

To: Councillors Stevens (Chairman), Debs  
Absolom, Lovelock, McElligott, Page,  
Steele and Terry

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30 June 2015

Your contact is: Simon Hill - Committee Services

### **NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE - 8 JULY 2015**

A meeting of the Audit & Governance Committee will be held on Tuesday 8 July 2015 at 6.30pm in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

#### AGENDA

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1. DECLARATIONS OF INTEREST	-
2. MINUTES OF THE COMMITTEE'S MEETING OF 21 APRIL 2015	1
3. ANNUAL GOVERNANCE STATEMENT 2014-15	3
This report sets out for approval the Annual Governance Statement 2014/15, a record of the overall effectiveness of governance arrangements within the Authority.	
4. INTERNAL AUDIT ANNUAL ASSURANCE REPORT	22
This is the annual assurance report of the Chief Auditor, which gives the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment; draws out key themes arising from the work of the Audit Team during the 2014/2015 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.	

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5.	<b>AUDIT &amp; INVESTIGATIONS QUARTERLY PROGRESS REPORT</b>	41
	This report provides the Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in April 2015.	
6.	<b>STRATEGIC RISK REGISTER</b>	50
	This report provides an update to the Committee on the Q1 status of the Council's 2015/16 Strategic Risk Register, in line with the requirements of the Council's risk management strategy.	
7.	<b>PROVISIONAL 2014/15 REVENUE OUTTURN &amp; CAPITAL PROGRAMME</b>	67
	This report summarises the financial position at the end of the 2014/15 financial year, setting out final budget variances subject to audit. The capital programme provisional outturn is also considered.	
8.	<b>TREASURY OUTTURN REPORT FOR 2014/15 &amp; RELATED UPDATE</b>	84
	This report presents the annual Treasury Outturn Report for 2014/15. A presentation at the meeting will highlight key treasury management issues.	

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 21 APRIL 2015

Present: Councillors Stevens (Chairman), Debs Absolom, Lovelock, McElligott, Page, Stanford-Beale & Terry.

Also in attendance:

Alan Cross	Head of Finance
Paul Harrington	Chief Auditor
Ian Wardle	Managing Director

### 20. MINUTES

The Minutes of the meeting of 29 January 2015 were confirmed as a correct record and signed by the Chairman.

### 21. AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT

P Harrington, Chief Auditor, 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 2015.

The report set out a summary of the audit reports and an assurance finding for audits carried out of the following service areas:

- General Ledger (Journals)
- Creditors (Accounts Payable)
- Culture & Sport Income Generation
- School Places Capital Programme
- Charging Arrangements for Adult Social Care
- Home to School Transport
- Special Educational Needs & Disabilities (SEND)
- Troubled Families Programme

The report also provided details of forthcoming follow up audit reviews and the status of programmed audits, and set out progress on the response to audit reports and the implementation of agreed audit recommendations.

The report also provided details of work which the Council's Corporate Investigations Team and Internal Audit had undertaken since April 2014 in respect of benefit fraud, housing tenancy fraud and other corporate investigations. This included investigations into the remaining few benefit fraud cases still with the local authority, following the establishment of the national Single Fraud Investigation Service and the transfer of investigation work on Housing and Council Tax Benefit to the Department for Work and Pensions along with some Council staff from 1 December 2014.

The report had appended details of the progress made in implementing the actions which were reported in the 2013/14 Annual Governance Statement (AGS). There were 14 actions identified in the 2013/14 AGS, all of which had been implemented or were in the process of being implemented. There were six actions that remained appropriate and it was recommended that they should be carried forward to the 2014/15 AGS, which would be reported to the Audit & Governance Committee in July 2015.

Resolved: That the report be noted.

## AUDIT AND GOVERNANCE COMMITTEE MINUTES - 21 APRIL 2015

### 22. INTERNAL AUDIT PLAN 2015-16

P Harrington, Chief Auditor, submitted a report on the Internal Audit Plan for 2015-16 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 to give a formal opinion on the control environment annually. 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.

In accordance with the Accounts and Audit regulations (2015) and the Public Sector Internal Audit Standards, the Audit and Governance Committee was required to approve, and monitor progress against, the Internal Audit Strategy and Plan.

Resolved: That the Internal Audit Plan for 2015-16 be approved.

### 23. STRATEGIC RISK REGISTER

P Harrington, Chief Auditor, submitted a report updating the Committee on the Q4 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 to the report at Appendix 1.

