

To: Councillors Stevens (Chairman), Debs  
Absolom, Lovelock, McElligott, Page,  
Stanford-Beale and Terry

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24 June 2014

Your contact is: **David Moore - Committee Administration**

### NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE - 2 JULY 2014

A meeting of the Audit & Governance Committee will be held on Wednesday 2 July 2014 at 6.30pm in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

#### AGENDA

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*CIVIC CENTRE EMERGENCY EVACUATION: Please familiarise yourself with the emergency evacuation procedures, which are displayed inside the Council's meeting rooms. If an alarm sounds, leave by the nearest fire exit quickly and calmly and assemble at the Hexagon sign, at the start of Queen's Walk. You will be advised when it is safe to re-enter the building.*



**AUDIT AND GOVERNANCE COMMITTEE MINUTES  
22 APRIL 2014**

**Present:** Councillor Page (In the chair),  
Councillors Hopper, McElligott, Rodda, Stanford-Beale, Terry  
and Tickner.

**Apologies:** Cllrs Stevens (Chairman), Lovelock and Rye

**Also in attendance:**

Alan Cross	Head of Finance
Paul Harrington	Head of Audit & Risk Management
Sally Poole	Committee Administrator
Ian Wardle	Managing Director

In the absence of the Chairman and the Vice Chair, Councillor Page was appointed to Chair the meeting.

**26. MINUTES**

The Minutes of the meeting of 30 January 2014 were confirmed as a correct record and signed by the Chair.

**27. CIVIC OFFICES RELOCATION PROGRAMME**

I Wardle submitted a report updating the Committee on the progress and cost position of the Civic Offices Relocation Programme.

The report included the following:

- The programme workstreams had continued to develop the detailed design and their implementation plans, these being co-ordinated at programme level and monitored through the rigorous governance arrangements set out in previous reports;
- The main contractor, Morgan Sindall Overbury and their professional team had developed the design from the Employer's Requirements. All designs under the construction workstream were now substantially complete up to and including RIBA Stage K (works on site);
- Tender packages for all of the construction works had been returned, analysed and collated. The contract for the fit-out works had been prepared and executed by the Council and Morgan Sindall Overbury and the total value of the construction works was within the budget envelope for the workstream;
- The third Gateway review had taken place on 14 February 2014, timed to accord with the completion of the analysis of the tenders, achieving cost certainty and in advance of contract award. The Gateway had covered the construction programme, package-based cost plan and tender report, risk register, construction phase health and safety plan, and construction phase

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roles and responsibilities. The Gateway had sought to confirm that the project was fit to proceed to contract award and construction and had been attended by the full Programme Team, the Council's Finance Officer and the Programme Manager and facilitated by a construction professional who was not directly involved in the programme. The programme had passed through the Gateway with minor comments, all of which had been addressed;

- Work had commenced on site, on schedule, on 28 March 2014. Initial work included site set up, the erection of hoarding and the strip out of the interior in preparation for the fit-out. Residents in the immediate area had been informed and would continue to receive updates as the work on the construction programme progressed;
- Stakeholder engagement had continued throughout the design development with further discussions with the Kennet Day Nursery, the Access and Disabilities Working Group, the Older Persons Working Group, Readibus, the Sustainability team and the Customer Services team (public reception). In addition, 650 members of staff had visited the model office that had been constructed on the ground floor of the building;
- Regular sustainability meetings had continued with the construction workstream and Council officers, looking at sustainability measures for the building. An application for Salix funding, which included controls, new mechanical and electrical services, lighting and boilers, had been submitted in February 2014 and agreed in principle. The application had been considered on the basis of payback periods and capital costs;
- The ICT workstream's plans were progressing and the cost estimates remained within the overall budget. Technical solutions were being developed in conjunction with the Construction Workstream to ensure integration within the building;
- The programme was moving its focus towards migration planning that would follow completion of the construction works and ICT installation. This involved all workstreams and some detailed planning sessions had been held and used to inform the wider programme governance;
- The first Moves Champions' meeting had taken place in February 2014. This was the group of Council staff from across the organisation who represented their respective departments and teams for the migration to the new building.

With regard to programme monitoring, the report stated that:

- An overall programme cost summary was presented at each Civic Board and reviewed in detail by the Steering Group and the workstream leads. Each workstream had their respective portion of the budget assigned with contingency held at programme level. As reported previously, the components of the programme cost plan were broken out into site acquisition, construction, business and organisational change, ICT infrastructure and the core programme team who managed the programme contingency;

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- A cash flow profile had been prepared for all workstreams, giving an overall programme cash flow. This was also presented to the Civic Board;
- The workstream cost estimates and the overall budget estimates were all within the overall programme cost envelope;
- A risk management process was in place with regular reports taken to the all-Party Civic Board. Changes in risks were discussed within individual workstreams and at the Steering Group, with an overall summary taken to the Civic Board for review and discussion.

**Resolved:** That the report be noted.

**28. 2012-13 ANNUAL GOVERNANCE STATEMENT ACTIONS FOLLOW-UP**

P Harrington submitted a report referring to the meeting of 4 July 2013 (Minute 6 refers) at which the Committee had approved the Annual Governance Statement for 2012/13.

The report stated that 14 actions had been identified in the 2012/13 Annual Governance Statement, all of which had been implemented or were in the process of being implemented. The responsible officers for the actions had been contacted to establish how the actions had been addressed, whether they had been fully completed or whether the action needed to be carried forward to the 2013/14 Annual Governance Statement.

The responsible officers had been asked to provide a paragraph explaining the actions taken and provide any supporting evidence and committee reports where applicable. The comments provided had been reviewed by the Corporate Management Team and a detailed summary of the status of each action as at March 2014 was attached to the report at Appendix A. Based on the responses provided by Directors, Reading Transport Ltd and the supporting evidence, six of the 14 actions had been implemented in 2013/14. The remaining eight actions remained germane and it was recommended that these actions were carried forward to the 2013/14 Annual Governance Statement.

**Resolved:** That the progress made in implementing the agreed actions reported in the 2012/13 Annual Governance Statement and the actions that were likely to continue in the 2013/14 Annual Governance Statement be noted.

**29. STRATEGIC RISK REGISTER**

P Harrington submitted a report updating the Committee on the Q1 status of the Council's 2014/15 Strategic Risk Register, in line with the requirements of the Council's Risk Management Strategy. The Register was attached at Appendix 1.

The report stated that the Corporate Management Team (CMT) maintained the Register on behalf of the Council, through the Head of Audit and Risk Management. The Register was reviewed on a quarterly basis by officers and formally refreshed six-monthly by CMT. The Register was presented to the Audit & Governance Committee

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approximately every six months, or more frequently if circumstances required an update. It had last been presented to the Committee at its meeting on 30 January 2014 (Minute 22 refers).

The report stated that although guidance was provided to officers in relation to the scoring of risks, with a view to providing consistency, it still remained a subjective process. An extensive consultation process had been undertaken involving CMT, Directorate Management Teams (DMTs) and Directorate Risk Champions. CMT had reviewed the scores to ensure reasonable consistency of approach. The primary aim of the report was to identify the key vulnerabilities that the officers considered needed to be closely monitored in the forthcoming months or years.

The Register was compiled from risks identified at directorate level, which had been escalated, along with high-level generic risks which required strategic management. Entries within the Register reflected the risks identified by CMT, thereby strengthening their strategic perspective, management response and controls. The inclusion of risks within any level on the Register did not necessarily mean there was a problem. On the contrary, it reflected the fact that officers were aware of potential risks and had devised strategies for the implementation of mitigating controls.

The report contained a summary of changes from the 2013/14 Strategic Risk Register and the 2013/14 Q4 Strategic Risk Register was attached to the report at Appendix 2 for comparison. There were two new additional risks and arrows had been used to indicate direction of change in any scores on other risks since the previous quarter.

The mitigating actions taken to address the Red risks were set out in the report. These risks were monitored on a monthly basis by DMTs for directorate risks and by CMT for strategic risks.

**Resolved: That the Q1 status of the Council's 2014/15 Strategic Risk Register be noted.**

**30. INTERNAL AUDIT & CORPORATE INVESTIGATIONS QUARTERLY PROGRESS REPORT**

P Harrington submitted a report providing the Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in January 2014.

The report aimed to:

- Provide a high level of assurance, or otherwise, on internal audit reviews finalised since the last quarterly report;
- Advise the Committee of significant issues where controls needed to improve to effectively manage risks;
- Provide details of forthcoming audit reviews and the status of programmed audits;
- Track progress on the response to audit reports and the implementation of agreed audit recommendations.

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P Harrington stated that the audits of Bank Reconciliation and Cash (4.8 in the report) and of Benefit Payments (4.12 in the report) should both have been reported as Green (Generally sound control environment).

The report also listed planned follow-up reviews where the initial review had been assigned limited assurance, provided a status update on planned audit reviews and provided details of the work which the Council's Corporate Investigations Team had undertaken since April 2013 in respect of investigations into benefit, housing tenancy fraud and other corporate investigations.

**Resolved:** That the report be noted.

**31. INTERNAL AUDIT STRATEGY AND PLAN 2014/15**

P Harrington submitted a report on the Internal Audit Plan for 2014-15 which was attached at Appendix 1.

The report stated that the Plan was designed to implement the Internal Audit Strategy. In preparing the Plan, the adequacy and outcomes of the Council's risk management, performance management and other assurance processes had been taken into account. Where the outputs from these processes were not judged to be sufficiently reliable, the Plan had been informed using an Internal Audit risk assessment.

It was Internal Audit's responsibility to form opinions about the risks and controls identified by management and annually to give a formal opinion on the control environment. In the context of the Public Sector Internal Audit Standards, 'opinion' did not simply mean 'view', 'comment' or 'observation'; it meant that internal audit would have done sufficient, evidenced work to form a supportable conclusion about the Council's activities that it had examined. Internal audit would word its opinion appropriately if it could not give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work). The Audit Plan would allow for the effective discharge of this responsibility.

In accordance with the Accounts and Audit regulations (2011) and the Public Sector Internal Audit Standards, the Audit and Governance Committee was required to approve (but not direct) and monitor progress against, the Internal Audit Strategy and Plan.

**AGREED:** That the Internal Audit Plan for 2014-15 be approved.

(The meeting started at 6.30pm and closed at 7.03pm).

READING BOROUGH COUNCIL  
REPORT BY HEAD OF FINANCE

TO:	<b>Audit &amp; Governance Committee</b>		
DATE:	2 JULY 2014	AGENDA ITEM:	3
TITLE:	HEAD OF AUDIT ANNUAL ASSURANCE REPORT		
LEAD COUNCILLOR:	COUNCILOR STEVENS	PORTFOLIO:	AUDIT & GOVERNANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	Head of Audit	E-MAIL:	<a href="mailto:Paul.Harrington@reading.gov.uk">Paul.Harrington@reading.gov.uk</a>

## 1. EXECUTIVE SUMMARY

1.1 This is the annual assurance report of the Head of Audit (required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards, which:

- Gives the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement;
- Draws out key themes arising from the work of the Audit Team during the 2013/2014 financial year; and
- Compares the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

1.2 Detailed audit reports have been issued to the relevant Service Managers on the results of individual audits throughout the year, and to the relevant Directors and Heads of Service where unsatisfactory internal control has been identified. In addition, quarterly reports have been issued to, and discussed with, the Corporate Management Team (CMT) and the Audit & Governance Committee in order to report on standards of internal control, to provide appropriate focus on weaknesses and to progress remedial action where necessary.

Appendix 1 - Internal Audit Annual Assurance Report

## 2. RECOMMENDED ACTION

2.1 The Audit & Governance Committee are requested to note the assurance opinion given by the Head of Audit and consider the issues raised in the annual report



### 3. KEY ISSUES

- 3.1 As the Head of Audit I am required to provide the Council with an opinion on the adequacy and effectiveness of the Council's risk management, internal control and governance processes. The opinion is designed to assist the Council to meet its obligations, under regulation 4 of the Accounts and Audit Regulations. In giving this opinion, it should be noted that assurance can never be absolute and, therefore the most that the Internal Audit service can provide the Council's Audit and Governance Committee with, is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.
- 3.2 I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, internal control and governance processes. In my opinion, based on the work we (Audit Services) have undertaken, for the financial year ended the 31<sup>st</sup> March 2014 the Council has adequate and effective risk management, control and governance processes to manage the achievement of the organisations objectives.
- 3.3 Based on the work the internal audit team has completed during the course of the year, which is set out in more detail below, i have concluded that Reading Borough Council's control environment is effective for its business needs and operates in an effective manner.
- 3.4 In addition, using assurance gained from our audit work on governance matters I can conclude that RBC'S governance, including internal control, is adequate and effective.
- 3.5 There have been no restrictions imposed on the scope of the internal audit function.
- 3.6 However there were a small number of reports issued as part of the agreed audit plan that identified specific areas for improvement. Management action plans have been agreed to strengthen the control weaknesses identified in these reports and will be subject to continual follow up.
- 3.7 The main issues raised as a result of Internal Audit activity during 2013/2014 are summarised in the attached report, thereby providing an overview of the effectiveness of internal control across the Council.
- 3.8 The matters raised in this report are only those, which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

- 3.9 I am satisfied that by delivering the agreed audit plan we have met the internal audit needs of the Council. We employed a risk-based approach to determining the audit needs of the organisation at the start of the year and use a risk-based methodology in planning and conducting our audit assignments. Our work has been performed in compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

#### Summary of Key Issues

- 3.10 Those audit reviews assigned limited assurance during the year 2011/2012 and outcomes of investigations conducted are briefly detailed as follows:

- *LD Internal Trading Services (VFM)* - The audit review concluded that the unit costs for LD Supported Living were not competitive or sustainable. Benchmarking on spend on LD services also showed that RBC costs were higher than other authorities. Shortly after completion of the audit, a management review concluded that the internal service would not be provided - service users are now being supported through commissioned services.
- *Debtor Processes (Debt Recovery)* - shortcomings were identified in the effective monitoring and management of aged debts, namely that a significant number (and value) of invoices are outstanding as unpaid and appear not to have been effectively managed by some service areas.
- *Children & Adults Commissioning* - Commissioning strategies within Social Care are contained within service plans, but were found to lack detail in some areas and need development to give a clearer structure and approach to planning services. Progress has begun to support the development of commissioning strategies and enable a more focussed approach to commissioning and procurement. Progress will be followed up by internal audit.
- *Learning Disabilities Commissioning* - At the time of the audit Learning Disabilities Commissioning had achieved savings of £250k by carrying out a 'staggered' review of 22 supported living packages using the resource allocation system (RAS). This work was to be extended during the year to include all the supported living cases. Although RAS has been useful in identifying savings within Learning Disabilities, we identified during our audit that 25% of LD clients had remained on an interim budget, with just over half of these in excess of a year, with no end or revision date in place. The service was to undertake a review of RAS and the use of interim budgets to ensure interim budgets are kept to the shortest time possible. This will be followed up by internal audit in 2014/15.
- *Agency Managed Service & Spend* - At the time of the audit key IT process controls over the requisition and approval of workers through the Adecco Beeline system were found to be missing. A solution to rectify the control weaknesses was at the time being devised has subsequently been implemented. Internal audit will test the

implementation of the new control framework early in the 2014/15 financial year.

- *Deputyship & Appointeeship* - The Council offers specific assistance to help certain individuals who are unable to manage their own financial affairs. There are some challenges facing the team, principally regarding the continued growth of new clients and the need to balance this with maintaining existing levels of service and record keeping. Our audit identified some risks associated with cash handling that have prompted the Managing Director & Head of Finance to review, with a view to reducing further the amount of cash that needs to be handled by Council officers.
- *Information (Data) Security Management* - the council has made significant progress in respect of raising staff awareness of good practice and in ensuring that the relevant procedures have been incorporated into specific guidance to staff. Encrypted USB devices and document marking for all Council documents, however there remained areas of risk that require further action in order to meet best practice guidelines. Internal audit will keep a watching brief over information security management over the next 12 months.
- *Corporate Investigations* - an investigation into fuel theft and the movement of council vehicles revealed control weakness in the allocation and control of fuel and GPS tracking and monitoring of RBC vehicles. A follow up review will be undertaken in 2014/15.

4.1 All of these reviews have been reported to the Audit & Governance Committee during the year and follow up action will be reported back during 2014/2015 as part of the audit plan.

4.2 Whilst the overall opinion should inform the Annual Governance Statement, the Managing Director and the Corporate Management Team need to take into account those audit reviews assigned a limited assurance opinion and/or concerns flagged up following an investigation, together with other issues they have become aware of during the year. This should enable the Annual Governance Statement for 2013/14 to have considered all assurances, risks and other governance issues that have arisen. An issue which did come to during the financial year was regarding over-optimistic income targets for service areas within Arts & Leisure and the recording of income incorrectly between accounting periods at the end of the 2012/13 financial year. Budgets have been rebased and work is underway on how this can be prevented from happening in the future.

#### 4. THE PROPOSAL

4.1 That this report forms the basis for CMT and the Audit & Governance Committee to undertake their annual review of internal control and to approve the annual governance statement for 2013/14 for signature and publication with the Council's accounts.

## **5. CONTRIBUTION TO STRATEGIC AIMS**

- 5.1 Audit Services aims to assist in the achievement of the strategic aims of the authority by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## **6. COMMUNITY ENGAGEMENT AND INFORMATION**

- 6.1 *N/A*

## **7. LEGAL IMPLICATIONS**

- 7.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation. Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs. In England, more specific requirements are detailed in the Accounts and Audit Regulations, in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

## **8. FINANCIAL IMPLICATIONS**

- 8.1 *N/A*

## **9. BACKGROUND PAPERS**

- 9.1 *N/A*

## INTERNAL AUDIT

### Annual Assurance Report For the year ended 31 March 2014

*Our mission statement is to .....provide a high quality cost-effective service, which adapts and responds to the Authority's needs based on achieving a high standard of professionalism and expertise in service delivery and also to contribute in achieving Best Value Public Services.*



## 1. ANNUAL ASSURANCE

### 1.1 Introduction

- 1.1.1 The Head of Audit's annual assurance opinion is designed to assist the Council to meet its obligations, under Regulation 4 of the Accounts and Audit Regulations, to review at least annually the effectiveness of the system of internal control and for a committee or body to consider its findings.
- 1.1.2 The Public Sector Internal Audit Standards<sup>1</sup> defines the way in which Internal Audit should undertake its functions and requires that a written report is submitted to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the control environment.
- 1.1.3 This report provides the Head of Internal Audit's assurance opinion on the adequacy and effectiveness of the Council's internal control arrangements for the year April 2013 to March 2014. The report and assurance opinion have been structured to:
- Draw attention to matters of particular concern, especially via individual assurance opinions; and
  - Draw attention to areas requiring specific attention.
  - Highlight internal audit performance
- 1.1.4 This report summarises Internal Audit activity for 2013/14, highlights matters for consideration and refers to audit plans for ongoing activity in areas of concern. The report is broken down into an overall opinion and a summary of assurance for each functional area of audit work, drawing attention to matters of particular concern, especially via individual assurance opinions; and highlights internal audit performance. The extent and direction of audit coverage is driven by assessment of risk and, by necessity, available resources.

### 1.2 Roles and Responsibilities

- 1.2.1 It is management's responsibility to develop and maintain the internal control systems, to ensure compliance with them and for ensuring the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It is also the responsibility of management to determine whether to accept and implement recommendations made by Internal Audit, or, alternatively, to recognise and accept the risks resulting from any failure to take action.
- 1.2.2 It is the responsibility of the Head of Audit to form an independent and objective opinion on the adequacy of the system of internal control. It is also Internal Audit's responsibility to draw any concerns about the adequacy of the system of internal controls and its audit plans to the attention of the Audit & Governance Committee, as appropriate.

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<sup>1</sup> *Public Sector Internal Audit Standards - Applying the CIIA International Standards to the UK Public Sector*. Institute of Internal Auditors, April 2013.

### 1.3 Basis of Assurance

1.3.1 We have conducted our audits both in accordance with the mandatory standards and good practice contained the Public Sector Internal Audit Standards.

1.3.2 My opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the Internal Audit programme. While all principal risks identified within the organisation's framework may not have been included in Internal Audit's 2013/14 coverage, we have undertaken sufficient work to allow me to give a reasonable assurance, that risks are being managed effectively. The levels of assurance achieved on the systems audited by Internal Audit are depicted in the table below.

LEVEL OF ASSURANCE	NUMBER OF REPORTS
<b>SUBSTANTIAL</b>	<b>28</b>
<b>CONDITIONAL</b>	<b>14</b>
<b>LIMITED</b>	<b>02</b>
<b>Total:</b>	<b>44</b>

1.3.2 The aim of most audit reports is to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment. From those reviews which were given an assurance opinion (44 audit reviews). 64% (28) were issued with substantial assurance, 32% (14) conditional, and 4% (2) were issued with limited assurance.

## 2. HEAD OF INTERNAL AUDIT ASSURANCE STATEMENT

### 2.1 Purpose

- 2.1.1 This opinion statement is provided for the use of Reading Borough Council in support of its Annual Governance Statement (required under Regulation 4(2) of the Accounts and Audit Regulations 2011) that accompanies the statement of accounts for the year ended 31 March 2014.
- 2.1.2 My opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2013/14, including our assessment of the Council's corporate governance and risk management processes. The internal audit plan for 2013/14 was developed to primarily provide the Audit & Governance Committee with independent assurance on the adequacy and effectiveness of the systems of internal control, governance and risk management.

### 2.2 Assurance Opinion

- 2.2.1 Based on the work the internal audit team has completed during the course of the year, which is set out in more detail below, *we have concluded that Reading Borough Council's control environment is acceptable for its business needs and operates in an effective manner.*
- 2.2.2 In addition, using assurance gained from our audit work on governance matters *we can conclude that RBC'S governance arrangements are adequate and effective.*
- 2.2.3 There have been no restrictions imposed on the scope of the Internal Audit function.
- 2.2.4 However there were a small number of reports issued as part of the agreed audit plan that identified specific areas where improvements were required. Management action plans have been agreed to strengthen the control weaknesses identified in these reports and will be subject to continual follow up.
- 2.2.5 The Basis for forming our opinion is as follows:
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within the internal audit plan that have been reported to the Audit & Governance Committee throughout the year. This assessment has taken account of the relative materiality of these areas and management's response in respect of addressing control weaknesses.
  - Reviews of the management of key strategic risks associated with the main financial and corporate systems.
  - Reviews of the management of a selection of key directorate risks and of a wide range of control systems in place at an operational level
  - Probity and system reviews of key services
  - Assurance provided by the external Auditors in their Annual Audit Letter, in which KPMG state that they have reviewed the work of Internal Audit and



have been able to rely on it. Moreover, that they have not identified any major weaknesses in the overall control framework.

- Completion of follow up audit reviews to confirm the implementation of audit recommendations.
- Management requests for additional business assurance reviews.
- Review of organisational documentation e.g. key committees minutes and attendance at organisational meetings
- Outcomes from special audit reviews and counter fraud work including fraud & irregularity investigations.

## **2.3 Risk Based Internal Audit Assignments**

2.3.1 The audit coverage has focused on key strategic and operational risk areas and as such the outcome of the reviews therefore naturally highlight control weaknesses that impact on the assurance provided.

