which are broken down further below. As described earlier, these are either self-financing or makes a surplus where the income generated is greater than the cost of financing and therefore is available to fund other council services.

CFR : General fund	Total		
	21/22	22/23	23/24
	£m	£m	£m
Invest to Save	209	274	310
Town Centre Regeneration	86	90	84
Wokingham Housing Ltd	35	44	51
Developer contribution forward funded	85	105	109
Closing balance	**415**	**513**	**554**

The following table shows the CFR balance for the HRA. Due to the ringfenced nature of the HRA, the CFR is considered separately to the general fund.

CFR : HRA	Total		
	21/22	22/23	23/24
	£m	£m	£m
Opening balance	85	84	83
Expenditure in year	2	2	2
Repayments in year	(3)	(3)	(3)
Closing balance	**84**	**83**	**82**

External Debt

The Operational Boundary

This is the limit beyond which external borrowing and long-term liabilities are not normally expected to exceed. In most cases, this would be linked to the CFR, but may be lower or higher depending on the levels of actual borrowing and the ability to fund under-borrowing by other cash resources.

	2021/22 £m	2022/23 £m	2023/24 £m
Operational boundary for total debt	677	789	838

Note: calculation CFR *110%

A 10% adjustment is added to the CFR balance in order to calculate the operational boundary. This is deemed prudent enough to cover any fluctuations in borrowing levels throughout the year.

Authorised limit

This is the maximum level of borrowing. It represents a limit beyond which external borrowing is prohibited**.**

	2021/22 £m	2022/23 £m	2023/24 £m
Authorised limit for total debt	729	852	905

Note: calculation CFR *120%

A 20% adjustment is added to the CFR balance in order to calculate the authorised limit. This is deemed prudent enough to cover any fluctuations in borrowing levels throughout the year.

Affordability

To assess the affordability of a council's capital programme, the following indicators provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream;

General Fund

	2021/22	2022/23	2023/24
Percentage of Financing Costs to Net Revenue Stream	1.0%	0.7%	0.6%

The decrease is due to the following reasons:

- Repayment of forward funded borrowing on receipt of developers' contributions.
- Repayment of invest to save schemes as savings/income is received.
- Investments returns from Council companies.

Housing Revenue Account (HRA)

	2021/22	2022/23	2023/24
Percentage of Financing Costs to Net Revenue Stream	16.5%	16.1%	15.1%

The decrease is due to reduction in financing costs as loan repayments are made.

Maturity structure of borrowing

The table below shows the current maturity structure of borrowing forecast as at 31 March 2021. The Council will aim to match the maturity structure of borrowing with the expected profile of when income will come in to repay borrowing.

Long Term Borrowing	31st March 2021 £m
Less than 1 year	253
Between 1 and 2 years	63
Between 2 and 5 years	13
Between 5 and 10 years	25
Between 10 and 15 years	42
Between 15 and 20 years	0
Between 20 and 25 years	4
Between 25 and 30 years	1
More than 30 years	43
Total	**444**

Note: Less than a year borrowing will be replaced with a mixture of new external debt and internal borrowing. The treasury service through the use of its cashflow constantly review its debt and will endeavour to get the best rates available while looking at the long and short term picture of anticipated receipts and payments.

Investment treasury indicator and limit

Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Upper limit for principal sums invested for longer than 365 days	2021/22 £m	2022/23 £m	2023/24 £m
Principal sums invested for longer than 365 days	60	60	60

ANNUAL INVESTMENT STRATEGY

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

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

	Fitch Long term Rating	Moody's	Standard & Poors	Money Limit	Time Limit
Banks 1 higher quality	**F1+/AAA**	**P-1Aaa**	**A-1+/AA-**	**£5m**	**365 days**
Banks 1 medium quality	**F1+/AA-**	**P-1Aa3**	**A-1+/AA-**	**£3m**	**365 days**
Building Societies				**£2m**	**6 Months**
Debt Management Office Account (DMADF)	**-**	**-**	**-**	**£20m**	**3 Months**
Guaranteed Organisations	**-**	**-**	**-**	**£2m**	**3 Months**
Other local authorities	**-**	**-**	**-**	**£10m**	**5 years 1825 days**
Other Institution Limits (Money Market Funds, Gilts and Supranational investments)	**-**	**-**	**-**	**£10m**	**365 days**

Creditworthiness policy

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

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

The Deputy Chief Executive (S151 Officer) will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

Appendix C

Credit Rating criteria:

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

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

Bank criteria

The Council will only use good credit quality banks which:

- are UK banks; and/or
- are non-UK and domiciled in a country which has a minimum sovereign long- term rating of AAA (in house team only)

• Group Limits – For each banking group the following limits will apply, dependent on the rating of the Parent Bank

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

Other institutions

Gilts and the Debt Management Account Deposit Facility (DMADF)

• Local authorities, parish councils etc.