The report stated that the Corporate Management Team (CMT) maintained the Register on behalf of the Council, with the assistance of the Chief Auditor. 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 approximately every six months, or more frequently if circumstances required an update. It had last been presented to the Committee at its meeting on 29 January 2015 (Minute 18 refers).

The register set out mitigating actions taken to address the risks identified, which were monitored on a monthly basis. The Committee noted that the residual risk for "5b: Failure to maintain the fabric of the structure, communal areas and services related to council's housing stock resulting in injury to individuals and/ or noncompliance with Legislation" and "21a: Increasing number of people becoming homeless and placing additional pressure on the Council to provide temporary accommodation" had increased and a new risk had been added "21b: Increasing numbers of households placed by the Local Authority in B&B (exceeding the six week guideline maximum) increases risk of accident/ incident occurring, including due to health and safety hazards."

Resolved: That the Q4 status of the Council's 2014/15 Strategic Risk Register be noted.

(The meeting started at 6.30pm and closed at 6.56pm).

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

<b>TO:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>		
<b>DATE:</b>	<b>8 JULY 2015</b>	<b>AGENDA ITEM:</b>	<b>3</b>
<b>TITLE:</b>	<b>ANNUAL GOVERNANCE STATEMENT 2014/2015</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR LOVELOCK</b>	<b>PORTFOLIO:</b>	<b>AUDIT &amp; GOVERNANCE</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>N/A</b>
<b>LEAD OFFICER:</b>	<b>ALAN CROSS</b>	<b>TEL:</b>	<b>937 2058</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 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 record of the overall effectiveness of governance arrangements within the Authority. The statement reflects the latest guidance from CIPFA/SOLACE on a strategic approach to governance and demonstrates how the key governance requirements have been met.

1.4 The following documents are appended:

Draft Annual Governance Statement (AGS) 2014/2015

Appendix A - Governance Framework

Appendix B - AGS Implementation plan for 2015/16

**2. ACTIONS REQUIRED**

2.1 Audit & Governance Committee is requested to receive and approve the Annual Governance Statement for 2014/2015 for publication with the Council's accounts.

2.2 The Committee is asked to 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. GOVERNANCE FRAMEWORK

#### Internal

3.1 The governance framework, Appendix A, comprises the systems and processes, and culture and values, by which we are directed and controlled and the activities through which we account to and engage with our residents and businesses. The headings and documents, activities, processes and outcomes which underpin the framework are included in paragraphs 3.2 - 3.4.

#### 3.2 Values

##### Key documents reviewed annually

- Corporate Plan
- Financial Plan
- Annual Statement of Accounts
- Council tax leaflet
- Members Allowance Scheme
- Pay Policy
- Service Delivery Plans
- Treasury Management Strategy

#### 3.3 Purpose and Outcomes

##### Key documents reviewed as required

- Constitution
- Anti-Fraud and Corruption Policy
- Business Continuity Arrangements
- Complaints Procedure
- Policy Statements e.g. Health & Safety
- Decision Book
- Member Training and Development Programme

#### 3.4 Engagement

##### Supporting processes monitoring and regulation

- Council
- Committees
- Annual Governance Review
- Budget Framework
- Appraisals
- CMT/ SLG Performance Meetings
- Internal Audit

- External Audit
- Job Descriptions
- Head of Paid Service role
- Monitoring Officers role
- S151 Officer role
- Corporate Procedure Rules
- Risk Management
- Website and Intranet
- Procedure Notes

#### External factors

- 3.5 The CIPFA/SOLACE 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 2014 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.
- 3.6 The statement received from the Chief Executive of RTL confirmed 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

- 3.7 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 2013/14. This means they were satisfied that the Council had 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.
- 3.6 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.

#### Internal Audit Assurance

- 3.7 One of the assurance statements the Council receives is the annual opinion is the Chief Auditor in respect of the financial control framework. The opinion of the Chief Auditor in respect of audit work completed in 2014/15 is that the Council's internal control systems in the areas audited were adequate with the exception of a few systems where improvements were

recommended. Those audits where improvements were highlighted, whilst non material in terms of the council's overall Risk Management, Governance and internal control framework, are set out below:

- General Ledger - Need to improve controls over journal transactions.
- Debt Management - Resources to progress recovery action should be kept under review and greater corporate overview of all outstanding debt is needed.
- Home to School Transport Service - Need for more in-depth analysis of complaints and travel arrangements
- Fuel - improve information on vehicle fuel usage and apply appropriate restrictions on quantity and frequency of fuel dispensed.
- Fleet Management - further develop systems and processes to ensure compliance with legislation and value for money is achieved.