2.3.2 The overall assessment takes account of the relative materiality of each of the risks/areas reviewed. Each of the reviews provides a conclusion and opinion as at the point in time the work was completed. As part of the ongoing programme of follow up work, individual recommendations from the reviews are monitored to provide assurance that appropriate management actions are delivered to enhance the level of control. Key outcomes arising from our work reported in 2013/14 include the following:

- The majority of assignments reported on during the year were given substantial and conditional assurance with a small number given limited assurance.
- The audits of the key financials systems have again identified that the overall control environment was robust and to a high standard, although we did raise concerns over the monitoring and recovery of debt.
- There were a small number of assignments issued during the course of the year that identified specific areas where the level of control was inadequate and were given limited assurance. Management action plans have been deployed to strengthen the control weaknesses identified in these reports and will be subject to follow up. These assignments are highlighted in tables 7 and 8.

## **2.4 Inherent qualifications to the assurance opinion**

2.4.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness.

### 3. SUMMARY OF THE AUDIT WORK

#### 3.1 Audit Plan

- 3.1.1 An annual audit plan was produced by Internal Audit to cover the period 1st April 2013 to 31st March 2014, which was agreed with the Corporate Management Team and the Audit & Governance Committee. The annual audit plan was in line with the Public Sector Internal Audit Standards for Internal Audit.
- 3.1.2 Satisfactory progress has been made against the Internal Audit plan during the period. Assignments have been completed in accordance with the plan, although there are a small number that still require finalisation of the reports. The findings and assurance ratings as appropriate from these reviews have been consolidated in the formation of the opinion. A full schedule of assignment and assurance ratings can be found in tables 1 to 9 below.
- 3.1.3 An analysis of the audit days undertaken against the planned days is included in section 5 of the report.
- 3.1.4 The opinion provided in section 2 of this report is limited to the scope and objectives of each individual audit assignment. Detailed information on the scope and any limitations to these has been provided within the individual audit reports. Section 4 of the report provides some further commentary on those audits assigned limited assurance and/or need consideration to be included in the Council's AGS. The tables in the following pages provide a summary of the reviews undertaken, contributing to the overall opinion along with the assurance rating.

**SUBSTANTIAL ASSURANCE** (Table 1 - 3 below) - There is a sound system of internal control and there is consistent operational compliance with controls across all areas reviewed. There are no key findings and only enhancements or minor issues with limited consequences to the achievement of system objectives (may) have been highlighted.

Table 1- Substantial Assurance (Finance Systems)

Title	Start	Draft	Final	Recs		
				H	M	L
Council Tax	16-Aug-13	21-Mar-14	30-Apr-14	0	1	4
NNDR	12-Aug-13	11-Oct-13	07-Nov-13	0	1	2
Rent Accounting	22-Oct-13	11-Feb-14	01-Mar-14	0	0	0
Accounts Payable	30-Oct-13	30-Jan-14	27-Feb-14	0	1	6
Main Accounting	18-Jun-13	25-Oct-13	02-Dec-13	0	0	2
Treasury Management	10-Oct-13	17-Jan-14	30-Jan-14	0	0	4
Benefit Payments	15-Aug-13	11-Feb-14	24-Mar-14	0	2	1
Payroll	10-Feb-14	02-Apr-14	02-May-14	0	0	3
Bank & Cash Reconciliations	18-Nov-13	24-Mar-14	04-Apr-14	0	0	2
Asset planning	27-Feb-12	03-Jun-14		0	2	1

Table 2 - Substantial (Operational Audits)

Title	Start	Draft	Final	Recs		
				H	M	L
Reablement	01-Apr-13	31-May 13	26-Jul-13	0	2	3
Reading Station (Road Interfaces)	27-Mar-13	11-Dec-13	20-Dec-13	0	1	3
Culture Sport & Income Generation	29-Apr-13	15-Aug-13	15-Aug-13	0	0	0
Housing Support & Allocations	10-Jun-13	30-Sep-13	01-Nov-13	0	0	2
Electronic Social Care Record	11-Nov-13	07-Apr-13	07-Apr-13	0	0	0
Directorate Savings Plan	12-Aug-13	16-Jan-14	27-Jan-14	0	0	0
Directorate Savings Plan	17-Jun-13	27-Aug-13	05-Sep-13	0	0	0
New Civic Offices Project	19-Apr-13	22-July-13	29-Aug-13	0	0	3
Purchasing Cards	03-Jul-13	29-Nov-13	18-Dec-13	0	3	3
Redundancy & Early Retirement	09-May-13	30-Jul-13	28-Aug-13	0	1	0
Directorate Savings Plan (ENCAS)	02-Sep	10-Jan-14	13-Jan-14	0	0	0
Reading Station (Road Interfaces)	27-Mar-13	11-Dec-13	20-Dec-13	0	1	3

Table 3 - Substantial (Schools)

Title	Start	Draft	Final	Recs		
				H	M	L
Caversham Park Primary School	15-Oct-13	01-Nov-13	13-Nov-13	0	0	4
St Martins Catholic Primary School	23-Jan-14	30-Jan-14	20-Feb-14	0	3	6
Park Lane Primary School	25-Feb-14	07-Mar-14	31-Mar-14	0	1	6
St John's CoE Primary	03-Dec-13	13-Dec-13	18-Dec-13	0	1	2
Wilson Primary School	16-Apr-13	02-Dec-13	17-Jan-14	0	2	4
Southcote Primary	16-Apr-13	11-Dec-13	12-Feb-14	0	2	7

**CONDITIONAL ASSURANCE** (Table 4 - 5) - Generally, there is a sound system of internal control and broadly there is operational compliance with those controls. However, some weaknesses in the design of controls and/or inconsistent application of controls could put the achievement of particular system objectives at risk.

Table 4 - Conditional Assurance (Operational Audits)

Title	Start	Draft	Final	Recs		
				H	M	L
				0	4	1
Agency Managed Service & Spend	26-Aug-13	14-Nov-13	13-Jan-14	0	4	1
School Education Budgets	03-May-13	08-Aug-13	25-Sep-13	0	3	4
School Places	11-Apr-13	18-Oct-13	11-Nov-13	0	3	1
Mental Health Integration	01-Feb-14	18-Feb-14	21-Mar-14	0	2	0
Looked After Children	30-Oct-13	21-Mar-14	30-May-14	0	7	5
Personalisation / Direct Payments	07-Jan-14	05-Mar-14	28-Mar-14	0	6	3
Children & Adults Commissioning	29-Apr-13	13-Nov-13	09-Jan-14	0	13	3
Deputyship & Appointeeship	12-Apr-13	07-Jun-13	03-Jul-13	0	4	3
Learning Disabilities Commissioning	26-Jun-13	16-Sep-13	21-Oct-13	1	2	2
Prevention and early intervention	11-Sep-13	18-Dec-13	14-Feb-14	0	5	2
School Education Budgets	03-May-13	08-Aug-13	25-Sep-13	0	3	4

Table 5 - Conditional Assurance (Schools)

Title	Start	Draft	Final	Recs		
				H	M	L
				0	5	3
Alfred Sutton Primary	29-Apr-13	11-Dec-13	21-Jan-14	0	5	3
Coley Primary	08-May-13	03-Jun-13	07-Jul-13	1	3	2
New Town Primary School	25-Nov-13	11-Dec-13	28-Jan-14	0	4	7

**LIMITED ASSURANCE** (Table 6) - Whilst some control is evident, weakness in the design, and/or inconsistent application of controls, put the achievement of the system objectives at significant risk in a number of areas reviewed.

Table 6 - Limited Assurance

Title	Start	Draft	Final	Recs		
				H	M	L
				1	4	1
Debtor Processes (Debt Recovery)	30-Sep-13	20-Mar-14	03-Jun-14	1	4	1
LD Internal Trading Services (VFM)	14-May-13	16-Sep-13	21-Oct-13	2	3	0

**ASSURANCE NOT APPLICABLE** (Table 7) - Reviews undertaken during the year, to which the assurance ratings are not appropriate.

Table 7 - Assurance not applicable

Title	Start	Draft	Final	Recs		
				H	M	L
Local Transport Capital Settlement 13/14*	28-Sep-13	30-Sep-13	02-Oct-13	0	0	0
Local Sustainable Transport Fund (LSTF)*	14-Jan-14	29-Jan-14	04-Feb-14	0	0	0
Carbon Reduction Commitment*	13-Mar-13	13-Aug-13	13-Aug-13	0	0	6

\* Certification of grant claims.

## 3.2 Recommendation Follow up

3.2.1 Whether or not an audit review is scheduled for a follow up is reliant on the assurance opinion given at the time of the audit. Where "limited" assurance is given then the audit will be subject to a follow up. The timing of the follow up is very much dependent on available resources and agreed recommendation target dates, but our aim is to complete the follow up within six to twelve months of completion of the audit. Table 8 below gives a status of progress made with respect to recommendation follow-ups. We followed up a total of 20 recommendations covering the five audit areas detailed in table 10 and have highlighted the RAG status of implementation. (Red - implemented, Orange - partially implemented, Green implemented). We are confident that where recommendations have been implemented, this has improved the overall control environment operating within the organisation.

Table 8 - follow up reviews

Title	Start	Draft	Final	Status
Housing Repairs (external work)	02-Mar-13	01-June-13	01-June-13	
Bus Shelter Contract	08-Jul-13	22-Nov-13	17-Dec-13	
Information (Data) Security Management	27-Feb-14	07-Apr-14	07-Apr-14	
Collaborative Commissioning Agreement	24-Oct-13	12-Nov-13	12-Nov-13	
Use of Consultants & Tax	17-Feb-14	28-Mar-14	28-Mar-14	

KEY



Audit recommendations remain outstanding



Majority of recommendation have been implemented, however there is still some work in progress.



Recommendations have been implemented.

### **3.3 Work undertaken by other assurance bodies**

3.3.1 In particular KPMG's 2012/13 Opinion stated that the financial statements give a true and fair view of the financial position of the Authority and the Group and of its expenditure and income for the year. In relation to value for money, KPMG also concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **3.4 Corporate Governance**

3.4.1 In my opinion the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This opinion is based on:

- Assurance provided by the external auditors in their Annual Audit and Inspection Letter with regard to the Council's accounts and governance,
- The work of the Internal Audit Team to support the Council's Annual Governance Statement
- Directorate self assessments of governance and internal control
- Work completed by the internal audit team throughout 2013/2014

3.4.2 Internal Audit has assisted in reviewing evidence to support the Annual Governance Statement (AGS). The task has been to research and formally recognise things currently done across the Authority and to record them. We have undertaken an assessment against the CIPFA Finance Advisory Network key objectives.

3.4.3 An action plan which owned by the Corporate Management Team has been put in place to address where the Council is not meeting the requirements in full, and where material, are reported in the AGS. Our assessment is that the corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE, although there some areas which require improvement.

### **3.5 Risk Management**

3.5.1 Risk is managed through an established corporate framework, backed up by guidance, training and the use of the Council's performance management system. The Council Management Team (CMT) manages and reviews the Council's strategic risks and regular reports are provided through the year providing status updates on corporate risks to the Council's Audit & Governance Committee.

3.5.2 Internal Audit have used the Council's strategic and directorate risk registers to inform the audit planning process and at the same time can provide assurance that appropriate measures are being taken to manage the Council's key business risks.

### **3.6 Counter Fraud and Corruption Arrangements**

- 3.6.1 Internal Audit and the Corporate Investigations Team along with other specialist units within the Council, delivered significant elements of the Councils Anti Fraud & Corruption strategy. Investigations undertaken by Internal Audit in the main are financial irregularities and/or failure to follow Council policies/procedures etc. Involvement of Internal Audit in such investigations will depend on the type and complexity of the referral.
- 3.6.2 The Corporate Investigations Team deals with fraud committed against the Council which is predominately benefit, housing tenancy and blue badge fraud and corporate fraud/irregularities committed by employees of the Council. The performance of the Corporate Investigations Team and Internal Audit with respect to investigations is reported quarterly to the Council's Corporate Management Team and Audit and Governance Committee and in detail in the Councils Annual Fraud Report.

#### 4. ISSUES RELEVANT TO THE HEAD OF AUDIT ASSURANCE OPINION

4.1 The Head of Audit is required to form an opinion on the quality of the internal control environment, which includes consideration of any significant risk or governance issues and control failures which arise. I have done this by detailing those audit reviews assigned limited assurance during the year 2013/2014, outcomes of investigations conducted and reviews which although did not warrant limited assurance have taken into consideration when giving my overall annual assurance opinion and will be subject to a follow up review as part of the 2013/14 audit plan. Such reviews are briefly detailed as follows:

- a) *LD Internal Trading Services (VFM)* - The audit review concluded that the unit costs for LD Supported Living were not competitive or sustainable. Benchmarking on spend on LD services also showed that RBC costs were higher than other authorities. Shortly after completion of the audit, a management review concluded that the internal service would not be provided - service users are now being supported through commissioned services.
- b) *Debtor Processes (Debt Recovery)* - shortcomings were identified in the effective monitoring and management of aged debts, namely that a significant number (and value) of invoices are outstanding as unpaid and appear not to have been effectively managed by some service areas.
- c) *Children & Adults Commissioning* - Commissioning strategies within Social Care are contained within service plans, but were found to lack detail in some areas and need development to give a clearer structure and approach to planning services. Progress has begun to support the development of commissioning strategies and enable a more focussed approach to commissioning and procurement. Progress will be followed up by internal audit.
- d) *Learning Disabilities Commissioning* - At the time of the audit Learning Disabilities Commissioning had achieved savings of £250k by carrying out a 'staggered' review of 22 supported living packages using the resource allocation system (RAS). This work was to be extended during the year to include all the supported living cases. Although RAS has been useful in identifying savings within Learning Disabilities, we identified during our audit that 25% of LD clients had remained on an interim budget, with just over half of these in excess of a year, with no end or revision date in place. The service was to undertake a review of RAS and the use of interim budgets to ensure interim budgets are kept to the shortest time possible. This will be followed up by internal audit in 2014/15.
- e) *Agency Managed Service & Spend* - At the time of the audit key IT process controls over the requisition and approval of workers through the Adecco Beeline system were found to be missing. A solution to rectify the control weaknesses was at the time being devised has subsequently been implemented. Internal audit will test the implementation of the new control framework early in the 2014/15 financial year.



- f) *Deputyship & Appointeeship* - The Council offers specific assistance to help certain individuals who are unable to manage their own financial affairs. There are some challenges facing the team, principally regarding the continued growth of new clients and the need to balance this with maintaining existing levels of service and record keeping. Our audit identified some risks associated with cash handling that have prompted the Managing Director & Head of Finance to review, with a view to reducing further the amount of cash that needs to be handled by Council officers.
  - g) *Information (Data) Security Management* - the council has made significant progress in respect of raising staff awareness of good practice and in ensuring that the relevant procedures have been incorporated into specific guidance to staff. Encrypted USB devices and document marking for all Council documents, however there remained areas of risk that require further action in order to meet best practice guidelines. Internal audit will keep a watching brief over information security management over the next 12 months.
  - h) *Corporate Investigations* - an investigation into fuel theft and the movement of council vehicles revealed control weakness in the allocation and control of fuel and GPS tracking and monitoring of RBC vehicles. A follow up review will be undertaken in 2014/15.
- 4.2 All of these reviews have been reported to the Audit & Governance Committee during the year and follow up action will be reported back during 2014/2015 as part of the audit plan.
- 4.3 Whilst the overall opinion should inform the Annual Governance Statement, the Managing Director and the Corporate Management Team need to take into account those audit reviews assigned a limited assurance opinion and/or concerns flagged up following an investigation, together with other issues they have become aware of during the year. This should enable the Annual Governance Statement for 2013/14 to have considered all assurances, risks and other governance issues that have arisen. An issue which did come to during the financial year was regarding over-optimistic income targets for service areas within Arts & Leisure and the recording of income incorrectly between accounting periods at the end of the 2012/13 financial year. Budgets have been rebased and work is underway on how this can be prevented from happening in the future.

## 5. INTERNAL AUDIT PERFORMANCE, TARGETS AND QUALITY ASSURANCE

### 5.1 Performance of the Internal Audit Service

5.1.1 The Public Sector Internal Audit Standards document the expected professional standards for internal audit in Local Government and are the applicable standards against which the quality of internal audit in local government is assessed. The Head of Audit monitors compliance against the code, by either self assessment and/or peer review.

5.1.2 Our performance during the year in relation to the performance indicators agreed for the internal audit service are shown in table 9 below: -

Table 9 - Local Performance Indicators for Internal Audit

	Performance indicator	10/11	11/12	12/13	13/14
1	Number of audit projects completed relative to those in the Plan	77%	71%	87%	83%
2	Number of Final audit reports issued within agreed elapse time (20 work days) relative to total number of projects undertaken	59%	31%	53%	50%
3	Number of projects completed within agreed "chargeable" or budgeted days.	51%	29%	78%	56%
4	Number of "key" systems reviewed in accordance with external audit guidelines.	100%	100%	100%	100%
5	Recharge for auditor day	£305	£293	£311	£311
6	Actual spending of controllable budget	99%	102%	88%	100%
7	% Of urgent investigations undertaken within agreed days	100%	100%	75%	100%
8	% Of working days lost to sickness	0.80%	0.17%	0.39%	2.5%
9	% Of training days given to staff	1.72%	1.13%	1.22%	1.01%
10	% Number of staff receiving annual appraisals and career evaluations	100%	100%	100%	100%

### 5.2 Delivering the agreed number of audit days

5.2.1 For 2013/2014, the planned and actual resource availability is summarised in table 10 below. This set out the requirement of 1163 chargeable days, including a contingency of 120 days and 121 days to be charged to external clients. An indicative 770 days was allocated to planned audit reviews, with a subsequent 126 days to be used for areas such as; audit planning and reporting, annual governance statement, providing project assurance and attending corporate meetings. The actual resource availability for the year was 1163 and time allocated to planned reviews was nigh on what was planned.

Table 10 - Planned Time and Actual time.

	Planned Totals	Actual Totals
Available Days	1778	1778
Non-Chargeable Days		
Annual leave	219	207
Sickness provision	32	39
Special Leave	4	9
Training provision (1)	56	54
Staffing (2)	62	87
I.T. (3)	20	24
Audit Man. (4)	31	34
Administration (5)	60	98
Audit Meetings (6)	38	19
	522	571
Non Audit Related Work		
Risk Management (7)	16	9
Emergency Planning & Business Continuity (8)	30	11
Corporate Investigations Team (9)	38	24
	84	44
Total	606	615
Resources available for audit work	1172	1163
Total Planned Audits (Days)	770	762
Other (project assurance, corporate meetings etc)	35	27
Contingency	120	118
Proactive Fraud Work	35	31
Governance	44	42
Audit Planning & Reporting	47	58
External Clients	121	125
	402	401
Total allocated resources	1172	1163

Notes:

- 1) Professional training support, external courses & seminars, internal courses/training.
- 2) One to ones, appraisals etc
- 3) Maintaining/updating audit management software & IT downtime.
- 4) Budgetary control, plan reconciliation, health & safety, quality control etc
- 5) Review of internal audit, updating office procedures, IA web and intranet page etc
- 6) Various IA meetings, Berkshire, London audit group, Home Counties, audit team meetings etc.
- 7) Facilitation of risk registers, training etc
- 8) Assisting in emergencies, attending EP team meetings etc
- 9) Management of the Corporate Investigations Team

### 5.3 Meeting the Internal Audit Plan Targets

5.3.1 In respect of individual audits, these were monitored on an ongoing basis. The Head of Audit in liaison with the Managing Director and the Head of Finance keep progress against the audit plan, and the content of the plan itself, under review. We achieved 83% completion of planned assignments. Those audits that were not completed by year-end have either been rolled over into the 2014/2015 audit plan or cancelled following a revised risk assessment (see table 11 & 12 below). The reason for the 83% completion and not 100% was due to a number of factors. These being, extra unplanned work, time spent on investigations which exceeded the contingency allowance, the need to balance new and emerging risks requiring audit attention against resources and audit time on individual projects exceeded the planned budgeted allowance.

Table 11 - audits that were not completed in 2012/13

Audit Title	Priority	Timing	Start Date	Draft Report	Final Report
No Recourse to Public Funds*	High			Cancelled	
Telecare**	High			Cancelled	
Network Controls***	Medium			Cancelled	
Software Asset Management (Licensing)***	Medium			Cancelled	
ICT in Schools****	Medium			Cancelled	

\* Reduction in client base, perceived as low risk.

\*\* reassessed

\*\*\* following reassessment audits will now be undertaken following office move to new Civic Offices

\*\*\*\* Issues to be picked up under individual school audits.

Table 12 - audits deferred for Q1 of 2014/15:

Audit Title	Priority	Timing	Start Date	Draft Report	Final Report
Access to Records	High	Q1	27-May-14		
Asset Planning	High	Q1	27-Feb-14	03-Jun-14	
Debtors (Accounts Receivable)	High	Q1	30-Sep-13	20-Mar-14	
Social Fund Reform (Financial Crises Support Scheme)	High	Q1	30-Sept-13	25-Apr-14	
Procurement Follow Up review	High	Q3			
Caversham Primary	High	Q3			
Section 106 Agreements	Medium	Q4			

5.3.4 Table 13 Audits added to the plan, following a specific mid-year request:

Audit Title	Priority	Timing	Start Date	Draft Report	Final Report
Troubled Families	High	Q1	24-Jun-13	24-Jul-13	24-Jul-13
Reablement	High	Q1	17-Apr-13	29-May-13	31-Jul-13
Agency Managed Service & Corporate Spend	High	Q3	26-Aug-13	14-Nov-13	13-Jan-14
Leisure income targets	High	Q4	01-Feb-14	30-Apr-14	

## 5.4 Quality

### 5.4.1 Quality control is achieved through:

- Preparation of a detailed audit plan according to an agreed risk assessment methodology and widely consulted upon throughout the Council.
- A documented audit methodology supported by standard working papers, and the review of each draft audit report by the Principal Auditor/Head of Audit prior to issue.
- Working hard to ensure audits meet the requirements of our customers by giving them the opportunity to comment on terms of reference and timing of work, and by working with managers to identify solutions in areas where there is scope for improvement.
- Seeking feedback from our customers after each audit and fostering a culture of continuous improvement within the audit service.
- Undertaking an annual quality review with Directors/Heads of Service and managers on the Internal Audit service over the past year (results are summarised in section 4.6).

## 5.5 Customer Satisfaction Analysis

5.5.1 On completion of each audit review the client is asked to complete an online questionnaire to provide feedback on the conduct of the auditor and quality of the audit review. The summary of this analysis is detailed below.

5.5.2 Clients are asked to score our services on a scale of 1 to 4, 1 = unsatisfactory, 2 = Potential for Improvement, 3 = Good, 4 = Very Good. The performance figures below represent the customer satisfaction as a percentage.

### *Pre Audit Arrangements*

- 5.5.3 Our aim is that you are clear about the purpose and process of the audit. How would you rate our performance on:

No.	Statement	Performance
1	Explaining the audit process	100%
2	Consultation & scoping the audit	86%

### *Audit Visit*

- 5.5.4 Our aim is to perform the audit in an unobtrusive and professional manner. How would you rate our performance:

No.	Statement	Performance
3	Conduct & professionalism of the Auditor	100%
4	The Auditor obtaining an understanding of your business needs	100%
5	Opportunity to discuss the findings during the audit	100%

### *Post Audit*

- 5.5.5 Our aim is to provide information that is beneficial to you. How would you rate our performance on:

No.	Statement	Performance
6	Usefulness of recommendations	90%
7	Clarity and fairness of the report	95%
8	Were your comments taken into account	100%

### *Adding Value*

- 5.5.6 Our aim is to provide assurance on existing controls and to add value. Please indicate where the audit has added value: (performance graded as a percentage of total respondents)

No.	Statement	Performance
9.a	Provide assurance on existing controls	90%
9.b	identified areas of improvement	76%
9.c	Improved procedures and processes	57%
9.d	highlighted areas of good practice	52%
9.e	Escalated issues to senior management	24%

## 5.6 Annual quality review

5.6.1 We undertook an annual survey in May 2014 asking Directors, Heads of Service and senior managers to assess the importance and quality of the service provided.