• Supranational institutions – multilateral investment organisations such as the World Bank or European Investment Bank (sometimes used by the Fund Managers)

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

Appendix C

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

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

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

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

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

The investment policy proposed for the Council is:

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

Appendix C

SPECIFIED INVESTMENTS:

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

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

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

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

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

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories.
The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	*** Minimum credit criteria / colour band**	**Money Limit**	**Max. maturity period**
DMADF – UK Government	UK sovereign rating	£20M	3 months
UK Government gilts	UK sovereign rating	£5m	1 year
UK Government Treasury bills	UK sovereign rating	£5m	1 year
Money market funds	AAA	£10m	Liquid
Local authorities	N/A	£10m	5 years
Term deposits with banks and building societies	AA	£5m	Liquid
CDs or corporate bonds with banks and building societies	A-	£5m	Liquid
Corporate bond funds	AA	£5m	Liquid

Other investment categories:

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

Appendix C

Accounting treatment of investments

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

The monitoring of investment counterparties

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

Use of external fund managers

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

2021/22 Wokingham Borough Council MRP Policy

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

MHCLG regulations have been issued which require the full Council to approve a MRP Statement in advance of each financial year. The decision on the level of MRP lies with the Council although a prudent provision must be made. The Council is recommended to approve the following MRP Statement:

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

- an approximate 4% reduction in the borrowing need (CFR) each year.

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

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

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

Wokingham will follow the statutory guidance, except in some instances, as disclosed below. Final guidance was issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Under that section local authorities are required to "have regard" to this guidance.

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

For assets which WBC or one of its subsidiary companies own that can be disposed of for appreciation, we will make a 10% charge for MRP over 15 years.

Appendix D

Alternative prudent assumptions will be used in the following circumstances.

Expenditure type	WBC MRP charging policy
Freehold land	maximum 60 years using asset life as a guide
Bridges	maximum 60 years using asset life as a guide
Housing, Local Economy and Regeneration a) assets that can be disposed of for appreciation	10% of maximum 15 years asset life
Housing, Local Economy and Regeneration b) all other assets	range of 5 to 40 years (depending on life of asset type)
Loan Capital in WBC holdings	no charge – loan secured by company asset
Forward Funding Schemes	no charge – developer contribution are used to repay principle

For freehold land and bridges, we have opted to increase the charge to a maximum of 60 years, as this gives a more realistic useful life of these asset types.

Housing, Local Economy and Regeneration - a) assets that can be disposed of for appreciation – 10% for a maximum of 15 years asset life. This is a prudent contingency for assets which can be disposed of for appreciation, if they reduce in value when sold, to cover any loss on disposal.

Based on the Council' latest estimates of its Capital financing of its CFR on 31st March 2021 the budget for MRP and voluntary overpayments (VRP) has been set as follows:

Estimated MRP/VRP	2021/22 £m	2022/23 £m	2023/24 £m
MRP (minimum repayment provision)	(3)	(3)	(4)
PFI Principal Charge	(1)	(1)	(1)
Contribution form invest to save schemes	(1)	(2)	(2)
Repayment of forward funded programmes by developer contributions*	(13)	(14)	(8)
Repayment of Loan Principle (eg capital receipts)	(42)	(8)	(12)
	(60)	**(28)**	**(27)**

Note * this is on receipt of the developer contributions linked to the forward fund schemes

Appendix D

Impact of IFRS 16 Changes

The MRP Policy above covers the treatment for finance leases. The accounting changes from IFRS 16 – Leases, which apply from 1st April 2021 will not change how the current MRP policy accounts for lease payments. The potential change will be for material operating leases being restated as finance leases which will affect the CFR balance and the estimated MRP payments. Any new leases undertaken from 1st April 2021 may also have an impact on the estimated balances above. The Council are currently reviewing all leases to ensure correct accounting treatment for 2021/22.

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