#### 4. THE PROPOSAL

4.1 Based on the governance framework and statement together with the Internal Audit review of the Council's control framework, 17 governance related themes were highlighted that warrant reporting in the action plan which accompanies the Council's 2014/2015 Annual Governance Statement, Appendix B.

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. EQUALITY IMPACT ASSESSMENT



- 7.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:
- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
  - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

7.2 We are mindful of the Equality Act and Equality Impact Assessment which is not relevant to this report

## 8. LEGAL IMPLICATIONS

8.1 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).

8.2 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.

## 9. FINANCIAL IMPLICATIONS

9.1 There are no financial implications directly arising from this report.

9.2 As indicated above the statement must be published with the Council's accounts, and will be reviewed by the External Auditor (though is not subject to audit).

9.3 In respect of the Council's Financial Management Arrangements, the CIPFA/SOLACE Guidance makes reference to specific CIPFA guidance covering the role of the Chief Financial Officer in Local Government and Head of Internal Audit in Public Service Organisations. Those roles in Reading are unchanged from recent years, and therefore continue to comply with the requirements.

## 10 BACKGROUND PAPERS

10.1 CIPFA/Solace - Delivering Good Governance in Local Government

10.2 Audit & Accounts Regulations 2011

# Annual Governance Statement 2014/15

## 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 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 which in future years should be included as part of the Council's constitution. 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 2015 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 We have considered the issues that affect our services and in February 2015 we adopted 6 service priorities to focus our efforts to help narrow the gaps within Reading:

1 **Safeguarding and protecting those that are most vulnerable**

2 **Providing the best life through education, early help and healthy living**

3 **Providing homes for those in most need**

4 **Keeping the town clean, safe, green and active**

5 **Providing infrastructure to support the economy**

## 6 Remaining financially sustainable to deliver these service priorities

To deliver these priorities within the new Corporate Plan there is a continued focus on the Council's contribution to narrowing what the gaps are within Reading. We have ensured that the funding and other resources we have available, such as our property and our people, are aligned to these priorities for the coming year.

### Good decision-making

4.6 Members sit on a variety of committees - mostly open to the public - that manage the organisation's different functions. Since 2013, the Council has adopted a committee system of decision making. Four cross-party committees whose membership is proportionate to the representation of each political party on the Council are responsible for all activity. These committees are:

- Policy Committee;
- Adults, Children's and Education Committee;
- Housing , Neighbourhoods and Leisure Committee; and
- Strategic Environment, Planning and Transport Committee (SEPT).

4.7 In the 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

4.9 All the committees set goals and guidelines for the operation of services.

4.10 Traffic Management Sub-Committee considers relevant issues on behalf of the SEPT committee. The regulatory committees - Licensing Applications and Planning Applications - together with the Audit and Governance, Personnel, and Standards Committees have continued as committees of full Council. In addition, a Health and Wellbeing Board has been set up as a committee of full Council.

4.11 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 director 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.

- 4.12 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.

### Day-to-day operations

- 4.13 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.
- 4.14 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 rely upon this to make decisions.
- 4.15 The remaining statutory roles of Monitoring Officer, Chief Financial Officer, (statutory) Director of Adult's Services & (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.
- 4.16 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.

## 5.0 HAVE YOUR SAY

- 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;

- Consulting with residents on the proposals for the Abbey Quarter and Early Help services to support children, young people and families
  - Consulting with Service Users and Residents to ensure effective implementation of the Care Act for adults in Reading from April 2015
  - Using social media as a tool for communicating with the community on important developments and developing 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 updated the Scheme of Delegation, Financial Procedural Rules and operational and financial delegations to reflect the changes following restructuring of services within the Council. Moving forward a programme of work continues to keep operational and financial delegations and procedures which underpin the Council's constitution up to date. The driver for this review is to have shorter and clearer policies for staff as far as is practical.
- 6.2 The Council's Corporate Plan provides the link between our strategic priorities and the way in which the Council operates. The Corporate Plan and the Council's budget to support the delivery of the Council's service priorities for 2015-2018 were approved by full Council in February 2015. The priorities within the Corporate Plan form the basis of our spending plans over the next three years with an on-going need to reduce our budget further. Therefore, this plan and the budget will continue to be updated every year to take account of changes.
- 6.3 The overall budget and policy framework is set by the Council and all decisions are made within this framework. We decided to incorporate the medium term financial plan as part of the Corporate Plan.
- 6.4 We delivered our 2014/15 net budget and we approved a robust balanced budget for 2015/16 within the context of a rolling 3 year financial plan. We will receive 27% (£9m) less Revenue Support Grant funding from Government in 2015/16 compared to 2014/15. We have estimated that we will still need to save a further £28.8m from our budget 2016-18.
- 6.5 The Council will have to continue to change the way it operates to deal with reductions in funding as we protect as many vital services as we can with the focus on narrowing the gaps within Reading. The Corporate Plan and the Budget provides an important framework for us to do this.