5.6.2 A total of 69 managers, including head teachers, were requested to complete an on-line questionnaire. 14 responses were received equating this to a 20.3% response rate.

5.6.3 Questions were rated and scored on the following basis:

Importance		Performance	
Rating	Scoring	Rating	Scoring
High	3	Excellent	4
Medium	2	Good	3
Low	1	Adequate	2
No opinion	0	Poor	1
		No opinion	0

5.6.4 Managers were asked to rate a total of 41 questions against 6 service areas, the summaries of the findings are detailed below.

Importance		Performance
Average Importance Rate	Service Area	Average Satisfaction Rate
92%	Audit Service	91%
87%	Audit Staff	87%
84%	Conduct of Audits	80%
92%	Audit Reporting	84%
88%	Customer Service	85%
90%	Improving the Authority's Culture	83%
88%	Average	85%

5.6.5 In addition to the set questions, three free text fields were made available for individuals to provide further comments. These will be analysed over the next few weeks and used, with the above results, to further improve the focus and performance of the Audit Service.

READING BOROUGH COUNCIL  
REPORT BY HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	2 July 2014	AGENDA ITEM:	4
TITLE:	Annual Governance Statement 2013/2014		
LEAD COUNCILLOR:	Councillor Stevens	PORTFOLIO:	AUDIT & GOVERNANCE
SERVICE:	FINANCE	WARDS:	N/A
	Alan Cross	TEL:	937 2695
JOB TITLE:	Head of Finance	E-MAIL:	Alan.Cross@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 The Council is responsible for ensuring that financial management is adequate and effective and that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
- 1.2 Regulation 4 of the Accounts and Audit Regulations 2011 requires councils to review the "*effectiveness of their system of internal control*" at least once a year and to publish an annual governance statement which accompanies the authority's financial statements. It also requires the findings of the review to be considered by a committee of the Council (or the whole Council).
- 1.3 The Annual Governance Statement is a key measure of the overall effectiveness of governance arrangements within the Authority.
- 1.4 In December 2012 CIPFA issued an Addendum to the Delivering Good Governance in Local Government Framework document which provided further specific guidance on how local authorities should demonstrate an increased emphasis on their strategic approach to governance. The Annual Governance Statement for 2013/14 has reflected this guidance and demonstrates how the key governance requirements have been met.
- 1.5 The following documents are appended:
- Appendix 1 - Draft Annual Governance Statement 2013/2014
- Appendix A - Governance Framework
- Appendix B - AGS Implementation plan for 2014/15



## 2. ACTIONS REQUIRED

- 2.1 The Audit & Governance Committee is requested to receive and approve the Annual Governance Statement for 2013/2014 in appendix A for publication with the Council's accounts and authorise the Managing Director in consultation with the Leader and Chair of the Audit & Governance Committee to make any minor amendments that become necessary before final publication in September.

## 3. ASSURANCE FRAMEWORK

### Service Area Self Assessments & Directorates' Annual Governance Statements

- 3.1 In common with recent years, Heads of Service within each directorate have undertaken a self-assessment of their own service areas. Assessments have been made against compliance with legal agreements, the Council's Constitution, corporate objectives and policies, the management of service delivery, financial planning and budgetary control, standards of conduct, partnerships, value for money, risk management and health and safety. Directors then considered each self-assessment in relation to their own particular directorate and made an evaluation of existing measures in terms of assessing the level of concern. The information gathered from this exercise has been used to inform the Council's overall Annual Governance Statement.
- 3.2 Each Directorate AGS summarises the processes in place to ensure the effective financial and operational management of the directorate and its services. Discussion of the AGS by the Directorate Management Team (DMT), and its ultimate signature by the Director, demonstrates that they acknowledge responsibility for financial, operational and risk management and governance arrangements of the Directorate and its Services and take that responsibility seriously.
- 3.3 The Directorate AGS statement contains five components, summarised as follows:
- Confirmation of the DMT's responsibilities in respect of internal control.
  - Limitations of governance, risk management and control systems. This wording is important because it aims to make it clear to the reader that "absolute" assurance cannot be given and is not expected.
  - Explanation as to how the DMT has satisfied itself that controls are adequate before the Director agrees to sign the statement. It may be that the DMT has carried out additional steps and has added such measures taken to the controls assurance statement.
  - Statement that the DMT is satisfied that governance, risk management and internal controls within the Directorate and subsequent services are adequate during the year, assuming this to be the case. If the DMT are not satisfied about the adequacy of key internal controls, they will have listed briefly any serious/high priority control weaknesses.

- Where planned action to improve the control system is disclosed. Such disclosure is normally only needed if the DMT have expressed a concern about the adequacy of any of the controls.
- 3.4 When deciding whether or not to disclose that a particular control is inadequate, DMTs have taken into account all the relevant information available to them, and also considered:
- How likely is the risk, i.e. to what extent the inadequacy of the control(s) put the service at risk
  - The likely impact of the risk on the service if it occurred, for example on the Directorate's financial position, ability to function, reputation etc.
  - The cost of any action needed to reduce the level of risk posed
  - Whether this cost is justified and proportionate given the risk perceived
- 3.5 The Director will only recommend the signing of the AGS when he/she feels they can do so with confidence, having studied all the available evidence.
- 3.6 All of the completed self-assessments, and Directorate Annual Governance Statements have been returned to the Head of Audit to support the Council's AGS. Where these have a Council wide impact these have been reported in the AGS action plan shown in appendix 1.

#### External factors

- 3.9 CIPFA's statement of recommended practice: Guidance notes for practitioners specifically makes reference to where an authority is in a group relationship and undertakes significant activities the review of the effectiveness of the system of internal control should include its group activities. In material terms the only organisation that this applies to remains Reading Transport Limited (RTL). RTL has an operating financial year to September 2013 and it is this period which its AGS relates. For the purpose of the AGS review, the Chief Executive of RTL and the Board considered the work carried out by their auditors was sufficient to enable them to complete an annual governance statement.
- 3.10 The statement received from the Chief Executive of RTL confirmed that that their accounts had been audited by the company's appointed auditors, in accordance with the relevant statutory requirements and appropriate accounting standards.

### Views of External Audit (KPMG) and other inspection agencies

- 3.11 Consideration has been given by the Chief Finance Officer to the views of KPMG as indicated in their Annual Audit and Inspection Letter. In particular KPMG issued an unqualified value for money ('VFM') conclusion for 2012/13. This means they are satisfied that the Council has proper arrangements for securing financial resilience and challenging how we secure economy, efficiency and effectiveness. To arrive at their conclusion they looked at our financial governance, financial planning and financial control processes, as well as how we are prioritising resources and improving efficiency and productivity.
- 3.12 KPMG issued an unqualified opinion on the Council's financial statements. This means that they consider the financial statements give a true and fair view of the financial position of the Authority and the Group of its expenditure and income for the year.
- 3.13 In addition to specific review(s) undertaken by External Audit, the Council has been subject to review / inspection by a number of other bodies, such as OFSTED reviews of the council's two residential children's units as well as two peer reviews carried out by the LGA of the safeguarding diagnostic process and of Regulatory Services.

### Evidence gathering (Internal Audit)

- 3.14 Internal Audit has coordinated the sources of evidence to support the AGS. The task has been to research and formally recognise things currently done across the Authority and to record them. We have undertaken an assessment against the CIPFA Finance Advisory Network key objectives.

### The Role of the Chief Financial Officer in Local Government & Head of Internal Audit in Public Service Organisations

- 3.15 We have assessed the roles and responsibilities of the Head of Finance and the Head of Internal Audit during 2013/14 against the associated CIPFA statements. The statements set out five principles that define the core activities and behaviours that belong to these roles and the organisational arrangements needed to support them. We are able to evidence from the assessment that the authority's financial management arrangements conform to the governance requirements of the CIPFA Statements on the Role of the Chief Financial Officer in Local Government (2010) and the Head of Internal Audit in Public Sector Organisations (2010).

### Internal Audit Assurance

- 3.16 Based on the work the Internal Audit team has completed during the course of the year, the Head of Audit concluded that Reading Borough Council's control environment is acceptable for its business needs and operates in an effective manner.
- 2.2.1 In addition, using assurance gained from the internal audit work on governance matters he concluded that RBC'S governance arrangements are adequate and effective.

2.2.2 However there were a small number of reports issued as part of the agreed audit plan that identified specific areas where improvements were required. Management action plans have been agreed to strengthen the control weaknesses identified in these reports and will be subject to continual follow up.

#### **4. THE PROPOSAL**

4.1 Based on the service self-assessments and directorates' AGS statements together with the internal audit review of the Council's control framework, 14 governance related themes were highlighted that warrant reporting in the action plan which accompanies the Council's 2013/2014 Annual Governance Statement.

4.2 The report covers the period up to the publication of the accounts following the Committee's late September meeting, but as the Statement is signed off by the Leader of the Council and the Managing Director, it would be sensible to authorise minor amendments that may be needed before then. Inasmuch as the accounts will be part of that agenda, the committee will have an opportunity to reconsider the statement at that time. The need for amendment is not currently anticipated. The External Auditor will review the statement for consistency with his knowledge of the Council, but does not "audit" it as such.

#### **5. CONTRIBUTION TO STRATEGIC AIMS**

5.1 Good governance enables us to pursue our vision and corporate objectives effectively as well as underpinning these with mechanisms for the control and management of risk. Governance must be owned by all stakeholders, including senior management and Members, thus forming the intrinsic core of the Council. It should remain embedded in the culture of the Council and applied within a transparent framework of legislative requirements, governance principles and management processes.

#### **6. COMMUNITY ENGAGEMENT AND INFORMATION**

6.1 Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area. The annual governance statement accompanies the authority's published financial statements.

#### **7. LEGAL IMPLICATIONS**

7.1 Regulation 4 of the Accounts and Audit Regulations 2011 requires councils to review the "*effectiveness of their system of internal control*" at least once a year and to publish an annual governance statement which accompanies the authority's financial statements. It also requires the findings of the review to be considered by a committee of the Council (or the whole Council).

7.2 The CIPFA/SOLACE governance framework recommends that the assurance gathering process should have a structured link between the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered. It requires the identification of key controls that are deemed critical to the delivery of these objectives and expects a formal review and risk assessment for the management and delivery of these key controls.

## **8. FINANCIAL IMPLICATIONS**

8.1 There are no financial implications for this report

## **9. BACKGROUND PAPERS**

9.1 CIPFA/Solace - Delivering Good Governance in Local Government

9.2 Audit & Accounts Regulations 2011

# Annual Governance Statement 2013/14

June, 2014



[www.reading.gov.uk](http://www.reading.gov.uk)



**Reading**  
Borough Council  
Working better with you

## 1.0 WHY WE HAVE THIS DOCUMENT

- 1.1 The Council is required to publish an Annual Governance Statement (AGS), with its Statement of Accounts which must be supported by a comprehensive assurance gathering process.

## 2.0 WHAT GOVERNANCE IS LIKE IN THE COUNCIL (THE SCOPE)

- 2.1 We are responsible for ensuring that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, we are responsible for putting in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
- 2.2 The Council has adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE *Framework Delivering Good Governance in Local Government*. This has recently been refreshed and a Council Policy Statement about Governance is being considered by Members. This statement explains how we govern our affairs.

## 3.0 THE PURPOSE OF OUR GOVERNANCE FRAMEWORK

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which we are directed and controlled, and the activities through which we are accountable to, engage with and lead our communities. The framework is attached at appendix A. This enables us to monitor the achievement of the Council's priorities in the Corporate Plan and other key strategies to improve service delivery and to test and consider that these continue to provide value for money.
- 3.2 Our governance framework has been in place for the year ended 31 March 2014 and up to the date of approval of the statement of accounts.

## 4.0 OUR GOVERNANCE FRAMEWORK

### Political Leadership

- 4.1 Councillors are elected by residents of the Borough every four years to represent them in taking decisions about council services and funding. Reading is divided into 16 wards and 46 members are elected to represent them. In the Council Chamber, the councillors make decisions that set the policy direction of the organisation.
- 4.2 The party that receives the most votes forms an Administration and therefore has a greater influence on key decisions within the Council. The Council appoints a Leader of the Council, Deputy Leader of the Council, lead councillors and chairs of the committees at the Annual General Meeting. There are nine lead councillors who have particular responsibilities or 'portfolio's such as Health, Housing and Adult Social Care.
- 4.3 The Council and the Committees shape what services are delivered and how Reading develops and grows sustainably. The Council is responsible for approving the priorities for the Council each year via the Corporate Plan supported by the resources in the Council's Budget and Financial Plan. The Council and Committees also develops policies, makes constitutional decisions and decides on local legislation.
- 4.4 The Council has developed a set of guiding values to help decision making and agree priorities:
- **Fair**
    - tackling inequality and promoting residents' rights
    - ensuring residents are part of decision making
    - ensuring our staff have enough support
  - **Caring**
    - putting residents at the heart of what we do
    - working with residents to look after each other
  - **Enterprising**
    - unlocking the power of our communities
    - acting now to create a better future



- 4.5 To translate these principles into clear outcomes that will deliver its vision for the Reading we have set three strategic priorities:

Priority 1:	Creating and sharing prosperity.
Priority 2:	People are supported and protected when they need to be. People are healthy and can thrive in their community.
Priority 3:	An attractive, safe and well-kept town.
Priority 4:	Good quality public services.

### Good decision-making

- 4.6 Members sit on a variety of committees - mostly open to the public - that manage the organisation's different functions. The Council reviewed its decision making arrangements and approved a move to a committee system of decision making in 2013. This created four cross-party committees whose membership is proportionate to the representation of each political party on the Council. These committees are:
- Policy Committee;
  - Adults, Children's and Education Committee;
  - Housing , Neighbourhoods and Leisure Committee; and
  - Strategic Environment, Planning and Transport Committee.
- 4.7 In the new committee arrangement the four standing committees also carry out overview and scrutiny exercises.
- 4.8 There are also committees for Audit & Governance, Licensing, Planning and Personnel. All the committees set goals and guidelines for the operation of services.
- 4.9 Our Constitution sets out the roles of, and relationships between the Council, the committees involved in making our policies and officers. The Constitution also sets out the responsibility of each group or individual for making particular types of decisions or for directors' decisions relating to particular responsibilities. Under the Constitution, all decisions that we make or that are made on our behalf must be made in line with the principles and frameworks set out in the Constitution.
- 4.10 The Constitution also sets out how members of the public can get involved in the decisions we make (under the 'Access to Information Rules'). We have a legal responsibility to carry out consultations before we make certain decisions.

- 4.11 During the year, no changes were made to full Council, or to the authority's existing regulatory and non-executive committees. The former Traffic Management Advisory Panel has been reconstituted as a sub-committee of the relevant standing committee. The regulatory committees - Licensing Applications and Planning Applications - together with the Audit and Governance, Personnel, and Standards Committees have continued to be set up as committees of full Council. In addition, a Health and Wellbeing Board has been set up as a committee of full Council.

### Day-to-day operations

- 4.12 The day-to-day work is carried out by officers within the Council. Their direction comes from Council and the Committees. Officers are employees of the Council and are non-political and ensure that the work is carried out as decided by Council and the Committees.
- 4.13 Some officers have statutory duties that they must uphold. Our Managing Director is 'Head of paid service' and is responsible for the organisation's efficient management. The role also involves giving Members strategic advice on policy-related issues, drawing on the experience and expertise of the organisation as a whole. All officers must provide objective, comprehensive and impartial advice to Councillors so that they can reply upon this to make decisions. Through our recruitment and learning and development we ensure that officers have the right skills and experience to ensure that governance is strong and they understand the requirement of legislation and how this needs to be considered when making recommendation to councillors and when delivering services. The remaining statutory roles of Monitoring Officer, Chief Financial Officer & (statutory) Director of Children's Services are fulfilled by relevant members of the Corporate Management Team. The role of Director of Public Health is fulfilled by one person for all authorities in Berkshire who is employed by Bracknell Forest BC.

## 5.0 WORKING BETTER WITH YOU

- 5.1 We welcome views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes, attendance at local meetings (e.g. community meetings) or contact with a local ward councillor. Trades unions are consulted on issues that affect staff.
- 5.2 During the last year we have continued to work hard to communicate (and receive feedback on) our aims for the community. We have done this in a number of ways, including:
- Our 'Working Better With You' initiative, which aims to improve the way we engage with residents, building lasting relationships and finding ways of working better together for the benefit of Reading;

- The 'Let's Talk' consultation meetings - talking to schools and parents about the sites for extra schools and classrooms. Consulting with residents on modernising day care services and improving residential services; and
  - Using social media as a tool for communicating with the community on important developments and working on plans to develop the council's website.
- 5.3 We get regular and detailed information on what people think about the quality of each of our services and we use this feedback to improve services. Through our 'Working Better With You' initiative, we have been providing opportunities for Reading people to get involved in the decision-making process so their views play a major part in helping to set spending priorities.

## 6.0 KEY STRATEGY DOCUMENTS

- 6.1 We continue to review and update the **Constitution** as necessary and have begun work on updating the Scheme of Delegation and Financial Procedural Rules to reflect the changes following restructuring of services within the Council. Moving forward a programme of work has begun to review and consolidate operational and financial procedures which underpin the Council's constitution. The driver for this review is to introduce shorter and clearer policies for staff.
- 6.2 The Council's **Corporate and Financial Plan** provides the link between our strategic priorities and the way in which the Council operates. Corporate and Financial plans for 2014-2017 were approved by full Council in February 2014, and the process for keeping these plans under review moved to an annual update of a three year rolling plan.
- 6.3 The overall budget and policy framework is set by the Council and all decisions are made within this framework. The Council's Financial Plan is a key reference tool for the Medium Term Resources Strategy, which enables us to make best use of financial, human, technological and other resources available and to enable the continued provision of value for money services that meet the needs of residents, businesses and other stakeholders.
- 6.4 We delivered our 2013/14 net budget and we approved a robust balanced budget for 2014/15 within the context of a rolling 3 year financial plan. The Council agreed £15m of further savings, £10m of which is to be delivered in 2014/15 and we identified a series of zero based budget reviews that have commenced to deliver further savings of £25m towards the estimated £40m savings needed over the 2014-17 period. During the year we identified the need to further improve the process for setting and managing income targets.

6.5 We are working in a rapidly changing landscape that presents opportunities, risks and challenges. Because of the Government's plans to cut public debt, all local authorities are having their funding reduced. We are also seeing service pressures and new responsibilities. As a result, we know that we need to rebalance our service delivery to meet new needs and opportunities and also be realistic about what we can and cannot do moving forward, given we have some £40m to save over the next 3 years. Because of this we started to reshape the Council in 2013/14, moving to a more decentralised and flatter structure. In some cases the Council's Reshape programme has led to new ways of working and we continue to reduce management posts and costs whilst reviewing all staffing structures to ensure they remain fit for purpose.

## 7.0 MONITORING AND MANAGING SERVICES

7.1 We continue to monitor and manage our service delivery as part of good governance within the Council as follows:

- During 2013/14 we reviewed and developed our approach to performance management to further promote the performance culture;
- Implementation of the new Council Health & Safety Action Plan;
- Further development of compliance with information security standards;
- The Audit and Governance Committee is responsible for monitoring the effective development and operation of corporate governance in the council;
- Safeguarding practices and performance are kept under continuous review at all levels and escalation processes are in place;
- We continue to monitor staff capacity and develop capacity/demand modelling in children's services;
- There are regular external audit and challenge as well as regular internal themed audits and performance is regularly reported to the Corporate Management Team;
- Using Peer Reviews to reflect upon our practices;
- Implementing a new organisational structure as part of the Council's 'Reshape' programme;
- A digital strategy has been agreed as the framework for action and incorporates the replacement and update of the Council's website;
- A comprehensive review of assets including a rolling program of condition surveys has informed a prioritised program of works;
- A programme of learning and development to officers and members. Senior officers are keep abreast of developments in their profession;

- A training needs analysis has begun to assess any potential skills shortages, single points of reliance and also staff that could be deployed in other areas of the organisation if required. The training needs analysis will inform a new Workforce Development Plan to ensure that training and support is available to all staff but also particularly staff whose roles have changed or are going to change to minimise potential risks; and
- We monitor performance through feedback from its residents and service users. Regular satisfaction surveys are undertaken of residents and service users and analyses of complaints raised under the council's Corporate Complaints Policy are regularly reported and considered by CMT.

## 8.0 REVIEW OF EFFECTIVENESS

8.1 We are responsible for carrying out, at least once a year, a review of how effective our governance framework is, including our system of internal control. Our review of how effective our systems and procedures are is supported by the work of CMT and the Head of Audit's Annual Assurance Report. The review also includes comments made by the External Auditor and other review agencies and inspectors. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- The Council's internal management processes, such as performance monitoring and reporting; the staff performance appraisal framework; internal surveys; monitoring of policies, such as the corporate complaints and health and safety policies; and the corporate budget process;
- An annual self-assessment of the adequacy of the governance arrangements in services completed by each director;
- The Council's internal audit coverage, which is planned using a risk-based approach. The outcome from the internal audit coverage helps form the Head of Audit's opinion on the overall adequacy of the Council's Internal Control Framework, which is reported in his annual report;
- The Head of Audit's annual report on anti-fraud and corruption activities;
- OFSTED annual children's services assessment;
- The Care Quality Commission's inspection of safeguarding and looked after children services;
- External Audit of the council's financial statements;
- The work of the Audit and Governance Committee, which reviews the outcomes from the annual audit plan and the annual report of the head of anti-fraud and internal audit;
- Annual review of standards and complaints about councillors by the Monitoring Officer to the Standards Committee.

8.2 We have made progress in implementing actions contained within the 2012/2013 annual governance statement. Some of the actions identified last year have been completed:

- The Ofsted Safeguarding and the Local Assurance Test Action Plan has been implemented.
- We have made progress in improving Information governance throughout the Council's operations.
- We have continued to build on achieving and embedding business continuity plans, particularly focusing on the review of critical plans.
- Continued work to embed Health & Safety policy, governance and monitoring.
  
- Prepared and published a new Corporate Plan to deliver the Administration's programme.
- Reading Transport Ltd has reviewed and updated its business processes.

8.2 Other actions are on-going and reflected in the implementation plan attached at appendix 2.

## 9.0 PRIORITIES FOR IMPROVEMENT

9.1 The annual review of governance, supported by Head of Service governance self-evaluations and Directorate assurance statements, signed off by each Director have given us evidence of how effective our governance framework is. As a result, we have put in place an improvement plan as mentioned at 8.2 above. Over the next year we will be taking steps to continue to improve what we do.

9.2 We are satisfied that these steps will bring about the improvements that we identified in our review of effectiveness, and we will monitor these improvements as part of our next annual review.

Signed:.....

Signed:.....

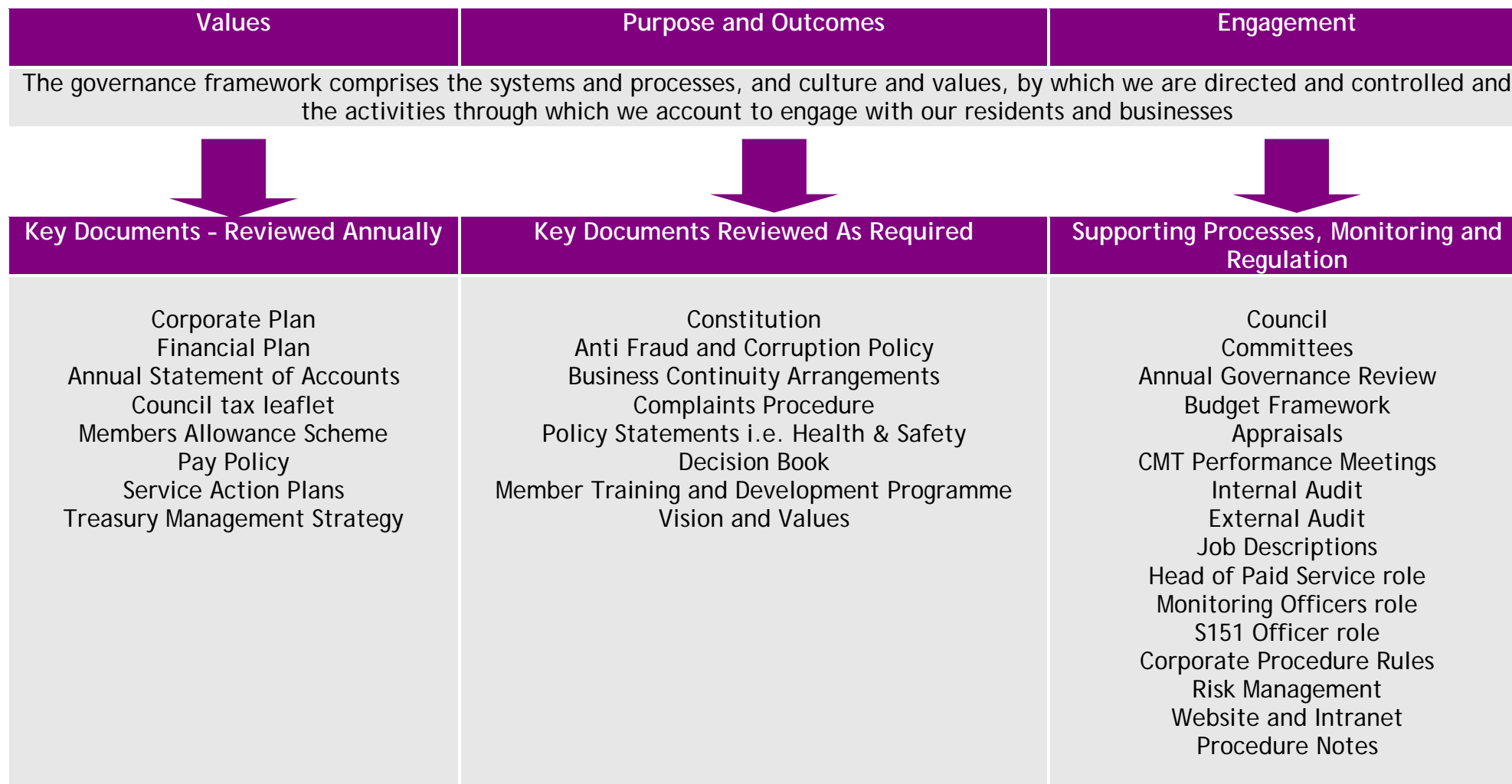
Ian Wardle, Managing Director

Councillor Jo Lovelock, Leader of Council

On behalf of the members and officers of Reading Borough Council

Appendix A

**Governance Framework - DRAFT**



Appendix B

**2013/14 Annual Review of Corporate Governance Arrangements - Improvement Plan for 2014/15**

Ref	Action	CMT lead
AGS1	We will develop and manage a budget and financial management strategy to operate within available resources over the period to 2017/18	Ian Wardle
AGS2	Strengthen financial and budget management throughout Council services and provide effective financial management support considering reducing budgets and the changing nature of income	Alan Cross
AGS3	Update and approve a revised Scheme of Delegation and Financial Procedure Rules	Chris Brooks
AGS4	Continue to develop our commissioning, procurement and contract management	Avril Wilson
AGS5	Produce a new workforce development plan to take into account of Reshaping the Council, new skills required and the changing demands on services	Avril Wilson
AGS6	Manage the availability of school places in all statutory year groups	Avril Wilson
AGS7	Review the budget monitoring and profiling arrangements in Leisure and Cultural Services to ensure the service deals with changing income levels and patterns of activity	Alison Bell
AGS8	Continue to implement the Information Security Action Plan and standards. Enable the Public Service programme (PSN) connectivity between the Council and NHS Health ICT systems	Chris Brooks
AGS9	Review and consolidate operational and financial procedures and introduce shorter and clearer policies and procedures	Zoe Hanim



Appendix B

**2013/14 Annual Review of Corporate Governance Arrangements - Improvement Plan for 2014/15**

Ref	Action	CMT lead
AGS10	Continue to undertake work on embedding the policy, delivery, governance and monitoring arrangements for Health & Safety	Ian Wardle
AGS11	Develop further the Special Educational Needs (SEN) Strategy to enable schools to meet the needs of children and young people with higher levels of need	Avril Wilson
AGS12	Continue to refresh forecasts to maintain level of understanding and develop capacity/demand modelling in children's services	Avril Wilson
AGS13	Deliver the Digital Strategy and a new Website to ensure residents, businesses and visitors have access good quality services and information	Zoe Hanim
AGS14	Deliver an ICT improvement plan to ensure that information is stored, managed and accessed appropriately and efficiently to support service delivery	Zoe Hanim

READING BOROUGH COUNCIL

HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	2 <sup>ND</sup> JULY 2014	AGENDA ITEM:	5
TITLE:	INTERNAL AUDIT & CORPORATE INVESTIGATIONS QUARTERLY PROGRESS REPORT		
LEAD COUNCILLOR:	COUNCILLOR STEVENS	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	HEAD OF AUDIT	E-MAIL:	<a href="mailto:Paul.Harrington@reading.gov.uk">Paul.Harrington@reading.gov.uk</a>

1. EXECUTIVE SUMMARY

1.1 This report provides the Audit & Governance Committee and Corporate Management Team with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in April 2014.

1.2 The report aims to:

- Report back on those audit reviews outstanding at year end (31<sup>st</sup> March 2014) which have been finalised in Q1 of this financial year.
- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit in Q1.
- Advise you of significant issues where controls need to improve to effectively manage risks.
- Provide details of forthcoming audit reviews and the status of programmed audits
- Track progress on the response to audit reports and the implementation of agreed audit recommendations

1.3 In addition the report provides details of the work the Council's corporate investigations team and internal audit have undertaken since April 2014 with respect of investigations into benefit, housing tenancy fraud and other corporate investigations.

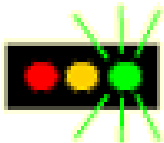
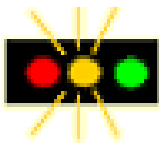
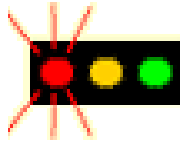
2. RECOMMENDED ACTION

2.1 Audit & Governance Committee are requested to consider the report

### 3. ASSURANCE FRAMEWORK

- 3.1 Where appropriate each report we issue during the year is given an overall assurance opinion. The opinion stated in the audit report provides management with a brief objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the terms of reference agreed at the start of the audit; it is not a statement of fact. The opinion should be independent of local circumstances but should draw attention to any such problems to present a rounded picture. The audit assurance opinion framework is as follows:

#### Definition

<b>Substantial</b>		A Substantial opinion will be given where controls are generally operating effectively, however minor control weaknesses may have been identified. There are however, no high risk (priority 1) recommendations being made.
<b>Conditional</b>		A conditional opinion will only be given if the areas where the controls are missing or not consistently applied do not represent a significant risk to the system as a whole. Where a conditional opinion is given the report should clearly explain the area or areas to which the conditional opinion relates.
<b>Limited</b>		Risk that objectives will not be met, or are being met without achieving efficiency, effectiveness and/or value for money. A limited opinion will only be given where controls are not applied, consistently and effectively

- 3.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make.
- 3.3 It is management's responsibility to ensure that effective controls operate within their service areas. However, we undertake follow up work to provide independent assurance that agreed recommendations arising from audit reviews are implemented in a timely manner. We intend to follow up those audits where we have given limited assurance.

#### 4. SUMMARY OF AUDIT FINIDINGS

	Draft	Final	RECS			Assurance
4.1 Debt Recovery	Feb 14	May 14	1	4	0	

4.1.1 The council's debtors system is categorised as a key system by the External Auditor and therefore requires an annual review. This year our focus was to review debt recovery performance and associated processes.

4.1.2 We have no particular issues with the debtors system per se, however in terms of effective monitoring and management of aged debts the audit found a number of shortcomings, namely that a significant number (and value) of invoices are outstanding as unpaid and appear not to have been effectively managed by service areas.

4.1.3 Debt does fluctuate and approximately 33% of the total debt outstanding is raised to other public bodies and therefore ultimately usually recovered. Nevertheless our analysis of the outstanding debt as at 31 December 2013 (£4.6m) identified invoices worth £3.1m remained at the recovery stage, with a further £0.87m classified as 'decide recovery action' which is a default stage. Of these invoices 43% were aged 30-60 days, 35% were aged 61-150 days and 39% were aged over 150 days.

4.1.4 As at the 30 April 2014 outstanding debt greater than 30 days (i.e. beyond the Council's normal expected payment period) was £3.9m.

4.1.5 In summary, based upon the statistics provided, it is apparent that there are a large number of unpaid invoices which do not appear to be being satisfactorily managed or pursued. The situation is compounded by the fact responsibility for the monitoring and chasing of unpaid invoices appears not to be widely publicised, and by the fact that that there is a very limited resource in the central debtors team for the coordination, overall management or monitoring of debtors' invoices.

	Draft	Final	RECS			Assurance
4.2 Adoption Grant Reform	Apr 13	May 14	0	0	0	

4.2.1 The grant expenditure was reviewed against the conditions set down for expenditure and was certified as having been spent appropriately.

	Draft	Final	RECS			Assurance
4.3 Social Fund Reform (Financial Crisis Support Scheme)	Apr 14	May 14	0	3	2	

4.3.1 There are policies in place which detail the scope and operation of the scheme and the eligibility criteria which is available on the Council's website. There were found to be various documents available on the Team's shared drive detailing the procedures to be followed and an indication of awards that can be given.

4.3.1 Due to the discontinuation of the funding for this scheme beyond March 2015, no single IT system was procured or developed to support the operation of the scheme. Although this is totally understandable, it has resulted in a number of repositories being created (including various spreadsheets, scanned applications, copies of letters issued etc). This in turn has made it slightly more difficult to follow through transactions to identify what assistance an applicant has actually been awarded and whether it was collected.

4.3.2 Part of the Financial Crisis Support Service funding has been given to a number of voluntary organisations. The services received from these organisations are documented within an SLA and monitored by the Funding Services team.

4.3.3 BACS payments can be made to individuals where they require large items, e.g. white goods. Sample tests confirmed that those transactions detailed as BACS payments had been adequately reflected on the general ledger. Post Office top up payments were also found to have been correctly reflected on the general ledger. Due to the unrestricted nature of payments, there is no guarantee that payments are used to purchase the required goods. {subject to response from Kirsty/Zoe}

#### 4.12 School Audits

	Draft	Final	RECS			Assurance
Park Lane Primary	Mar 14	Apr 14	0	0	4	

4.12.1 There are no issues to report.

5. **PLANNED AUDIT FOLLOW UP REVIEWS**

5.1 Internal audit will look to follow up those reviews which have been assigned limited assurance. Resources permitting we envisage that the follow up review will take place between 6 - 12 months after the initial audit or after the recommendations were agreed to be implemented (if later). Audit areas given limited assurance which we have planned to follow up are as follows:

Audit Title	Date of audit	Follow up start date	Draft Report	Final Report
Agency Staffing Contracts	Dec 13	May 14		
Learning Disabilities Commissioning Budget	Oct 13			
Corporate Procurement	Jul 13			
Coley Primary School	Apr-13			
Children & Adults Commissioning	Jan-13			
Deputyship & Appointeeship	Jun-13	Jul 14		

Key: 😊 - Implemented 😐 - Partly implemented ☹️ - Not implemented

## 6. AUDIT REVIEWS 2013/2014

6.1 The table below details those audit reviews in progress and the reviews planned for the next quarter. Any amendments to the plan to reflect new and emerging issues or changes in timing have been highlighted.

Audit Title	Timing	Start Date	Draft Report	Final Report
Homelessness	Q1	Apr 14		
Charging arrangements for adult social care services	Q1	Apr 14		
Access to records (Adults & Children)	Q1	Apr 14		
Register of Births Deaths and Marriages	Q1	Apr 14		
Payment card Industry Data Security Standard (PCIDSS)	Q1	Apr 14	June 14	
Overtime	Q1	Apr 14		
Health & Safety Review	Q1	Apr 14	June 14	
Whistle Blowing Arrangements	Q1	Apr 14		
Local Pinch Point Fund	Q2			
Licensing	Q2			
Patron edge in leisure centres	Q2			
Children leaving care	Q2			
Deferred Payment Scheme	Q2			
Home to School Transport	Q2			
Entitlement & Assessment (LCTS & HB)	Q2			
Business Rates	Q2			
General Ledger (inc Budget management)	Q2			
Public Health Responsibilities	Q2			
Local Sustainable Transport Fund (LSTF)	Q3			
Fleet Management	Q3			
Gas/Electric Inspections	Q3			
Culture & Sport Income generation	Q3			
School Places Capital programme	Q3			
Special Education Needs	Q3			
Whitley Primary School	Q3			
Caversham Primary School	Q3			
St Anne's Catholic Primary School	Q3			
Blagrove Nursery School	Q3			
All Saints Infant School	Q3			
Pheonix	Q3			

Audit Title	Timing	Start Date	Draft Report	Final Report
ICT Hardware Management	Q3			
Collection and Debt Recovery	Q3			
Rent Accounting	Q3			
Creditors (Accounts Payable)	Q3			
Payroll	Q3			
Equal pay	Q3			
Sec 106 Agreements (C.I. Levy Regulations)	Q4			
Fuel system	Q4			
Self Financing HRA	Q4			
PRS licences	Q4			
Children's Centres	Q4			
Integration Transformation Fund (ITF)	Q4			
School Attainment	Q4			
Frameworkki (Finance Payments)	Q4			
Blagdon Nursery School	Q4			
New bridge Nursery School	Q4			
Capital Accounting (Fixed Assets)	Q4			
Treasury Management	Q4			

## 7. INVESTIGATIONS

- 7.1 Housing & Council Tax Benefits - Since the 1<sup>st</sup> April 2014 the corporate investigations team have received 87 referrals of benefit fraud. Of these there have been 7 sanctions which are made up of 6 prosecutions and 1 administrative penalty. Total benefit overpayment on the sanctioned cases is to the value of £70,841. This figure shows all sanctioned cases and does not count any case where a decision not to sanction has been made.
- 7.2 Housing/Tenancy Fraud Investigations - Since the 1<sup>st</sup> April 2014 the corporate investigations team have received 4 referrals of Housing/tenancy Fraud. There are currently 4 ongoing investigations.
- 7.3 Blue Badges - Since the 1<sup>st</sup> April 2014 the Corporate Investigations Team have received 4 referrals of Blue Badge Fraud. At present there are 3 ongoing investigations and one has been closed no further action required.
- 7.4 Human Resources (HR) - One case from last year has just been resolved with an individual being dismissed from employment. Criminal proceedings will now commence in this case. There is currently one other case referred involving the disciplinary process which is just about to commence.



## **8. CONTRIBUTION TO STRATEGIC AIMS**

- 8.1 Audit Services aims to assist in the achievement of the strategic aims of the authority by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## **9. COMMUNITY ENGAGEMENT AND INFORMATION**

- 9.1 N/A

## **10. LEGAL IMPLICATIONS**

- 10.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.
- 10.2 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.
- 10.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations 2011, in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.
- 10.4 The Internal Audit Service works to best practice as set out in Public Sector Internal Audit Standards published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This includes the requirement to prepare and present regular reports to the Committee on the performance of the Internal Audit service.

## **11. FINANCIAL IMPLICATIONS**

- 11.1 N/A

## **12. BACKGROUND PAPERS**

- 12.1 N/A

READING BOROUGH COUNCIL

REPORT BY HEAD OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	23 JUNE 2014	AGENDA ITEM:	
TITLE:	BUDGET MONITORING - EMERGING VARIANCES & RAG STATUS OF SAVINGS		
LEAD COUNCILLOR:	COUNCILLORS LOVELOCK/ PAGE	PORTFOLIO:	FINANCE AND SERVICE IMPROVEMENT
SERVICE:	FINANCIAL	WARDS:	BOROUGHWIDE
LEAD OFFICER:	ALAN CROSS	TEL:	0118 9372058 (x72058)
JOB TITLE:	HEAD OF FINANCE	E-MAIL:	Alan.Cross@reading.gov.uk

## 1. EXECUTIVE SUMMARY

- 1.1 Ahead of the start of formal monitoring of the 2014/15 budget, this report sets out some emerging variances and the "RAG" status of the savings agreed for 2014/15 as well as those that were agreed in the 2013/14 budget round and had not been fully implemented (i.e. were Green) by the last report to Policy Committee.

## 2. RECOMMENDED ACTION

- 2.1 POLICY COMMITTEE is requested to note the emerging variances and the RAG status of savings remaining from 2013/14 and those approved in the 2014/15 budget (for 2014/15).
- 2.2 POLICY COMMITTEE is requested to agree a budget virement of £790k between the Treasury Management Budget and Culture & Leisure and New Directions income budgets to mitigate these expected variances.

## 3. BUDGET SAVINGS RAG STATUS

- 3.1 In recent years we have monitored progress of savings on a "traffic-light" RAG basis, with green meaning that all management actions to deliver the saving have been delivered. The 2014/15 budget included £15m of new savings, of which £10m needed to be delivered in 2014/15. In addition the budget included almost £2m of savings agreed in the 2013/14 budget round.
- 3.2 The RAG status of delivery of these remaining £2m savings and income generation proposals split by directorate included in the 2014/15 budget is set out in Appendix 1.

3.3 The RAG status is summarised below:

Remaining Savings from 2013/14 Budget Round	£000	%
Green	1,111	57
Amber	847	43
Red	0	0
<b>Total</b>	<b>1,958</b>	<b>100</b>

Work is continuing to deliver the remaining savings in 2014/15 (or compensating alternatives).

3.2.1 The summary RAG status of budget savings proposals split by Directorate for 2014/15 is also set out in Appendix 1. The total is £10.002m in 2014/15. Amber risks will be closely monitored throughout the year.

RAG Status of 2014/15 savings	£000	%
Green	5,521	55
Amber	4,481	45
Red	0	0
<b>Total</b>	<b>10,002</b>	<b>100</b>

4. OTHER POTENTIAL BUDGET VARIANCES IN 2014/15

4.1.1 As well as carrying out a detailed review of the implementation of agreed budget savings, the Corporate Management Team have also considered whether there are other potential budget variations ahead of the first formal budget monitoring exercise which will be reported to Policy Committee in July.

4.1.2 This exercise has been substantially influenced by a consideration of variances identified in the 2013/14 outturn, reported elsewhere on your agenda, and a consideration of whether the more significant issues are on-going and have not been fully taken account of in setting the 2014/15 budget. The exercise has identified potential adverse variations in Culture & Leisure and New Directions, but these are likely to be compensated for by some potential positive variances within childcare lawyers (subject to caseloads remaining low), benefit costs and treasury management. The Treasury Management estimate has been informed by some preliminary budget monitoring work to take account of actual capital financing from borrowing being lower than estimated in 2013/14. The table summarises;

Emerging Variances 14/15	£000
Culture & Leisure Income	600
New Directions Income	200
Childcare Lawyers - Reading share of costs	-145
Net Cost of Housing Benefit	-100
Treasury Management	-790
<b>TOTAL</b>	<b>-235</b>

4.2 In this context, the Head of Finance has concluded that provided most of the remaining “amber” savings are delivered broadly to target, at this stage (before any detailed budget monitoring is done) the Council’s budget position, (taking account of all recommendations in this cycle of the Policy Committee) remains within the approved framework, and the minimum General Fund budget of £5m is being maintained.

## **5. CONTRIBUTION TO STRATEGIC AIMS**

5.1 The delivery of the Council’s actual within budget overall is essential to ensure the Council meets its strategic aims.

## **6. COMMUNITY ENGAGEMENT AND INFORMATION**

6.1 None arising directly from this report.

## **7. LEGAL IMPLICATIONS**

7.1 None direct from this report.

## **8. FINANCIAL IMPLICATIONS**

8.1 Included in the report.

## **9. EQUALITY IMPACT ASSESSMENT**

9.1 None arising directly from the report.

## **10. BACKGROUND PAPERS**

10.1 Closing Working papers for relevant service areas, and budget monitoring of Treasury, save confidential items.

10.2 Working RAG Analysis of 2014/15 savings

**BUDGET SAVINGS PROPOSALS SUMMARY**

**APPENDIX 1**

RED/AMBER/GREEN SAVINGS	Expenditure	Income	Total		Red	Amber	Green	Red	Amber	Green
	Savings	Generation								
	£000	£000	£000		£000	£000	£000	%	%	%
2014-15										
CSS	1,922	278	2,200		0	841	1,359	0%	8%	14%
DEACS	4,137	120	4,257		0	1,113	3,144	0%	11%	31%
DENS	1,478	658	2,136		0	1,568	568	0%	16%	6%
Council Wide	1,409	-	1,409		0	959	450	0%	10%	4%
<b>Total</b>	<b>8,946</b>	<b>1,056</b>	<b>10,002</b>		<b>-</b>	<b>4,481</b>	<b>5,521</b>	<b>0%</b>	<b>45%</b>	<b>55%</b>

RED/AMBER/GREEN SAVINGS	Expenditure	Income	Total		Red	Amber	Green	Red	Amber	Green
	Savings	Generation								
	£000	£000	£000		£000	£000	£000	%	%	%
2013-14 into 2014-15										
CSS	465		465		0	250	215	0%	13%	11%
DEACS	933		933		0	450	483	0%	23%	25%
DENS	93		93		0	0	93	0%	0%	5%
Council Wide	467		467		0	147	320	0%	8%	16%
<b>Total</b>	<b>1,958</b>	<b>-</b>	<b>1,958</b>		<b>-</b>	<b>847</b>	<b>1,111</b>	<b>0%</b>	<b>43%</b>	<b>57%</b>

**READING BOROUGH COUNCIL  
REPORT BY HEAD OF FINANCE**

<b>TO:</b>	<b>POLICY COMMITTEE (&amp; AUDIT &amp; GOVERNANCE)</b>		
<b>DATE:</b>	<b>23 JUNE 2014</b>	<b>AGENDA ITEM:</b>	<b>7</b>
<b>TITLE:</b>	<b>PROVISIONAL END OF FINANCIAL YEAR ACCOUNTS, OUTSTANDING DEBT &amp; CAPITAL PROGRAMME FINANCING</b>		
<b>LEAD COUNCILLOR:</b>	<b>JO LOVELOCK/ TONY PAGE</b>	<b>AREA COVERED:</b>	<b>CORPORATE SERVICES</b>
<b>SERVICE:</b>	<b>FINANCIAL</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>AUTHOR:</b>	<b>ALAN CROSS</b>	<b>TEL:</b>	<b>0118 9372058</b>
<b>JOB TITLE:</b>	<b>HEAD OF FINANCE</b>	<b>E-MAIL:</b>	<b>Alan.Cross@reading.gov.uk</b>

**1. EXECUTIVE SUMMARY**

- 1.1 This report summarises the financial position at the end of the 2013/14 financial year, setting out draft final budget variances, a preliminary view of the accounts, and includes a summary of outstanding debt owed to the Council as at 31 March 2014. You are also asked to approve the financing of the Capital Programme (including the use of S106 Receipts).
- 1.2 The report also explains (in Appendix C) the Final Accounts process leading to the formal approval of the accounts at the end of September.
- 1.3 There is a need for a formal decision to write off various irrecoverable debts in excess of £10k.

**2. RECOMMENDED ACTION**

- 2.1 Policy Committee is requested to note the preliminary outturn position set out in the report, and the main reserves set out in Paragraph 3.5.
- 2.2 Policy Committee is asked to agree to funding of the capital programme and use of S106 as stated in paragraphs 3.8-3.10 & Appendix B.
- 2.3 Policy Committee is asked to approve the write off of 2 irrecoverable debts totalling £55,794.88 (as set out in more detail in section 3.15 of the report).

2.4 Policy Committee is asked to delegate to the Head of Finance, in consultation with the Leader, Deputy Leader and Chair of the Audit and Governance Committee, be given delegated authority to amend the Final Accounts where this is in the best interests of the Council.

## Appendices

- A Commentaries comparing the Approved Budget to outturn
- B S106 Financing
- C Final Accounts Process
- D General debtors outstanding

## 3. GENERAL FUND BUDGET

- 3.1 For 2013/14 the Council had a budget requirement of £130.8m which was funded by revenue support grant £40.3m, retained business rates £26.6m, council tax £62.5m and the estimated collection fund surplus of £1.4m. Government Regulations mean that the budget requirement does not change, but budget variances require either compensating adjustments elsewhere or result in a movement on the General Fund Balance. Variations in Business Rate and Council Tax income will leave the Council with a Collection Fund Balance, which is taken into account in future budget rounds.
- 3.2 The Finance Service has completed the main closing accounts processes, and in Table 1 the preliminary outturn position is set out with a comparison to budget as approved by Council in February 2013, restated on new Directorate basis, following the Reshape of the management structure.

## 3.3

**TABLE 1 PRELIMINARY OUTTURN - GENERAL FUND**

	Budget 2013/14 £'000	Draft Outturn 2013/14 £'000	Variance to Budget £'000
CSS	13,787	12,512	-1,275
DENS	27,636	30,265	2,629
DEACS	75,593	74,472	-1,121
Directorate Total	117,016	117,249	233
Capital Financing	12,400	11,427	-973
Insurance	791	656	-135
Corporate Property, Pension & Other Liabilities, including Environment Agency Levy	1900	1,504	-396
Redundancy Provision	800	800	0
Capitalisation	0	-250	-250
(Additional) Transfer to Redundancy Reserve	0	1,921	1,921
Grants	-2,044	-2,508	-464
NNDR Compensation Grant less Levy	0	-156	-156
Add to General Fund Balance		220	220
Budget Requirement	130,863	130,863	0

**[At the time of writing this report, the detailed figures above were at “final draft” stage and still being checked & verified].**

Commentaries comparing the Approved Budget to outturn are set out in Appendices A. In summary Corporate Support Services had underspends on pay costs due to managing vacancies pending Reshape and supplies and services through limiting purchases. In addition, whilst the childcare legal service broadly spent to budget, a much more significant proportion of the work was for other authorities, leading to additional £370k year end income, approximately matching the reduced cost of Reading’s work. As has been reported during the year DENS had a number of significant income shortfalls in Culture & Leisure Services, and the 2014/15 effect is dealt with elsewhere on the agenda. DEACS also had a small overall year end underspend, though across most social care services this amounted to around 1% of the budget.

Overall Directorate budgets were overspent by £233k, but this is compensated by treasury management and insurance costs being below budget. Corporate,



Property & Pension Liability etc. budget was underspent after allowing for year end accounting adjustments. There were three late grants; one to compensate the Council for business rate scheme changes and two distributing funds DCLG originally held back from the finance settlement. In addition £250k of revenue expenditure has been capitalised, with a matching sum being added to the redundancy reserve. These year end adjustments help increase the council's flexibility going forward.

### 3.4 EARLY TERMINATION COSTS

As part of in year budget reductions to keep net expenditure within the approved budget and the requirement to make savings so that the budget set for 2013/14 was within the available resources, taking account of the on-going reductions in government support for the council's activities, the Personnel Committee has agreed redundancy, compensation and early retirement packages to the value of £3.7m for 115 employees. These have been funded from the Organisational Change (Redundancy) Reserve.

### 3.5 GENERAL FUND BALANCES & RESERVES

Based on the provisional outturn the General Fund Balance as at 31<sup>st</sup> March 2014 is as follows

	Approved Budget £'000	Actual £'000
1 April 2013	5,337	5,284
Use of Balances	0	0
Transfer to balances		220
31 March 2014	5,337	5,504

Table 1 above includes capitalisation of £250k of revenue expenditure that is of a capital nature. This will enable £250k, and £512k arising from the Government's distribution of unused grant held back to be transferred to the Redundancy Reserve to help meet future Reshaping costs.

Most of our specific earmarked Reserves have followed the budget plan agreed in February. The balance on the Insurance Reserve has been reduced by £378k following a Review of the Council's needs for this reserve undertaken by the Council's Insurance advisor. The £378k is included in the transfer to the Redundancy Reserve. The Risk & Robustness Report in the budget report identified the need to keep the Redundancy Reserve under review and additional transfers have been made to take it to £3.8m at the year end. The transfers made arise from additional general grant receipts, capitalisation as well as the planned closure of various other reserves.

### 3.6 HOUSING REVENUE ACCOUNT

The preliminary outturn position for the Housing Revenue Account is set out in table 2

**Table 2 Preliminary Outturn - Housing Revenue Account**

	Budget 2013/14 £'000	Draft Outturn 2013/14 £'000	Variance to Budget £'000
Repairs	12,245	10,480	-1,765
Management	16,897	15,890	-1,007
Capital	11,160	11,165	5
Total Expenditure	40,302	37,535	-2,767
Rents	35,671	35,260	-411
PFI Allowance/Grant	3,997	3,997	0
Service Charges	485	459	-26
Interest & GF Contribution	149	175	26
Total Income	40,302	39,891	-411
Net Income	0	-2,356	-2,356
HRA Balance b/f	11,171	10,892	
HRA Balance c/f	11,171	13,248	

The table shows an underspend of almost £2.4m in comparison with the budget across the account as a whole. Around £1.8m of this arises from the repairs budgets, mainly relating to £1.4m slippage on Capital Repairs and contingency that was not required, and almost £1m from staffing and running costs budgets, the latter mainly associated with the PFI scheme that have not been needed this year. There has been a reduction of income by £0.4m mainly as a result of the overall impact of a reduced stock (some right to buys, but more particularly the regeneration of Dee Park).

### 3.7 CAPITAL EXPENDITURE

Table 3 shows a comparison by service between the Draft Outturn and Planned Expenditure.

**Table 3 Preliminary Outturn - Capital**

	Planned (Estimate+ slippage from 12/13) £' 000	Draft Outturn £' 000
<i>Expenditure:</i>		
Education	28,323	22,580
Transport	12,615	8,813
Civic Offices Re-provision	12,791	12,321
Other Corporate	8,147	6,935
Environment,Culture & Sport	1,869	966
Housing (General Fund) & Community Care	2,847	1,690
Housing (HRA)	7,470	5,667
	<u>74,062</u>	<u>58,972</u>
<i>Funded by:</i>		
Grants	23,663	18,362
Receipts(including s106 & HRA Major Repairs Reserve)	13,369	13,526
Borrowing	37,030	27,084
	<u>74,062</u>	<u>58,972</u>

3.8 The difference of £15.1m between the capital programme plan of £74.1m and actual expenditure of £59m was the result of slippage in a number of key areas.

3.9 The main projects affected were as follows: schools expansion £5.7m; transport "Pinch Point", Reading Station and LSTF (£3.8m) and HRA Housing (£1.8m).

3.10 Appendix B sets out S106 funding for approval in line with the agreed process.

## BORROWING OUTSTANDING

In line with the requirements of the CIPFA Prudential Code there will be a treasury outturn report to Audit and Governance Committee as part of the final accounts package setting out in full the outturn Prudential Indicators. Table 5 shows the summary position of capital debt outstanding as measured by the adjusted capital finance requirement

**Table 4 Capital Debt Outstanding**

(Adjusted CFR)	Probable £m	Outturn £m
General Fund	173.6	164.1
HRA	196.1	194.9
Total	<u>369.7</u>	<u>359.0</u>

Actual borrowing at 31 March 2014 was £320.4m gross and £290.4m net of investments.

### 3.9 FINAL ACCOUNTS PROCESS

Appendix C explains the final requirements for Local Authority Accounts and in particular the formal approval process at the end of June & September. The draft accounts which must be prepared in a prescribed format will be "signed off" by the Head of Finance by the end of June prior to audit before being presented to the Audit & Governance (A+G) Committee before the end of September for approval. The external auditor (KPMG) is expected to review the draft accounts during July and August, prior to issuing an opinion on them at the A+G Committee at the end of September. The accounts will be published on the Council's website as signed off initially (with a "subject to audit" cover) and with the audit opinion at the end of September. At the time of preparing this report, not all the figures set out above had been checked in detail, and therefore may vary in the final accounts. Any significant variations, if not apparent from a full reading of the accounts will be explained in the cover report to the Audit & Governance Committee.

### 3.10 DEBT OUTSTANDING

The accounts include various streams of income where money was owed to the Council at the year end, and the remaining sections of this report include a commentary on those debtor streams.

### 3.11 COUNCIL TAX

Table 5 shows the Council Tax Collection Rate over the last 6 years:

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Collection Rate	96.73%	97.17%	97.20%	97.41%	97.54%	96.93%

- 3.12 At the year end, just over £300k of Council Tax arrears arose on accounts where the Council Tax Support Scheme required a new or increased contribution. Adjusting for this, the collection rate that is comparative to previous years is 97.33%. In addition, previous year's arrears to the value of £1.1m (2012/13 £1.25m) were also collected, leaving arrears at 31 March 2014 of £9m (31/3/13 £7.9m).

The improved recovery activity over recent years has resulted in irrecoverable debt written off of £32k (2012/13 £26k).

### 3.13 BUSINESS RATES

Arrears of Business Rates total £4.7m in 2013/14 (£3.29m in 2012/13). For 2013/14 the in year Collection Rate was 97.28% (97.72% in 2012/13). In addition there was a reduction in previous years arrears of £1.46m (2012/2013 £1.6m).

- 3.14 After allowing for providing for the cost of losses, including the impact of historic revaluation changes, for which the Council has an estimated liability of at least £13m, we originally expected to be able to retain £26.6m to fund the budget. At outturn, after providing for losses and appeals on a similar basis as planned we anticipate having just over £1.26m additional business rates income. After allowing for the Government's 50% share, the fire authority 1% share, and the £21.35m tariff payable to the Government, the Council's share is £27.2m. This is £414k higher than the Government set baseline, but a levy of 44% of this (£182k) is payable to the Government. The balance of £232k will be part of the collection fund balance and be taken into account in setting the council tax for 2015/16.

### 3.15 HOUSING RENTS

Arrears of rents from Council Housing and Temporary Accommodation totalled just over £0.7m broken down as follows:-

	Current Tenants		Former Tenants	
	£000	% of rent	£000	% of rent
Council Housing	370	1.0	335	0.9
Temporary Accommodation	2		17	
	<u>372</u>		<u>352</u>	

Against these arrears a bad debt provision of £0.6m has been made. In comparison at 31/3/2013, current tenants rent arrears were £496k and former tenants rent arrears were £359k.

### 3.16 GENERAL DEBTORS

The table at Appendix D summarises the level of general debtors outstanding of £6.7m greater than 60 days old, beyond the normal reminder process.

The most significant areas of debt relate to Housing Benefit Overpayment and Community Care, where the majority of debt relates to domiciliary care and older peoples residential accommodation awaiting administration of clients estates. A large proportion of the debt is being paid by instalments or awaiting legal action.

Where Housing Benefit overpayments occur in most cases 40% is claimable through subsidy and the Council seeks to recover the overpayment from the claimant by either deductions from on-going benefit or by raising an invoice. In most cases arrangements to pay are agreed with claimants linked to ability to pay hence the age of the debt.

#### WRITE OFFS

- 3.17 Financial regulations require that Committee approval is given for write offs above £10,000. Your approval is therefore requested for the following 2 write offs for the reasons stated. There are currently no business rates write offs, Included in the list below are 2 general debt write-offs.

Write Offs over £10,000

A	£32,041.29	Irrecoverable Debt- Social Services
B	£23,753.59	Irrecoverable Council Tax

**4 CONTRIBUTION TO STRATEGIC AIMS**

- 4.1 The production of accounts does not in itself contribute to the Council's strategic aims, however maintaining a "healthy" financial position is a key element underpinning sound Corporate Governance of the organisation.

**5 COMMUNITY ENGAGEMENT AND INFORMATION & LEGAL IMPLICATIONS**

- 5.1 None directly from this report.

**6 FINANCIAL IMPLICATIONS**

- 6.1 As set out above

**7 BACKGROUND PAPERS**

2013/14 Budget

2013/14 Closing working papers (excluding confidential items)

**DEACS Summary****Outturn 2013/14**

This overview provides the key results of the outturn review for 2013/14

**Approved Budget**

The Approved budget for the directorate is £78.9m, made up as follows:

	Annual Budget	Actual	Actual Variance
	£'000	£'000	£'000
Employee Costs	84,407	84,424	17
Running Costs	70,446	100,158	29,712
Gross Expenditure	154,853	184,582	29,729
Income	-75,922	-106,772	-30,850
Net Expenditure	78,931	77,810	-1,121

**Year End Underspend**

The outturn shows a net underspend of	-1,121
	-1.4%

**Directorate Commentary on outturn**

The outturn for the 13/14 financial year is an underspend of £1,121K (which is 1.4% of the net budget). Adult services delivered against planned financial targets; there were some demographic service pressures which were partly covered by non recurrent funding, but overall delivered a small underspend. The Education service finished the year with a slight overspend due to pressures in home to school transport flowing from an increase in children with special educational needs requiring this service and also more generally levels of services that schools buy from the Council are lower than anticipated. Children's Services had a pressure for residential placements, together with an increase in agency spend, partly due to covering maternity leave. There were some off setting underspends from the youth service, grants and CATS which have now brought the Directorate in with a slight underspend.

In Commissioning and Procurement the underspend reflects the reshaping that has taken place in the service together with the in year reductions in training. To support unexpected increases in client demand across Adult and Children Social Care, the Directorate has a strategic reserve budget of £1.4m. The aim is to use the reserve on a non re-current basis to meet pressures across the Directorate. In 2013/14 the overall pressure across all services reduced and there was no call on this reserve budget and this will carry forward into 2014/15 as part of the overall arrangements for operating the strategic reserve.

Significant Budget Variations - Service & Explanation of Year End Position (>£100k)	Underspend (-)/ Overspend (+) £000
Children's Service	-410
Adult Services	-659
Education & Early Years	430
Commissioning & Improvement	-398
Sundry Other	-84
<b>Total Underspend</b>	<b>-1,121</b>



This overview provides the details of the 2013/14 Final Outturn

**Approved Budget**

The approved budget for the directorate as shown is £27.637m, made up as follows:

	Annual Budget	Year End Outturn	Variance to Budget
	£'000	£'000	£'000
Employee Costs	28,626	29,102	476
Running Costs	41,194	47,979	6,785
Gross Expenditure	69,820	77,081	7,261
Income	-42,184	-46,816	-4,632
<b>Net Expenditure</b>	<b>27,636</b>	<b>30,265</b>	<b>2,629</b>

**Summary of Year end Position**

The outturn shows a net overspend of	<b>2,629</b>
	<b>9.5%</b>

**Directorate Commentary on Year End Outturn**

The Directorate has experienced significant grant-funded projects during the year, such as LSTF. As separate budgets were not established to spend grant income streams as they were not fully known about when the original budget was set, there are variances in running costs and gross expenditure between budget and outturn in the table above. However, such grant income was broadly matched by expenditure and therefore was effectively budget neutral. The net overspend at year end is principally due to significant income shortfall across many service areas, including New Directions, Culture, Leisure, Planning, and Building Control either as result of continued economic downturn or the setting of over optimistic income targets across Culture and Leisure services. Where these over optimistic income targets were identified during 2013/14, budgets have been re-based going forward into 2014/15.

Budget Variations by Head of Service	Underspend (-)/ Overspend (+) £000
Transport & Streetcare - over achievement of Bus Lane Enforcement income along with other savings, including LSTF salaries recharge. This was used to off-set the cost of RTPI, additional pothole scheme, pressure in refuse collection and waste disposal, clean and tidy project, amongst other things.	-506
Planning, Development & Regulatory Services - income shortfalls within Planning and Building Control and additional cost of Coroners Service and FM, partially offset by additional Licensing income and vacancy savings.	590
Housing & Neighbourhood Services - underspend on Short term Lets offset by high B&B costs, savings in Housing Advice and income shortfalls in Libraries	-192
Economic & Cultural Development - income shortfalls against budget for Leisure, Town Hall, Arts Venues and New Directions.	2,614
Cross Directorate - unfunded 1% pay award offset by vacancy and other small savings.	123
<b>Total Underspend</b>	<b>2,629</b>

## Budget Monitoring Overview for the Period: March 2014

This overview provides the details of the 2013/14 Final Outturn

## Approved Budget

The Approved budget for the directorate is £14.1m, made up as follows:

	Annual Budget	Year End Outturn	Variance To Budget
	£'000	£'000	£'000
Employee Costs	15,847	16,122	275
Running Costs	11,985	15,782	3,797
Gross Expenditure	27,832	31,904	4,072
Income	-14,045	-19,392	-5,347
Net Expenditure	13,787	12,512	-1,275

## Summary of Year end Position

The outturn shows a net underspend of	-1,275
	-9.2%

## Directorate Commentary on Year End Outturn

In the Directorate's £1.275m under spend, the largest single variance arose within Legal Services, where the Joint Berkshire Childcare Legal Team expenditure was broadly in line with budget, as had been anticipated, but there were £370k additional charges to other authorities, and a broadly matching reduced usage of the team as Reading's caseload fell to an unprecedented low level.

Virtually all other areas of the directorate had a year end underspend arising from careful vacancy management and control over costs, together with additional income. Notable income sources included land charges (£65k better than budget) and better than forecast recovery of costs from defaulting council taxpayers (£63k). At outturn further positive year end variances included Finance (£85k), HR (£104k), Registration (£64k) Policy (£81k) & Business Improvement (£37k). These added to a forecast general underspend of pay costs across the Directorate in the year of up to £200k, as reported during the year. Within Customer Services despite growth in caseload we have been able to contain pressures in Entitlement & Assessment (Benefits), though various new burdens grants.

The Public health budget which is grant funded is also managed with Corporate Support Services. Some of the contract costs funded within the budget are variable depending upon demand, and the outturn currently shows 92% of the grant was spent in year. Unspent grant carries forward to future years.

Budget Variations by Head of Service	Underspend (-)/ Overspend (+) £000
Customer Services	-467
Legal Services	-521
HR & Payroll Services	-164
Finance	-95
Other Variations	-29
Total Underspend	-1,275

## Budget Monitoring Overview for the Period: March 2014

This overview provides the key results of the budget monitoring exercise undertaken during March 2014

### Approved Budget

The Approved budget is £40.8m, made up as follows:

	Annual Budget	Year End Outturn	Variance to Budget
	£'000	£'000	£'000
Employee Costs	2,843	2,679	-164
Running Costs	14,060	13,210	-850
Total Supervision & Management	16,903	15,889	-1,014
Repairs	12,245	10,480	-1,765
Capital Financing	11,160	11,165	5
Gross Expenditure	40,308	37,334	-2,974
Income	-40,308	-39,890	418
Net Expenditure	0	-2,356	-2,356
<b>Summary Projection of Year end Position</b>			
The outturn shows a net underspend of			<b>£-2356k</b>

### Summary Projection of Year end Position

The 'Supervision & Management' heading covers all tenancy services/housing management budgets - totalling almost £17m. There is a total underspend of £1,014 in this area due to ongoing vacant posts, on costs reviewed for numbers not staying in Superannuation scheme, training underspends due to the moratorium on training and agency budget underspends. In addition there is a £-587K underspend in the PFI area and a number of relatively small under and overspends against running costs. Three vacancies have been or are being filled. One will be filled but a project has been deferred to next year. Others are being held pending an imminent review of structure under the Council's reshape programme.

At year end there is a small overspend in capital financing costs, and owing to RTB disposals as well as the impact of taking properties out of the HRA to facilitate the Dee Park regeneration and the "bedroom tax" reform, rent income is below budget by £418K.

The Repairs budget is showing an underspend which is made up of slippage of works to 2014/15 and use of contingency budget of £400k not being required in 2013/14.

Service & Explanation of Year End Position (>£100k)	Overspend £000	Underspend £000
Supervision & Management		1,014
repairs		1,765
Capital Financing	5	
income	418	
<b>Total</b>	<b>423</b>	<b>2,779</b>
<b>Forecast Net Position (over/-underspend)</b>		<b>-2,356</b>

Scheme	Development	Amount	Fettering
Abbey Gateway	1562 - 24-26 Queens Road	-8,500.00	"the Leisure Facilities Contribution" means the sum of EIGHT THOUSAND FIVE HUNDRED POUNDS (£8,500.00) Index-Linked as a contribution towards the provision and/or improvement of leisure and/or recreation facilities in the Reading town centre area The Owner considers the appropriate amount of the Leisure contribution £25,000.00 (principal deed) towards leisure and recreational infrastructure provision/improvements.
	1921/3315 - Mansfield Hall	-8,054.50	
		<b>-16,554.50</b>	
Alphington/Ambrook Rd Play Areas	1644 - Kennet Island	-3,962.00	Up to 3 ha together with the provision on that land of 2 sports pitches associated changing facilities and financial provision for maintenance for a period of 10 years and/or the improvement of formal recreation facilities in the South Reading area
		<b>-3,962.00</b>	
Arthur Newbery Park	1564 - Sadina Pierces Hill	-2,270.66	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality Contribution towards provision and/or improvement of leisure and/or recreation facilities at Arthur Newbery Park, Reading Contribution towards the provision or improvement of leisure or recreation facilities within Arthur Newbery park and/or the Meadow Recreation Ground
	3017 - 177 Park Lane	-211.33	
	3047 - 6 Western Oaks	-2,058.67	
		<b>-4,540.66</b>	
Baltimore access/paths	1402 - 161-163 Peppard Road	-6,549.48	Contribution towards local leisure infrastructure improvements Contribution towards leisure provision in the locality Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality "the Leisure Contribution" means the sum of EIGHTEEN THOUSAND POUNDS (£18,000.00) as a contribution towards leisure and recreational infrastructure provision/improvements in the Borough of Reading. "the Leisure Contribution" means the sum of EIGHTEEN THOUSAND POUNDS (£18,000.00) as a contribution towards leisure provision within the Borough of Reading "the Leisure Facilities Contribution" means the sum of TWO THOUSAND POUNDS (£2,000.00) as a contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
	1411 - 9 Copsse Avenue, Caversham	-5,500.00	
	1527 - Land r/o 5A & 6 Woods Road (adj Orchard Grove)	-6,294.64	
	1534 - 2-4 All Hallows Road	-8,680.50	
	1535 - 110-118 Kidmore Road	-5,720.51	
	1875 - 12 Brooklyn Drive	-894.17	
	<b>-33,639.30</b>		
Caleta Close Play Area	1538 - Land at Amersham Road	-40.00	Recreation £46,500 on 23 February 2007 Contribution towards leisure and recreational infrastructure provision and/or improvements in the locality Contribution towards new play equipment at the park on Caleta Close, Reading Contribution towards leisure and recreation infrastructure facilities
	1969 - 4 South View Avenue	-18,338.40	
	1987 - Ian Mikardo Way	-3,000.00	
	796/1378/1379 - 21-21a Star Road	-63.48	
	<b>-21,441.88</b>		
Christchurch/Hills Mdws.Imprs. (S106)	1520 - 56-58 Grosvenor Road	-1,131.15	Contribution towards improving leisure facilities in the vicinity of the 2007 development "the Leisure Facilities Contribution" means the sum of TWO THOUSAND POUNDS (£2,000.00) Index-Linked as a contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality "Leisure Contribution" means the sum of EIGHT THOUSAND POUNDS (£8,000.00) as a contribution towards leisure and recreational infrastructure provision/improvements Contribution towards leisure and recreational infrastructure provision/improvements Contribution towards leisure and recreational infrastructure provision and/or improvements in the locality Contribution towards leisure and recreation infrastructure provision and/or improvements in the locality Leisure and Recreation infrastructure provision/improvements £5000 Leisure Contribution .
	1599 - 30 Anglefield Road	-2,000.00	
	1603 - Field View, Derby Road	-814.00	
	1648 - Land r/o 3B Derby Road	-2,081.73	
	1731 - 63-65 Cromwell Road	-1,181.52	
	1758 - 27-29 Church Road	-4,142.00	
	1785 - 36b Church Street	-4,142.00	
	977 - 13a Derby Road	-1,827.91	
	<b>-17,320.31</b>		
Cintra bowls and park	1049 - Redland Court	-2,821.59	Contribution towards leisure and recreation improvements provision/improvement of leisure/recreation facilities contribution towards Leisure/Recreation provision/improvements within Redlands Ward Local leisure and recreational infrastructure provision/improvements in the Borough of Reading "the Leisure Facilities Contribution" means the sum of NINE THOUSAND POUNDS (£9,000.00) as a contribution towards leisure and recreational infrastructure provision and/or improvements in the locality Contribution towards leisure and recreational infrastructure provision/improvements contribution towards leisure and recreational infrastructure provision and/or improvements at Cintra Park Reading Contribution towards the costs of leisure and/or recreation facilities at Cintra Park both in the Borough of Reading (?) Towards the provision and/or improvements of facilities at Cintra Park
	1408 - 112 Crescent Road	-22,162.85	
	1450 - 81 Blenheim Road	-1,999.99	
	1666 - 68-72 Northcourt Avenue	-7,695.92	
	1866 - 100 London Road	-8,673.16	
	1971 - 35a Upper Redlands Rd	-2,000.00	
	2114 - 29a Kendrick Road	-13,008.76	
	3147 - 17 Newcastle Road	-2,000.00	
	3193 - 8 Crown Place	-14,918.56	
	<b>-76,280.83</b>		
Denbeigh/Rivermead Play Areas	1348 - Trafalgar House, Richfield Avenue	-38,984.15	"the Recreational Facilities Contribution" means the sum of SEVENTY TWO THOUSAND POUNDS (£72,000.00) + Index + Interest as a contribution towards the costs of leisure and/or recreational facilities at the at the play area at Randolph Mews/Denbeigh Place
		<b>-38,984.15</b>	
Forbury Gardens	1440 - Princes Court, 20-24 Vachel Road	-160.00	"the Leisure Facilities Contribution" means the sum of SEVENTEEN THOUSAND POUNDS (£17,000.00) Index-Linked as a contribution towards the provision and/or improvement of leisure and/or recreation facilities in the Reading town centre area. Contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
	1905 - 128 Oxford Road	-2,933.50	
	<b>-3,093.50</b>		
Hexham Road Play Area	1644 - Kennet Island	-20,000.00	Up to 3 ha together with the provision on that land of 2 sports pitches associated changing facilities and financial provision for maintenance for a period of 10 years and/or the improvement of formal recreation facilities in the South Reading area
		<b>-20,000.00</b>	
Hills Meadow Improvements	1710 - 2 and 4 Gosbrook Road	-6,286.24	Contribution towards leisure provision in the vicinity of the Development
		<b>-6,286.24</b>	
John Rabson's Recreational Grounds play area	1949 - 202 Whitley Wood Road	-2,186.57	the Leisure Facilities Contribution" means the sum of TWO THOUSAND POUNDS (£2,000.00) as a contribution towards leisure and recreational infrastructure provision and/or improvements in the locality Contribution towards leisure and recreational infrastructure provision/improvements in the South Reading area the Leisure Facilities Contribution means the sum of TWO THOUSAND POUNDS (£2,000.00) as a contribution towards leisure and recreational infrastructure provision and/or improvements in the locality Provision and/or improvements of leisure and/or recreation facilities at the Whitley Wood Recreation Ground or the John Rabson Recreation Ground
	1999 - The Whitley Tavern, Northumberland Avenue	-24,819.66	
	2040 - 30 Northcourt Avenue	-2,125.17	
	3060 - Flat 233 Heron House	-1,500.00	
	<b>-30,631.40</b>		
King George V Gardens restoration	3262 - 56 London Road	-1,500.00	Contribution towards leisure and open space improvements to infrastructure at King George V Memorial (Eldon Square)
		<b>-1,500.00</b>	
Lousehill Copse	1983 - Dee Park	-2,768.00	Contribution towards the maintenance of and management of Lousehill Copse
		<b>-2,768.00</b>	
Mapledurham Pavilion	1338/1429 - 3 Richmond Road, Caversham	-54.79	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality Contribution towards leisure and recreational infrastructure provision/improvements
	1592 - 60 St Peters Avenue	-140.21	
		<b>-195.00</b>	

Scheme	Development	Amount	Fettering
Meadway teen provision	1052 - 48 Vale Crescent	-1,000.00	.means the sum of ONE THOUSAND POUNDS (£1,000.00) as a contribution towards the provision or improvement of recreational or leisure facilities in the locality.
	1162 - 42 St Michaels Road	-3,000.00	Towards improving leisure facilities in the area
	1235 - Sandford Court - Land R/O	-1,500.00	Contribution towards the provision or improvement of recreational or leisure facilities in the locality
	1260 - 64-66 Cockney Hill	-4,000.00	Towards leisure provision in the vicinity of the Development
	1389 - 60 Westbourne Terrace	-2,145.09	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	1454 - R/O 29-41 Fulmead Road	-1,611.14	Contribution towards leisure and recreational infrastructure
	1480 - 17 Lawrence Road	-1,587.26	£1,500 Provision or improvement of recreational or leisure facilities in the locality
	1497 - 19-23 Wilson Road	-4,848.21	Contribution towards leisure and recreational infrastructure provision/improvements
	1500 - 26 Wantage Road	-1,539.22	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	1503 - 450 Oxford Road	-1,616.07	Leisure and recreational infrastructure provision/improvements
	1506 - Land between 96-96A Oak Road, Tilehurst	-2,080.91	Contribution towards the provision and/or improvement of leisure and or recreation facilities provision in the locality
	1507 - 2a Brimpton Road	-1,500.00	."public open space contribution" £1500 towards new and improved open space provision in the locality..
	1518 - 1 Armour Hill	-2,713.48	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	1522 - 313 The Meadway	-4,000.00	"the Leisure Facilities Contribution" means the sum of FOUR THOUSAND POUNDS (£4,000.00) Index-Linked as a contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	1532 - 102-106 Burghfield Road	-4,079.11	Contribution towards the provision and/or improvement of leisure and/or recreation facilities provision in the locality
	1572 - 234 Oxford Road	-3,000.00	Contribution towards leisure and recreational infrastructure provision/improvements
	1602 - 109 Grovelands Road	-3,018.38	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	1618 - Builders Yard, 13-25 Kent Road	-6,847.16	"the Leisure Facilities Contribution" means the sum of SIX THOUSAND POUNDS (£6,000.00) Index-Linked as a contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	1659 - 2 Kentwood Hill	-1,045.48	Provision and/or improvement of leisure and/or recreation facilities provision in the locality
	1701 - 30 Chapel Hill	-1,500.00	Contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
	1704 - 45 Pierce's Hill	-2,018.70	Contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
	1711 - 37-39 Armour Road	-4,000.00	"the Leisure Facilities Contribution" means the sum of FOUR THOUSAND POUNDS (£4,000.00) Index-Linked as a contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	1733 - 57 Parkside Road	-4,105.61	Contribution towards leisure and recreational infrastructure provision and/or improvements in the area within the vicinity of the application land
	1830 - Heathway, Chapel Hill	-19,048.38	towards leisure and open space infrastructure improvement
	1883/2000 - Land at Routh Lane	-8,249.88	Leisure and recreational infrastructure provision and/or improvements in the locality
	2006 - 89 Cressingham Road	-360.95	Contribution towards leisure and recreation infrastructure provision and/or improvements in the locality
	2018 - 65 Brunswick Street	-211.82	Contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
	2023 - Land r/o Goodwyns, Routh Lane	-2,030.81	"the Leisure Facilities Contribution" means the sum of TWO THOUSAND POUNDS (£2,000.00) as a contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
	2036 - 1 August House	-2,000.00	"the Leisure Facilities Contribution" means the sum of TWO THOUSAND POUNDS (£2,000.00) as a contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
	2086 - 1b Victoria Road	-2,000.00	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	2115 - 116 St Michaels Road	-2,000.00	Leisure Contribution
	3072 - 311 Norcot Road	-2,000.00	means the sum of TWO THOUSAND POUNDS (£2000.00) as a contribution towards the provision or improvement of leisure or recreation facilities within Arthur Newbery Park and/or the Meadway Recreation Ground
	544 - Plots 47/54, Elm Park, Norfolk Road	-550.00	£1,400.00 as a contribution towards the provision and maintenance of a play area on the application land. .
		<b>-101,207.66</b>	
Museum Store	1880 - Land at Windermere Road	-2,809.09	Contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
		<b>-2,809.09</b>	
Palmer Park boiler replacement	1724 - 12 Wokingham Road	-341.02	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
		<b>-341.02</b>	
Palmer Park Improvements	1597 - Land adj to 113 Whiteknights Road	-4,564.77	"Infrastructure Contribution" means the sum of FOUR THOUSAND POUNDS (£4,000.00) Index-Linked as a contribution towards leisure and recreational infrastructure in the locality
	1611 - Land at Green Road Reading	-8,214.54	Contribution towards leisure facilities
	1625 - 20 Hamilton Road	-1,500.00	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	1873 - 38 Hamilton Road	-2,000.00	"the Leisure Facilities Contribution" means the sum of TWO THOUSAND POUNDS (£2,000.00) as a contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
	3050 - Land at Regis Park Road	-2,626.00	Contribution towards the provision and/or improvement of leisure and/or recreation facilities at Palmer Park
	3134 - 47 Manchester Road	-1,500.00	Leisure infrastructure improvements to parks and open spaces in the surrounding area
		<b>-20,405.31</b>	
Prospect Park - Phase 3	1546 - land between 138-142 Southcote Lane and 10-14 Aldworth Close	-4,473.86	Contribution towards the costs of leisure and/or recreational facilities in the locality
	3001 - Hastings Close	-5,500.00	Towards leisure and/or recreational infrastructure provision and/or improvements primarily at Prospect Park Reading
	3142 - 2-4 Western Elms Avenue	-4,000.00	Contribution towards the costs of leisure and/or recreation facilities at Robert Hewitt Recreation growing or Prospect Park both in the Borough of Reading
	3148 - Tylers Place	-6,322.49	Contribution towards provision and/or improvement of leisure and/or recreation facilities at Mclroy Park and/or Prospect Park Reading
	3149 - 89 Gainsborough Road	-2,000.00	Contribution towards leisure infrastructure at Virginia Way Play area and/or Prospect Park
		<b>-22,286.35</b>	
Prospect Park skate facility	1441 - Land adj 58 Ashampstead Road	-107.95	Leisure provision in the locality
	1546 - land between 138-142 Southcote Lane and 10-14 Aldworth Close	-5,216.94	Contribution towards the costs of leisure and/or recreational facilities in the locality
	1670 - 8 Brownlow Road	-5,212.11	Contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
	1825/1867/2089 - Land at Ashley Road	-4,140.08	Contribution towards leisure and recreational infrastructure provision and/or improvements to Prospect Park
	1952 - Former Community Centre, Wensley Road	-5,900.00	"the Leisure Facilities Contribution" means the sum of SIX THOUSAND FIVE HUNDRED POUNDS (£6,500.00) towards leisure and recreational infrastructure provision and/or improvements in the locality of the Application Land
	2087 - 55 Bath Road	-25,593.31	towards the provision and/or improvement of open space and recreation facilities in Prospect Park
	3001 - Hastings Close	-261.79	Towards leisure and/or recreational infrastructure provision and/or improvements primarily at Prospect Park Reading
	3095 - 27 Mansfield Road	-1,523.95	contribution towards infrastructure improvements to Coley recreation ground and Prospect Park
	3108 - 78 Cumberland Road	-1,500.00	the sum of ONE THOUSAND FIVE HUNDRED POUNDS (£1500.00) as a contribution towards the provision or improvement of leisure or recreation facilities within Prospect Park
	3148 - Tylers Place	-1,867.59	Contribution towards provision and/or improvement of leisure and/or recreation facilities at Mclroy Park and/or Prospect Park Reading
		<b>-51,323.72</b>	
Robert Hewett Rec	1385 - 62 George Street	-126.12	Contribution towards the provision and/or improvement of leisure and/or recreation facilities in the locality
	1778 - 28 William Street	-2,501.78	Contribution towards leisure and recreational infrastructure provision and/or improvements in the locality
		<b>-2,627.90</b>	
Thames Parks Plan - Phase 3	1855 - 2-4 Church Street	-4,067.13	Contribution towards leisure and recreational open space infrastructure provision/improvements
	3057 - 100 South View Avenue	-2,461.30	Contribution towards the provision or improvement of leisure or recreation facilities within the Thames Park Plan
	3079 - 8 Bridge Street	-1,585.13	Contribution towards improvements to Parks and Open Spaces as identified in the Thames Park Plan
	3141 - Abbotsmead Place/School Lane	-21,235.49	Leisure and recreational infrastructure provision/improvements in the Thames Parks in the Borough of Reading
		<b>-29,349.05</b>	
The Cowsey	3023 - 45 Cressingham Road	-1,176.00	contribution towards the provision or improvement of leisure or recreation facilities within the Cowsey in conjunction with the council's Local Plan Policies CS9 and CS29
		<b>-1,176.00</b>	

Scheme	Development	Amount	Fettering
<b>Leisure total</b>		<b><u><u>-507,733.87</u></u></b>	
Alfred Sutton Primary	3193 - 8 Crown Place	-1,963.79	Contribution towards education improvements in the East area of Reading
		<b><u>-1,963.79</u></b>	
Caversham Primary	1912 - 17 & 19 St Peters Hill	-7,586.44	Contribution towards educational infrastructure provision/improvement
	3062 - Land at Caversham Rectory	-10,632.44	Contribution towards improvements in capacity and the condition of primary and secondary schools in Caversham
	3079 - 8 Bridge Street	-2,510.85	Contribution towards improvements in capacity and the condition of primary schools in North or Reading [sic] and Highdown Secondary School
	3176 - 29 Woodcote Road	-8,768.27	Contribution towards infrastructure improvements to schools in the north area of Reading
		<b><u>-29,498.00</u></b>	
Coley Primary	2087 - 55 Bath Road	-53,810.90	towards the provision/improvement of education facilities in the west of Reading
		<b><u>-53,810.90</u></b>	
E P Collier Primary	1172 - 2 Caroline Street	-6,849.42	Contribution towards education infrastrucutre in the Borough of Reading
		<b><u>-6,849.42</u></b>	
Emmer Green Primary	1110 - 10 Woodcote Road, Caversham	-61.34	Contribution towards education infrastructure in the locality
		<b><u>-61.34</u></b>	
Geoffrey Fields Infants	1736 - 11 Elm Road	-4,163.07	Education infrastructure in the locality
	861 - 90 Winton Road	-1,200.00	Contribution towards education facilities within the Borough of Reading
		<b><u>-5,363.07</u></b>	
Katesgrove Primary	1695 - 16a Alpine Street	-58,585.00	Contribution towards local educational infrastructure provision/improvements
		<b><u>-58,585.00</u></b>	
Micklands Primary	3180 - 15-18A Hawthorne Road	-31,665.88	Contribution towards primary education infrastructure in the North Reading Education Area and Highdown Secondary School (Academy)
		<b><u>-31,665.88</u></b>	
Moorlands Primary	1039 - 50 St Michaels Road, Tilehurst	-2,290.73	Provision or improvement of Primary and Secondary school provision...in West Reading within the locality of the application site and within the Borough of Reading
	1062 - 2 Kentwood Hill	-2,347.90	Contribution towards education infrastructure in the locality
	1564 - Sadina Pierces Hill	-11,820.78	Contribution towards education infrastructure in the locality
	1897 - 28 Lower Elmstone Road	-18,280.87	Contribution towards educational infrastructure provision and/or improvements in the locality
	3112 - The Bird in Hand, 14 Lower Armour Road	-21,210.26	Contribution towards education infrastructure improvements to schools in the West area of Reading
	3148 - Tylers Place	-36,531.85	Contribution towards education facilities for Upcroft Primary School or other West Reading schools serving the community in which the land is situated
	1039 - 50 St Michaels Road, Tilehurst	-1,166.41	For the provision or improvement of primary and secondary school provision...in West Reading within the locality of the application site and within the Borough of Reading
		<b><u>-83,648.80</u></b>	
New Christchurch Primary	1644 - Kennet Island	-493,036.82	Improvement or expansion of primary school facilities within the South Reading area
	1960UU - Avenue Old site	-528,289.46	Contribution towards education infrastructure in the locality
	2075 - 1 Northumberland Avenue	-8,578.57	Contribution towards educational infrastructure provision and or improvements in the locality
		<b><u>-1,029,904.85</u></b>	
Park Lane Primary	1062 - 2 Kentwood Hill	-3,280.00	Contribution towards education infrastructure in the locality
		<b><u>-3,280.00</u></b>	
The Ridgeway Primary	1736 - 11 Elm Road	-1,793.28	Education infrastructure in the locality
		<b><u>-1,793.28</u></b>	
St Michaels Primary	2065 - 644 Oxford Road	-358.21	Contribution towards the costs of the Council of education infrastructure improvements
		<b><u>-358.21</u></b>	
Thameside Primary	1855 - 2-4 Church Street	-5,522.00	Contribution towards educational infrastructure provision/improvements
	1969 - 4 South View Avenue	-5,475.39	Contribution towards educational infrastructure provision and/or improvements in the Borough of Reading
		<b><u>-10,997.39</u></b>	
Wilson Primary	1350 - 288-290 Oxford Road	-1,775.70	Contribution towards local education infrastructure improvements
	1549 - 120 Connaught Road	-12,288.80	contribution towards education infrastructure in the locality
	1602 - 109 Grovelands Road	-3,658.78	Contribution towards education infrastructure in the locality
	3270 - 754-756 Oxford Road	-564.10	Contribution towards education infrastructure at schools in the Western and/or Central Areas of Reading as the Council may decide
		<b><u>-18,287.38</u></b>	
<b>Education total</b>		<b><u><u>-1,346,067.31</u></u></b>	
St Mary's Boundary Wall	558 - 11/12 Gun Street	-195.00	contribution towards environmental improvements to Reading Town Centre
		<b><u>-195.00</u></b>	
<b>Environment total</b>		<b><u><u>-195.00</u></u></b>	
Pedestrianisation - Town Hall Square Works	1551 - 173-175 Friar Street	-57,600.29	Contribution towards the Council's costs (including preliminary investigation design and supervision/inspection fees) in connection with environmental improvements to Town Hall Square as part of RUAP
	1624 - Land at junction of Forbury and Vastern Roads (Reading Central One)	-237,601.27	£191,126 Pedestrian Link works, balance RUAP
		<b><u>-295,201.56</u></b>	
Reading Station	1070 - 10-14 Carey Street	-20,925.36	Off site transport improvements and measures as identified in RUAP
	1147 - 79 London Road/34 Eldon Terrace	-8,129.53	Transport schemes in the Reading Town Centre coming forward through the RUAP
	1350 - 288-290 Oxford Road	-2,176.11	Contribution towards the costs (including preliminary investigations design and supervision fees) of carrying out transport improvements and measures in the town centre of Reading as identified in RUAP

Scheme	Development	Amount	Fettering
	1624 - Land at junction of Forbury and Vastern Roads (Reading Central One)	-213,819.93	£191,126 Pedestrian Link works, balance RUAP
	1693 - 29-31 Cressingham Road	-16,546.64	Contribution towards the costs (including preliminary investigation design and supervision fees) of carrying out transport improvements and measures as identified in the RUAP
	1696 - 52 Watlington Street	-2,000.00	Contribution towards the costs (including preliminary investigations design and supervision fees) of carrying out transport improvements and measures as identified in the RUAP
	1736 - 11 Elm Road	-2,543.65	"the RUAP Contribution" means the sum of SEVEN THOUSAND POUNDS (£7,000.00) as a contribution towards the costs (including preliminary investigations design and supervision fees) of carrying out transport improvements and measures as identified in the Reading Urban Area Package
	1781 - 1-3 St Ronans Road	-9,783.15	Contribution towards the costs (including preliminary investigations design and supervision fees) of carrying out transport improvements and measures as identified in the RUAP
	1856 - 8 Castle Street	-4,665.01	Carrying out transport improvements and measures as identified in the RUAP
	1921/3315 - Mansfield Hall	-218,097.22	102.5k - main contribution towards the Council's costs (including preliminary investigation, design and supervision fees) of carrying out transport improvements and measures to improve the cycleway and pedestrian facilities between central Reading and the development. Supplementary agreement gives an additional 136k towards the same
	1962 - 145 Friar Street	-7,843.19	Contribution towards the costs (including preliminary investigation design and supervision fees) of carrying out transport improvements and measures as identified in the RUAP
	1981 - Reading Quarry, Berry's Lane (WBDC)	-8,443.13	Cost of schemes identified in the south western and central Reading action plan areas of the local transport plan
	2015 - 60-62 Kings Road	-17,457.18	Contribution towards the council's costs (including preliminary investigation, design and supervision fees) of carrying out local transport improvement and measures as identified in the RUAP
	2076/1536 - 4 Riley Road	-9,212.90	Contribution towards the RUAP - in particular towards schemes identified in the Western and Central Reading action plan areas
	2104 - Unit G Reading Retail Park	-845.05	Contribution towards the costs (including preliminary investigations design and supervision fees) of wider and strategic transport improvements in relation to roads public transport and facilities for cycling and pedestrians to be used towards schemes identified in the Western and Central Reading action plan areas of the Council's LTP
	3001 - Hastings Close	-6,091.70	Towards the planning purpose of transport infrastructure provision and/or improvements in the South Western and Central Reading Action Plan Areas of the Council's Local Transport Plan for the time being
	3002 - 2 Berkeley Avenue	-2,098.77	Contribution towards the costs (including preliminary investigations design and supervision fees) of carrying out transport improvements and measures identified in the Southern and Central Reading Action Plan Areas as part of the RUAP
	3017 - 177 Park Lane	-3,050.58	contribution towards the Council's costs (including preliminary investigation, design and supervision fees) of carrying out transport improvements and measures in the Western and Central action plan areas of the RUAP
	3023 - 45 Cressingham Road	-6,286.96	Towards transport infrastructure brought forward through the RUAP towards schemes identified in the Southern and Central areas of the Council's LTP for the time being
	3030 - 197-199 Oxford Road	-10,410.72	Contribution towards the Council's costs (including preliminary investigation, design and supervision fees) of carrying out transport improvements and measures as identified in the Central Reading action plan areas of the Council's LTP for the time being
	3037 - 146 Wokingham Road	-2,640.22	Towards transport improvements brought forward through the RUAP towards schemes identified in the Eastern and Central action plan areas of the Council's LTP for the time being
	3045 - 32 Brunswick Street	-4,095.24	Contribution towards the Council's costs (including preliminary investigation, design and supervision fees) of carrying out transport improvements and measures as identified in the Central Reading action plan area of the Council's LTP
	3057 - 100 South View Avenue	-2,000.00	Transport infrastructure brought forward through the RUAP towards schemes identified in the Northern and Central areas of the Council's LTP for the time being
	3062 - Land at Caversham Rectory	-4,045.92	Pedestrian and cycling improvements between Caversham and Central Reading as identified in the Council's LTP3
	3071 - Bennet Road	-6,948.62	Towards transport infrastructure improvements towards schemes identified in the Southern and Central Action Plan Areas of the Council's LTP for the time being
	3078 - Unit 2 Tunbridge Jones Industrial Estate	-2,943.00	Contribution towards schemes identified in the Southern and Central Action Plan Areas for the time being
	3081 - 53 Greyfriars Rd	-8,213.47	Contribution towards transport infrastructure brought forward through the RUAP towards schemes identified in the Central Area of the Council's LTP for the time being
	3095 - 27 Mansfield Road	-2,000.00	Transport infrastructure improvements identified in the Southern and Central Reading Action Plan areas of the Council's LTP for the time being
	3117 - Taylor Court, Tilehurst Road	-34,853.53	Contribution towards transport infrastructure schemes identified in the RUAP (central and Western Transport Areas) and set out in the Reading LTP for the time being
	3132 - August House, Brownlow Road	-28,252.19	Contribution towards the costs (including preliminary investigations design and supervision fees) or carrying out transport improvements and measures within the Western and Central action plan areas identified in the RUAP
	3141 - Abbotsmead Place/School Lane	-81,964.29	Transport infrastructure provision in the Northern and Central areas of the RUAP
	3148 - Tylers Place	-12,045.02	Contribution towards the Council's costs (including preliminary investigation, design and supervision fees) of carrying out transport improvements and measures in the Western and Central Action Plan Areas of the RUAP
	3149 - 89 Gainsborough Road	-3,000.00	Towards transport infrastructure mitigation in the Western and Central Action Plan Areas of the Councils LTP
	3159 - Reading Link Retail Park Unit C2	-15,866.11	Contribution towards schemes identified in the Southern and Central Reading action plan areas of the Council's LTP for the time being
	3164 - 1 Oak Tree Road	-3,032.51	Contribution towards the Council's costs (including preliminary investigation design and supervision fees) of carrying out transport improvements and measures as identified in the Western and Central Reading action plan areas of the Council's LTP
	3172 - 24 Bennet Road	-7,357.50	Contribution towards the Council's costs in carrying out improvements to roads public transport and facilities for cycling and pedestrians pursuant to schemes identified in the Council's Southern and Central action plan areas of the Council's Local Transport plan
	3175 - 46 Northcourt Avenue	-6,192.58	Towards infrastructure improvements within central/south Reading coming forward from the RUAP
	3176 - 29 Woodcote Road	-4,000.00	Towards schemes identified in the Northern and Central Reading action plan areas of the LTP
	3180 - 15-18A Hawthorne Road	-12,068.80	Towards the provision of strategic transport improvements to schemes identified in the North and Central Reading Action Plan areas of the Council's LTP for the time being in force
	3193 - 8 Crown Place	-19,000.00	Towards transport infrastructure brought forwards through the RUAP towards schemes identified in the South Reading and Central areas of the Council's LTP for the time being
	3194 - 409-411 Oxford Road	-4,000.00	Towards provision of transport improvements identified in the Western and Central Reading action plan areas of the RUAP
	3203 - Land adj 122 Wantage Road	-6,045.60	Towards the provision of strategic transport improvements to schemes identified in the Western and Central Reading Action Plan Areas of the Council's LTP for the time being in force.
	3229 - 39 Prospect Street	-3,034.57	Contribution towards the Council's costs (including preliminary investigation, design and supervision fees) of carrying out transport improvements and measures identified in the North and Central Action Plan areas set out in the Council's LTP for the time being
	3231 - 34 St Ronans Road	-3,968.80	towards transport improvement schemes identified in the Central and Western Reading action plan areas for the time being in force
	3232 - 8-10 Kendrick Road	-9,000.00	Towards transport infrastructure brought forward through the RUAP towards schemes identified in the south and central areas of the Council's LTP for the time being
	3234 - College Arms, Kings Road	-13,080.00	Contribution towards the costs (including preliminary investigations design and supervision fees) of carrying out transport improvements and measures as identified in the Central Reading Urban Action Plan
	3247 - 91-93 Kings Road	-4,933.54	Contribution towards the costs (including preliminary investigations design and supervision fees) of carrying out transport improvements and measures in the town centre of Reading as identified in RUAP
	3256 - Former reservoir and pumping station, Bath Road	-155,517.55	Towards transport infrastructure schemes in the Reading LTP Central and Southern Transport Area of the Borough in compliance with Reading Borough Core Strategy Policy CS9
	3262 - 56 London Road	-1,500.00	Towards transport infrastructure brought forward through the RUAP towards schemes identified in the Southern and Central Reading Action Plan areas of the Council's LTP for the time being
	3272 - Unit 2a Reading Gate Retail Park	-61,012.22	Contribution towards transport infrastructure brought forward through the RUAP towards schemes identified in the Central area of the Council's LTP for the time being
	3275 - Unit 4 Reading Gate Retail Park	-103,407.00	Towards transport infrastructure brought forward through the RUAP towards schemes identified in the central and southern area action plans of the Council's LTP for the time being
	3285 - 72-74 Bath Road	-16,186.00	Contribution towards the costs (including preliminary investigations, design and supervision fees) of carrying out transport improvements and measures as identified in the Central and South Western Local Action Plan Areas of the Councils LTP for the time being
	3312 - 2 Pell Street	-3,500.00	Towards transport infrastructure improvements identified in the Southern and Central Reading Action Plan areas of the Councils LTP for the time being
	3323 - 32-36 Kings Road	-17,330.48	Towards transport infrastructure brought forward through the RUAP towards schemes identified in the East and Central Action Plan Areas of the Council's LTP for the time being
	3965 - One Central Reading	-22,890.00	Towards transport infrastructure improvements identified in the Central Reading Action Plan area of the Councils LTP for the time being
		<b>-1,256,351.54</b>	
<b>RUAP</b>		<b>-1,551,563.10</b>	

### Final Accounts Process

The final accounts for previous years can be accessed on the Council's website at <http://www.reading.gov.uk/council/performance-and-spending/CouncilFinances/StatementofAccounts/>

A cursory glance at these documents will show that the presentation therein is somewhat different to that used for the Council's budget, and indeed in the above explanation of year end variances. This is because the accounts must be prepared in accordance with the Code of Practice for Local Authority Accounting (the "Accounts Code").

In 2011/12 the code required the Council to implement fully International Financial Reporting Standards (IFRS), in line with a commitment made in the national budget a few years ago.

However, the Accounts Code requires many adjustments to the day to day accounts by which the Council manages its budget including capital charges for all services, the apportionment of much of the Resources Directorate across services (so the cost of services are shown including their managerial, corporate and administrative on-costs), and technical adjustments to reflect the long term cost of LA pensions, the cost of untaken leave at the year end.

In principle, by requiring all local authorities to prepare accounts in line with the same accounting guidance comparative information drawn from those accounts between authorities ought to be more accurate, and more fairly represent the relative total cost of services. In addition the Account Code requires the council to produce group accounts that include the activities of companies we own; principally Reading Transport.

The Accounts Code is published by CIPFA and each year they consult about amendments to the Code to keep local authority accounting practice up to date. CIPFA's Local Authority Accounting Panel (which the Head of Finance attends) produces guidance notes to explain how to prepare most aspects of the accounts.

The Accounts & Audit Regulations 2011 changed the approval process for the accounts. The requirement is that the Head of Finance signs the accounts off by the end of June. They are then audited and must be approved by Councillors (hopefully with their audit opinion) by the end of September. Audit & Governance Committee formally do this approval on behalf of the Council.

As in previous years the accounts both pre audit, after the end of June, and following audit at the end of September will be published on the website, with a small number of printed copies being available to Councillors.



## Appendix D

### General Debtor Arrears (accounts over 60 days old)

The table sets out the arrears by service @ 31 March 2014

By Age of debt (days)

	TOTAL	61-90	91-120	120+
Community Care	1,669	87	82	1,500
DEACS	118	5	1	112
DENS	364	22	10	332
Housing	537	204	3	330
Benefits	3,654	124	51	3,479
CSS	305	4	21	280
CSS (other)	12	0	0	12
Total	6,659	446	168	6,045

**READING BOROUGH COUNCIL  
REPORT BY HEAD OF FINANCE**

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>2 JULY 2014</b>	<b>AGENDA ITEM:</b>	<b>8</b>
<b>TITLE:</b>	<b>TREASURY OUTTURN REPORT FOR 2013/14 &amp; RELATED UPDATE</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR LOVELOCK</b>	<b>PORTFOLIO:</b>	<b>LEADERSHIP/Finance</b>
<b>SERVICE:</b>	<b>ALL</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>ALAN CROSS</b>	<b>TEL:</b>	<b>0118 9372058</b>
<b>JOB TITLE:</b>	<b>HEAD OF FINANCE</b>	<b>E-MAIL:</b>	<a href="mailto:Alan.Cross@reading.gov.uk"><u>Alan.Cross@reading.gov.uk</u></a>

**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 CIPFA recommends that after the financial year end councils produce an annual report of their treasury activities. This report presents the outturn report for 2013/14. A short presentation will be made at the Committee to highlight key treasury management issues.
- 1.2 The opportunity is also taken in this cover report to outline some current treasury and related issues likely to impact the Council during 2013/14; the Council's change of bank and the prospective formation of the Local Government Association led Municipal Bonds Agency.

**2. RECOMMENDED ACTION**

- 2.1 That the committee considers the annual Treasury Outturn Report for 2013/13.
- 2.2 That the committee notes that Lloyds Bank has been selected as replacement banker following the Co-Operative Bank's withdrawal from the local authority market.
- 2.3 That the committee notes that it is intended to publish a Decision Book report shortly confirming the Council's intended initial investment in the Municipal Bonds Agency

**3. POLICY CONTEXT**

- 3.1 The Council is required to have a Treasury Strategy & Investment Statement in place in order to comply with legislative requirements and recommended professional practice. We are also required at least twice annually to report on the activity (which we normally achieve through this annual report and a mid year report in September).

**4. THE PROPOSAL**

The Treasury Outturn Report is attached in the Appendix.

**5. CONTRIBUTION TO STRATEGIC AIMS**

Proper management of the Council's Treasury position helps support the overall achievement of the Council's financial and service objectives.

**6. COMMUNITY ENGAGEMENT AND INFORMATION**

The Council does not directly consult with the community on this particular issue, though occasionally receives queries about its treasury activity to which an appropriate response is made.

**7. EQUALITY IMPACT ASSESSMENT**

An EIA is not relevant at this time.

**8. LEGAL IMPLICATIONS**

None, at this stage.

**9. FINANCIAL IMPLICATIONS**

As set out in the draft statement

**10. BACKGROUND PAPERS**

The statement has been prepared using a template provided by Arlingclose, adapted for Reading's needs.  
CIPFA Treasury Management & Prudential Codes and guidance notes.  
Investment Memorandum for Local Capital Finance Company Ltd

# Annual Treasury Outturn Report 2013/14

## 1. Background

The Authority's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Investment Guidance.

Council approves the treasury strategy and it receives a strategy report at the beginning of each financial year (as part of the budget report) identifying how it is proposed to finance capital expenditure, borrow and invest in the light of capital spending requirements, interest rate forecasts and economic conditions. Monitoring of the implementation of the treasury strategy is carried out and reported alongside budget monitoring with the final year end activity report being this annual treasury outturn report. At least one more in depth review report is presented to Audit & Governance Committee during the year (in 2013/14 in September). Overall responsibility for treasury management remains with the Council.

These reporting arrangements enable those officers tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities, and enable those Councillors with ultimate responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and objectives. Given the technical nature of the subject, by way of introduction the annual report is intended to explain how, during 2013/14

- the Council tried to minimise net borrowing costs over the medium term
- we ensured we had enough money available to meet our commitments
- we ensured reasonable security of money we have lent and invested
- we maintained an element of flexibility to respond to changes in interest rates
- we managed treasury risk overall

It must be recognised that no treasury management activity is without risk, and the successful identification, monitoring and control of risk is an important and integral element of all treasury management activities. The main risks to the Council's treasury activities are:

- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Liquidity Risk (Inadequate cash resources to meet commitments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal & Regulatory Risk

## 2. External Context

**Economic background:** At the beginning of the 2013-14 financial year markets were concerned about lacklustre growth in the Eurozone, the UK and Japan. Lack of growth in the UK economy, the threat of a 'triple-dip' alongside falling real wages (i.e. after inflation) and the paucity of business investment were a concern for the Bank of England's Monetary Policy Committee. Only two major economies - the US and Germany - had growth above pre financial crisis levels, albeit these were still below trend. The Eurozone had navigated through a turbulent period for its disparate sovereigns and the likelihood of a near-term disorderly collapse had significantly diminished. The US government had just managed to avoid the fiscal cliff and a technical default in early 2013, only for the problem to re-emerge later in the year.

With new Governor Mark Carney at the helm, the Bank of England unveiled forward guidance in August pledging to not consider raising interest rates until the ILO unemployment rate fell below the 7% threshold. In the Bank's initial forecast, this level was only expected to be reached in 2016. Although the Bank stressed that this level was a *threshold* for consideration of rate increase rather an automatic trigger, markets began pricing in a much earlier rise than was warranted and, as a result, gilt yields rose aggressively.

The recovery in the UK surprised with strong economic activity and growth. Q4 2014 GDP showed year-on-year growth of 2.7%. Much of the improvement was down to the dominant service sector, and an increase in household consumption buoyed by the pick-up in housing transactions which were driven by higher consumer confidence, greater availability of credit and strengthening house prices which were partly boosted by government initiatives such as Help-to-Buy. However, business investment had yet to recover convincingly and the recovery was not accompanied by meaningful productivity growth. Worries of a housing bubble were tempered by evidence that net mortgage lending was up by only around 1% annually.

CPI fell from 2.8% in March 2013 to 1.7% in February 2014, the lowest rate since October 2009, helped largely by the easing commodity prices and discounting by retailers, reducing the pressure on the Bank to raise rates. Although the fall in unemployment (down from 7.8% in March 2013 to 7.2% in January 2014) was faster than the Bank of England or indeed many analysts had forecast, it hid a stubbornly high level of underemployment. Importantly, average earnings growth remained muted and real wage growth (i.e. after inflation) was negative. In February the Bank stepped back from forward guidance relying on a single indicator - the unemployment rate - to more complex measures which included spare capacity within the economy. The Bank also implied that when official interest rates were raised, the increases would be gradual - this helped underpin the 'low for longer' interest rate outlook despite the momentum in the economy.

The Office of Budget Responsibility's 2.7% forecast for economic growth in 2014 forecast a quicker fall in public borrowing over the next few years. However, the Chancellor resisted the temptation to spend some of the proceeds of higher economic growth. In

his 2013 Autumn Statement and the 2014 Budget, apart from the rise in the personal tax allowance and pension changes, there were no significant giveaways and the coalition's austerity measures remained on track.

The Federal Reserve's then Chairman Ben Bernanke's announcement in May that the Fed's quantitative easing (QE) programme may be 'tapered' caught markets by surprise. Investors began to factor in not just an end to QE but also rapid rises in interest rates. 'Tapering' (a slowing in the rate of QE) began in December 2013. By March 2014, asset purchases had been cut from \$75bn to \$55bn per month with expectation that QE would end by October 2014. This had particular implications for global markets which had hitherto benefited from, and got very accustomed to, the high levels of global liquidity afforded by QE. The impact went further than a rise in the dollar and higher US treasury bond yields. Gilt yields also rose as a consequence and emerging markets, which had previously benefited as investors searched for yield through riskier asset, suffered large capital outflows in December and January.

With the Eurozone struggling to show sustainable growth, the European Central Bank cut main policy interest rates by 0.25% to 0.25% and the deposit rate to zero. Markets were disappointed by the lack of action by the ECB despite CPI inflation below 1% and a looming threat of deflation. Data pointed to an economic slowdown in China which, alongside a weakening property market and a highly leveraged shadow banking sector, could prove challenging for its authorities.

Russia's annexation of the Ukraine in March heightened geopolitical tensions and risk. The response from the West which began with sanctions against Russia which is the second largest gas producer in the world and which supplies nearly 30% of European natural gas needs and is also a significant supplier of crude oil - any major disruption to their supply would have serious ramifications for energy prices.

***Gilt Yields and Money Market Rates:*** Gilt yields ended the year higher than the start in April. The peak in yields was during autumn 2013. The biggest increase was in 5-year gilt yields which increased by nearly 1.3% from 0.70% to 1.97%. 10-year gilt yields rose by nearly 1% ending the year at 2.73%. The increase was less pronounced for longer dated gilts; 20-year yields rose from 2.74% to 3.37% and 50-year yields rose from 3.23% to 3.44%.

3-month, 6-month and 12-month Libid rates remained at levels below 1% through the year.

## Borrowing Activity in 2013/14

	Balance on 01/04/2013 £m	Maturing Debt £m	Balance on 31/03/2014 £m	Avg Rate % and Avg Life (yrs)
Short Term Borrowing <sup>1</sup>	0.5	0.0	0.5	<0.5%/<1year
Long Term Borrowing - PWLB	301.4	11.5	289.9	3.55%/30.1yrs
Long Term Borrowing - Market	30.0	0.0	30.0	4.18%/19.0yrs
<b>TOTAL BORROWING</b>	331.9	11.5	320.4	3.60%/27.3yrs
Other Long Term Liabilities	34.5	0.5	34.0	
<b>TOTAL EXTERNAL DEBT</b>	366.4	12.0	354.4	
Increase/ (Decrease) in Borrowing £m			(12.0)	

The Authority's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31/03/2014 was estimated at £437.3m. However, this includes £34m PFI debt and various adjustments for which borrowing is not normally needed, and the Council's maximum borrowing requirement during the year was £299.9m, and was £291.4m at the end of the year.

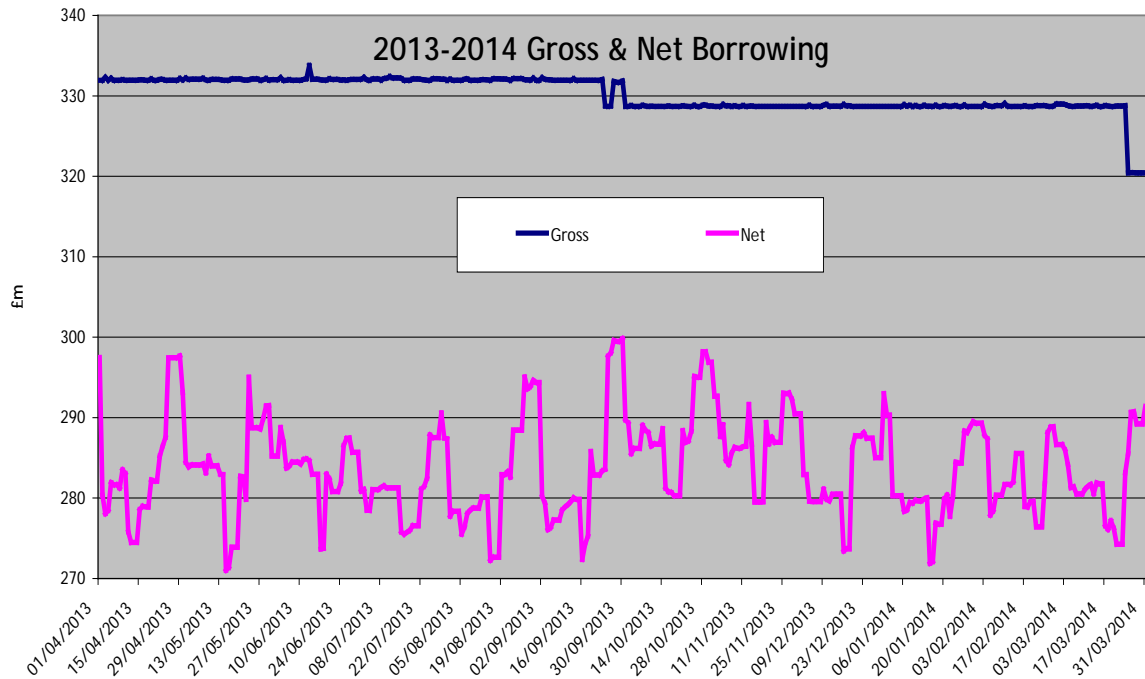
When considering borrowing money, the Council's main objective is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective. No new loans were arranged during 2013/14 as the Council already had in place sufficient long term borrowing to meet its needs. The PWLB remains the Council's preferred source of borrowing given the transparency and control that its facilities continue to provide.

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continued to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

In practice, the Council's need to borrow during the year varies; the graph shows gross and net (after investments) borrowing throughout the year. Whilst the gross borrowing fell steadily from over £334m to £320m during the year, the position net of investments fluctuated more significantly each month, as illustrated in the first graph.

The average interest rate paid has been stable at around 3.6% for about 4 years. Prior to that time it was possible to cost effectively restructure debt, illustrated by the second graph that shows how the average rate paid fell from over 4.2% back in 2008 to around 3.6% today.

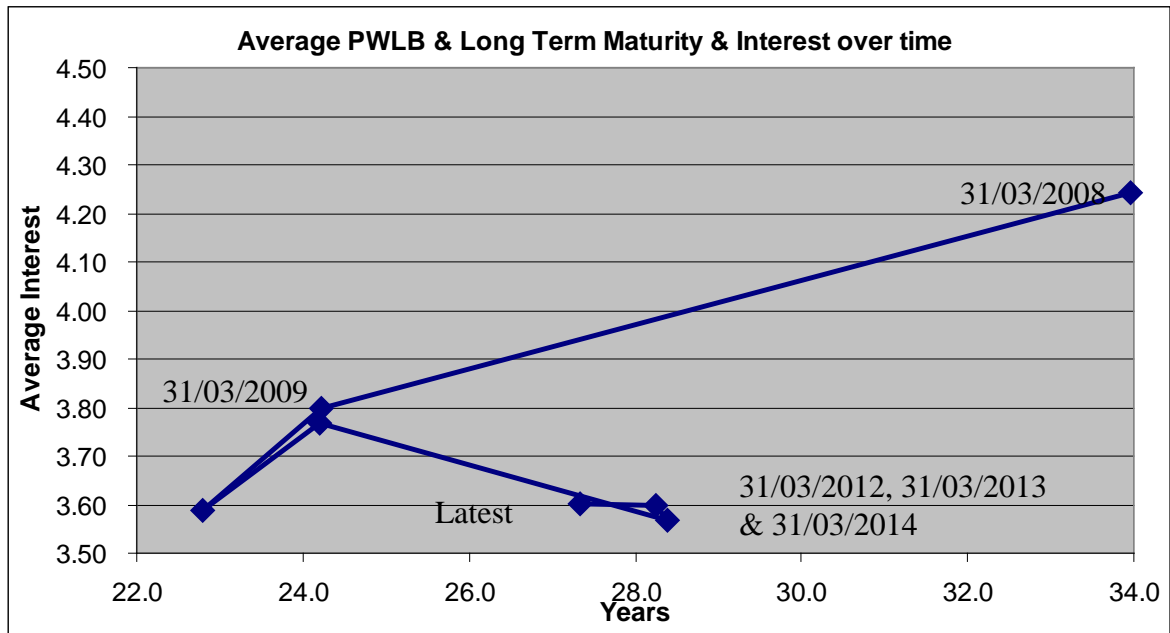
<sup>1</sup> Loans with maturities less than 1 year.



### Loans at Variable Rates

The extent of variable rate borrowing the Council can potentially undertake is influenced by the level of reserves and balances, as well as interest rates. The uncertain interest rate outlook further supported the case for maintaining some variable rate debt, though this is limited to the short term borrowing and £4.8m PWLB borrowing. At present any upward move in interest rates and interest paid on variable rate debt is effectively 'hedged' by a corresponding increase in interest earned on the Council's variable rate investments. The interest rate risk associated with the Council's variable rate exposure is periodically reviewed with our treasury advisor. When appropriate this exposure will be reduced by replacing the variable rate loans with fixed rate loans.





### Internal Borrowing

Given the significant funding pressure on Council finances, the strategy followed was to minimise debt interest payments without compromising the longer-term stability of the portfolio. The differential between the cost of new longer-term debt and the return generated on the Council's temporary investment returns, dependent upon the borrowing duration was at least 1%, (rising to over 3% for a 50 year term). Therefore, the use of internal resources in lieu of borrowing up to the CFR was more cost effective means of managing the treasury position. For the time being, this has lowered overall treasury risk by reducing both external debt and temporary investments. Whilst this position is expected to continue in 2014/15, it will not be sustainable over the medium term. The Council expects it will need to borrow over £90m for capital purposes by 2016/17 (as was set out in the Treasury Strategy Statement).

### Lender's Option Borrower's Option Loans (LOBOs)

No option to change the terms on the £30m of the Council's LOBOs was exercised by the lender(s). LOBO loans are shown (in the maturity structure in Annex 2 as (possibly) maturing on the earliest date on which the lender can require payment, i.e. the next call date, although in the current interest rate environment this seems unlikely).

### 3. Investment Activity

Both the CIPFA and the CLG's Investment Guidance require the Authority to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield.

Investments	Balance on 01/04/2013 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 31/03/2014 £m	Avg Rate % / Avg Life (yrs)
Short Term Investments	5.0	61.0	45.0	21.0	0.8
Call Accounts	11.5	Changes daily		8.0	0.7
Long Term Investments	0.0	0.0	0.0	0.0	0.0
Long Term (tradeable) Corporate Bond	4.9	0.0	0.0	4.9	3.4
Money Market Funds	13.0	10.7	23.7	0.0	0.4
<b>TOTAL INVESTMENTS</b>	<b>34.4</b>			<b>33.9</b>	

Security of capital remained the Authority's main investment objective. This was maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2013/14 which defined "high credit quality" organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK.

Investments with banks were primarily call accounts or fixed-rate term deposits. The maximum duration of these investments was 363 days in line with the prevailing credit outlook during the year as well as market conditions.

#### Credit developments and credit risk management

The Authority assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating determined by the Authority for the 2013/14 treasury strategy was [A-] across rating agencies Fitch, S&P and Moody's.

The debt crisis in Cyprus was resolved by its government enforcing a 'haircut' on unsecured investments and bank deposits over €100,000. This resolution mechanism, in stark contrast to the bail-outs during the 2008/2009 financial crisis, sent shockwaves through Europe but allowed banking regulators to progress reform which would in future force losses on investors through a 'bail-in' before taxpayers were asked to support failing banks.

The Financial Services (Banking Reform) Act 2013 gained Royal Assent in December, legislating for the separation of retail and investment banks and for the introduction of mandatory bail-in in the UK to wind up or restructure failing financial institutions. EU finance ministers agreed further steps towards banking union, and the Single Resolution Mechanism (SRM) for resolving problems with troubled large banks which will shift the

burden of future restructurings/rescues to the institution's shareholders, bondholders and unsecured investors.

Proposals were also announced for EU regulatory reforms to Money Market Funds which may result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper in the future.

The material changes to UK banks' creditworthiness were (a) the strong progress made by the Lloyds Banking Group in strengthening its balance sheet, profitability and funding positions and the government reducing its shareholding in the Group to under 25%, (b) the announcement by Royal Bank of Scotland of the creation of an internal bad bank to house its riskiest assets (this amounted to a material extension of RBS' long-running restructuring, further delaying the bank's return to profitability) and (c) substantial losses at Co-op Bank which forced the bank to undertake a liability management exercise to raise further capital and a debt restructure which entailed junior bondholders being bailed-in as part of the restructuring.

In July Moody's placed the A3 long-term ratings of Royal Bank of Scotland and NatWest Bank and the D+ standalone financial strength rating of RBS on review for downgrade amid concerns about the impact of any potential breakup of the bank on creditors. As a precautionary measure the Authority reduced its duration to overnight for new investments with the bank(s). In March Moody's downgraded the long-term ratings of both banks to Baa1. As this rating is below the Authority's minimum credit criterion of A-, the banks were withdrawn from the counterparty list for further investment.

The Co-op's long-term ratings were downgraded by Moody's and Fitch to Caa1 and B respectively, both sub-investment grade ratings. The Co-op Bank's capital raising plans to plug a capital shortfall include a contribution from the Co-op Group which is committed to injecting £313m in 2014 of which £50m has been paid so far (as at 16 April 2014). However, in order to cover future expected losses and to meet the Prudential Regulation Authority's capital targets, a further £400m is being sought from shareholders, of which Co-operative Group's share is approximately £120m. Given the Co-op Group's own financial position, payment of these sums is by no means certain, leaving the bank with a precarious capital position.

The Authority's counterparty credit quality has weakened slightly as demonstrated by the Credit Score Analysis summarised below<sup>2</sup>. This weakening was due to counterparties being downgraded during the year including the removal of Royal Bank of Scotland from the Council's Lending List as it fell below the minimum A- credit rating. This meant that although the Value Weighted Average Credit Rating was maintained at A+ over the year, the Time Weighted Average Credit rating fell from AA+ to AA-.

The table 4 in Annex 3 explains the credit score.

#### **Credit Score Analysis 2013/14**

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating	Average Life (days)
31/03/2013	4.90	A+	2.48	AA+	111
30/06/2013	6.04	A	5.70	A	97
30/09/2013	5.34	A+	4.08	AA-	153
31/12/2013	5.53	A	3.89	AA-	92
31/03/2014	5.36	A+	4.12	AA-	85

### **Liquidity Management**

In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds/overnight deposits/call accounts. The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed.

### **Yield**

The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels (as shown in Annex 3) which continued to have a significant impact on investment income. The average 3-month LIBID rate during 2013/14 was 0.45%, the 6-month LIBID rate averaged 0.53% and the 1-year LIBID rate averaged 0.78%. The low rates of return on the Authority's short-dated money market investments reflect prevailing market conditions and the Authority's objective of optimising returns commensurate with the principles of security and liquidity.

Income earned on one c£5m longer-dated investments made in 2009/10 at an average rate of 3.4% provided some cushion against the low interest rate environment. This investment is due to run to December 2014.

The average cash balances representing a mix of reserves, working balances was £45.6m (varying between £29m and over £60m and during the year interest earned was £472k).

## **4. Compliance**

The Council complied with its Prudential Indicators for 2013/14, which were approved on 26/02/2013 as part of the Authority's Treasury Management Strategy Statement.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2013/14. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

The Authority also confirms that during 2013/14 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

## **5. Other Items**

**Authority's Banker:** The Co-operative Bank is currently the Authority's banker, but during the year announced that it was leaving the local authority market. Following a tendering exercise with 5 other authorities led by Southampton City Council, Lloyds Bank has been selected to replace the Co-Op. It is expected that most banking arrangements will be changed over to Lloyds during the second half of 2014/15.

Because of some residual concerns about the Co-Op's stability, on advice of the treasury advisor, in order to mitigate risk of losses due to weekend regulatory action by the Bank of England, the Authority makes every effort to keep the ledger balance in each Co-op current account (including school accounts) at close to zero at close of business each Friday.

**Municipal Bonds Agency:** The LGA announced their intention to establish a collective bond agency during 2013/14. As explained in the 2014/15 Treasury Strategy Statement the agency aspires to be able to arrange local authority borrowing at market rates slightly below present PWLB rates. It was also explained that the agency would establish a clear market rate for (collective) local authority long term borrowing, which would prevent PWLB rates being increased unfairly. In the statement we identified that it would be reasonable to invest 0.1% of our expected longer term borrowing costs in such an agency which would incur a maximum initial cost of £40k. Through its Project Group for the prospective agency, the company the LGA has set up is now seeking investment commitments, and a parallel Decision Book Report being published confirms our £40k investment. The Head of Finance sits on the Project Group as a representative Unitary Treasurer.

**Training:** The needs of the Authority's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.

Annex 1: Debt and Investment Portfolio Position 31/3/2014

	31/3/2014 Actual Portfolio £m	31/3/2014 Average Rate %
<b>External Borrowing:</b>		
PWLB - Fixed Rate	285.1	3.54
PWLB - Variable Rate	4.8	0.57
LOBO Loans	30.0	4.18
<b>Total External Borrowing</b>	<b>319.9</b>	
<b>Other Long Term Liabilities:</b>		
PFI & Finance Leases	34.0	
<b>Total Gross External Debt</b>	<b>353.9</b>	
<b>Investments:</b>		
Short-term investments	29.0	0.7
Long-term investments	4.9	3.4
<b>Total Investments</b>	<b>33.9</b>	
<b>Net Debt</b>	<b>320.0</b>	

## Annex 2

### (a) Capital Financing Requirement (CFR)

Estimates of the Authority's cumulative maximum external borrowing requirement for 2013/14 to 2015/16 are shown in the table below:

Capital Financing Requirement	31/03/2014 Approved £m	31/03/2014 Revised £m	31/03/2014 Actual £m	31/03/2015 Estimate £m	31/03/16 Estimate £m
General Fund	210.4	212.7	207.6	233.7	267.3
HRA	232.7	230.2	230.7	231.6	229.8
<b>Total CFR</b>	<b>443.1</b>	<b>442.9</b>	<b>438.3</b>	<b>465.3</b>	<b>497.1</b>

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31/03/2014 Approved £m	31/03/2014 Revised £m	31/03/2014 Actual £m	31/03/2015 Estimate £m	31/03/16 Estimate £m
Borrowing	409.1	320.5	320.4	345.9	378.5
Finance leases	0.0	1.0	0.0	1.0	1.0
PFI liabilities	34.0	34.1	34.0	33.4	32.6
<b>Total Debt</b>	<b>443.1</b>	<b>355.6</b>	<b>354.4</b>	<b>380.3</b>	<b>412.1</b>

### (b) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. There were no breaches to the Authorised Limit or Operational Boundary during 2013/14; borrowing at its peak was £334m (with £34m PFI liability).

	Operational Boundary (Approved) 31/03/2014	Authorised Limit (Approved) 31/03/2014	Actual External Debt 31/03/2014
Borrowing	390	400	320.4
Other Long-term Liabilities	40	40	34
<b>Total</b>	<b>430</b>	<b>440</b>	<b>354.4</b>

**(c) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed.

	Approved Limits for 2013/14 (%)	Maximum during 2013/14 (%)
<b>Upper Limit for Fixed Rate Exposure</b>	125	122.5
<b>Upper Limit for Variable Rate Exposure</b>	50	-7

**(d) Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing at 31/03/2014 £m	% Fixed Rate Borrowing at 31/03/2014
under 12 months	25	0	31.5	9.9
12 months and within 24 months	25	0	14.5	4.5
24 months and within 5 years	25	0	17.5	5.5
5 years and within 10 years	25	0	18.9	5.9
10 years and within 20 years	100	40	38.5	12.0
20 years and within 30 years	100		37.0	11.6
30 years and within 40 years	100		89.0	27.8
40 years and within 50 years	100		73.0	22.8

(The 2011 revision to the CIPFA Treasury Management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date<sup>3</sup>, so £25m of the under 12 month maturity is unlikely to actually be repaid within that period).

**(e) Capital Expenditure**

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Authority tax and in the case of the HRA, housing rent levels.

Capital Expenditure	31/03/2014 Approved £m	31/03/2014 Revised £m	31/03/2014 Actual £m	31/03/2015 Estimate £m	31/03/16 Estimate £m
Non-HRA	69.2	67.0	54.3	58.8	16.9
HRA	9.0	7.4	5.7	7.7	6.9
<b>Total</b>	<b>78.2</b>	<b>74.4</b>	<b>59.0</b>	<b>66.5</b>	<b>23.8</b>

Capital expenditure has been and will be financed or funded as follows:

Capital Financing	31/03/2014 Approved £m	31/03/2014 Revised £m	31/03/2014 Actual £m	31/03/2015 Estimate £m	31/03/16 Estimate £m
Capital Receipts/Other	11.1	10.4	10.0	11.6	6.9

<sup>3</sup> Page 15 of the Guidance Notes to the 2011 CIPFA Treasury Management Code



Government Grants	21.7	23.6	18.4	8.5	4.2
S106 contributions	2.0	3.0	3.5	4.5	1.3
<b>Total Financing</b>	<b>34.8</b>	<b>37.0</b>	<b>31.9</b>	<b>24.6</b>	<b>12.4</b>
Borrowing	43.4	37.4	27.1	41.9	11.4
<b>Total Financing and Funding</b>	<b>78.2</b>	<b>74.4</b>	<b>59.0</b>	<b>66.5</b>	<b>23.8</b>

**(f) Ratio of Financing Costs to Net Revenue Stream**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	31/03/2014 Approved %	31/03/2014 Revised %	31/03/2014 Actual %	31/03/2015 Estimate %	31/03/16 Estimate %
Non-HRA	8.9	8.8	8.7	9.9	12.3
HRA	28.1	26.9	27.2	26.9	27.0

**(g) Upper Limit for Total Principal Sums Invested Over 364 Days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days		2013/14 Approved £m	2013/14 Actual £m
(h)	H		
	R		
	A	30	5

**Limit on Indebtedness (England Only)**

The Council's limit is £208.5m, and at the start of the year the debt was £199m falling to just under £195m at the end of the year.

### Annex 3

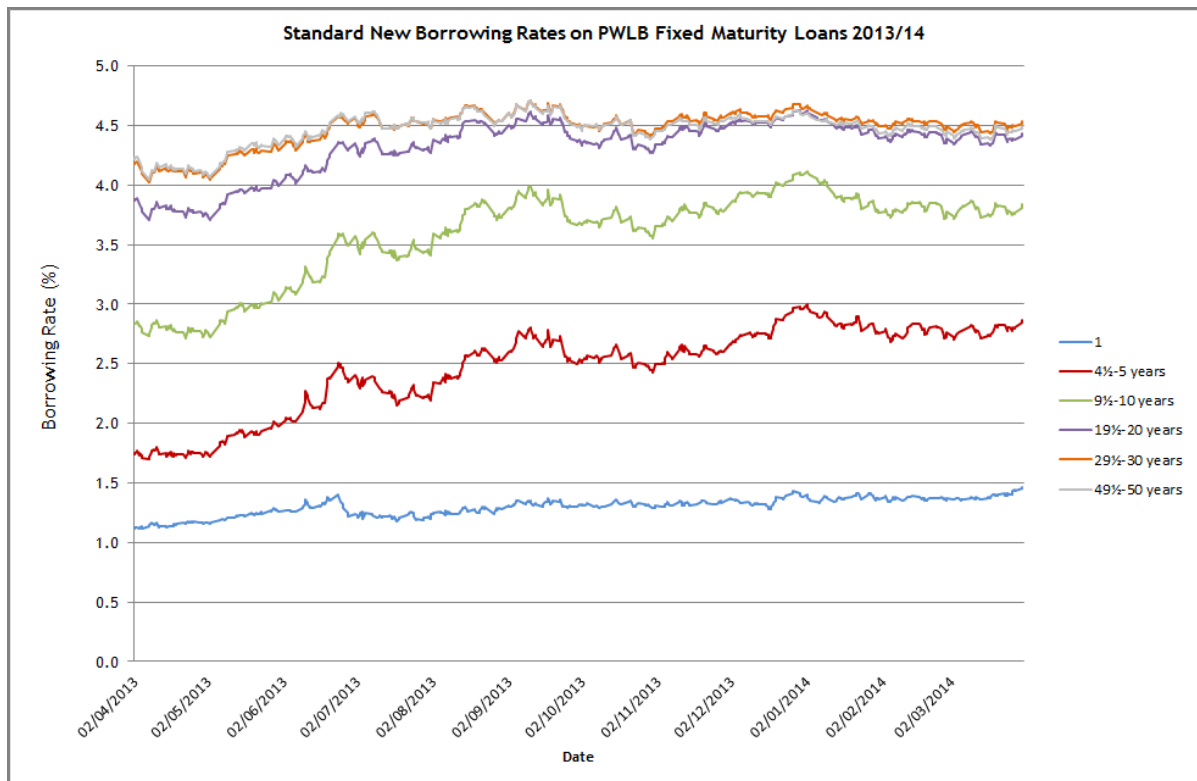
*The average, low and high rates correspond to the rates during the financial year rather than only those in the tables below*

**Table 1: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2013	0.50	0.40	0.50	0.40	0.44	0.51	0.75	0.59	0.68	0.97
30/04/2013	0.50	0.50	0.47	0.40	0.44	0.51	0.75	0.57	0.64	0.91
31/05/2013	0.50	0.38	0.42	0.40	0.44	0.51	0.75	0.68	0.82	1.15
30/06/2013	0.50	0.43	0.38	0.40	0.44	0.51	0.75	0.78	0.99	1.52
31/07/2013	0.50	0.42	0.50	0.40	0.44	0.51	0.75	0.68	0.86	1.39
31/08/2013	0.50	0.43	0.41	0.41	0.44	0.51	0.76	0.81	1.10	1.71
30/09/2013	0.50	0.38	0.38	0.41	0.44	0.51	0.76	0.83	1.12	1.73
31/10/2013	0.50	0.38	0.38	0.42	0.45	0.53	0.80	0.79	1.07	1.66
30/11/2013	0.50	0.38	0.36	0.42	0.45	0.54	0.81	0.80	1.11	1.76
31/12/2013	0.50	0.35	0.35	0.42	0.45	0.54	0.81	1.00	1.43	2.13
31/01/2014	0.50	0.36	0.41	0.42	0.45	0.55	0.82	0.94	1.34	1.95
28/02/2014	0.50	0.36	0.40	0.42	0.45	0.60	0.83	0.98	1.34	1.95
31/03/2014	0.50	0.35	0.39	0.42	0.46	0.56	0.84	1.05	1.45	2.03
Minimum	0.50	0.30	0.35	0.40	0.44	0.51	0.75	0.55	0.62	0.87
Average	0.50	0.40	0.41	0.41	0.45	0.53	0.78	0.81	1.08	1.63
Maximum	0.50	0.50	0.50	0.45	0.53	0.65	0.84	1.05	1.47	2.17
Spread	--	0.20	0.15	0.05	0.09	0.14	0.09	0.5	0.85	1.29

Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans (Standard Rate)

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
02/04/2013	125/13	1.11	1.74	2.83	3.87	4.18	4.25	4.22
30/04/2013	166/13	1.16	1.72	2.72	3.74	4.06	4.13	4.08
31/05/2013	208/13	1.26	1.97	3.03	3.99	4.29	4.36	4.33
30/06/2013	248/13	1.22	2.34	3.49	4.30	4.52	4.56	4.54
31/07/2013	293/13	1.21	2.22	3.43	4.29	4.50	4.52	4.50
31/08/2013	335/13	1.28	2.53	3.74	4.43	4.54	4.54	4.53
30/09/2013	377/13	1.30	2.50	3.66	4.36	4.49	4.50	4.48
31/10/2013	423/13	1.29	2.43	3.55	4.27	4.42	4.42	4.40
30/11/2013	465/13	1.34	2.60	3.78	4.47	4.57	4.55	4.53
31/12/2013	503/13	1.38	2.96	4.08	4.60	4.64	4.61	4.59
31/01/2014	044/14	1.36	2.75	3.77	4.39	4.49	4.45	4.43
28/02/2014	084/14	1.37	2.76	3.78	4.39	4.49	4.47	4.45
31/03/2014	126/14	1.46	2.87	3.84	4.43	4.53	4.51	4.49
	Low	1.11	1.70	2.71	3.71	4.02	4.08	4.04
	Average	1.30	2.46	3.58	4.32	4.48	4.49	4.46
	High	1.46	3.00	4.11	4.63	4.71	4.72	4.71



**Table 3: PWLB Variable Rates**

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR			Post-CSR (Standard Rate)		
02/04/2013	0.5700	0.5600	0.5500	1.4700	1.4600	1.4500
28/06/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
30/09/2013	0.5700	0.5700	0.5700	1.4700	1.4700	1.4700
31/12/2013	0.5700	0.5700	0.5700	1.4700	1.4700	1.4700
31/03/2014	0.5500	0.5600	0.5700	1.4500	1.4600	1.4700
Low	0.5500	0.5500	0.5400	1.4500	1.4500	1.4400
Average	0.5653	0.5641	0.5630	1.4653	1.4641	1.4630
High	0.5800	0.5700	0.5800	1.4700	1.4700	1.4800

**Table 4: Credit Score Analysis**

Scoring:

Long-Term Credit Rating	Score
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10

*The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit*

*The Authority aimed to achieve a score of 7 or lower, to reflect the Authority's overriding priority of security of monies invested and the minimum credit rating of threshold of A- for investment counterparties.*