Because of the amount of money we will have to save, through the course of 2015, councillors will be presented with further options and proposals to reduce spending and to focus on what services we can continue to deliver with our remaining budget.

- 6.6 As a result of the savings required we will need to be realistic about what we can and cannot do moving forward. We undertook a programme to reshape the Council over the 2013-15 period, 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, and during 2014/15 we:

- improved and strengthened our overall approach to performance management to further promote the performance culture;
- implemented the Council Health & Safety Action Plan;
- further developed compliance with information security standards;
- ensured the Audit and Governance Committee undertook its responsibility for monitoring the effective development and operation of corporate governance in the council;
- kept safeguarding practices and performance under continuous review at all levels and that escalation processes are in place;
- continued to monitor staff capacity and develop capacity/demand modelling in children's services;
- responded to regular external audit and challenge as well as regular internal themed audits and performance is regularly reported to the Corporate Management Team;
- used Peer Reviews to reflect upon our practices;
- undertook a Capacity & Resilience review, which completed in January 2015 and resulted in the Directorate, Education Adults and Children's Services (DEACS) being split into two new Directorates of Children's, Education and Early Help Services (DCEEHS) and Directorate of Adult Care and Health Services (DACHS) to strengthen management arrangements with new Directors appointed
- agreed a digital strategy as the framework for action and incorporated the replacement and update of the Council's website
- launched a beta version of the new website on 1<sup>st</sup> December 2014;
- undertook a comprehensive review of assets including a rolling programme of condition surveys has informed a prioritised programme of works;
- implemented a programme of learning and development to officers and members. Senior officers are keep abreast of developments in their profession;



- continued to develop our training needs analysis 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;
- began a piece of work on the “Reading Offer” to make sure our staff terms and conditions, development opportunities are equitable and comprehensive, and can ensure that we can recruit and retain staff in our present operating context
- monitored performance through feedback from residents and service users. A new corporate performance monitoring and reporting programme has been introduced from the 1<sup>st</sup> April 2015.
- undertook regular satisfaction surveys of residents and service users and analyses of complaints raised under the Council’s Corporate Complaints Policy are regularly reported and considered by CMT.
- responded to system issues within Accounts Payable and the General Ledger since the implementation of the Councils Financial Management System and began work to address these issues.
- put in place, following corporate and service reviews improvement plans for Finance and Children’s Services
- refreshed and published our whistleblowing policy in July 2014
- followed up issues identified by external audit, by providing training to benefit assessors to strengthen the quality of claimant assessments and classification of overpayments.

## 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 Chief Auditor’s Annual Assurance Report. The review includes consideration of comments made by the External Auditor, peer reviewers, inspectors and other review agencies. 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;
- The Council’s internal audit coverage, which is planned using a risk based approach. The outcome from the internal audit coverage helps form the Chief Auditor’s opinion on the overall adequacy of the Council’s Internal Control Framework, which is reported in his annual report; including any limited assurance audit reports and action taken

- The Chief Auditor'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 and VFM opinion assessing whether proper arrangements are in place for securing financial resilience and challenging how the council provides economy, efficiency and effectiveness ;
- The work of the Audit and Governance Committee, which reviews the outcomes from the Annual Audit Plan and the annual report of the Chief Auditor;
- 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 2013/2014 Annual Governance Statement. Some of the actions identified last year have been completed:

- Updated and approved a revised Scheme of Delegation and Financial Procedure Rules
- Managed the availability of school places in all statutory year groups.
- Reviewed the budget monitoring and profiling arrangements in Leisure and Cultural Services to ensure the service deals with changing income levels and patterns of activity
- 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
- Reviewed and consolidated operational and financial procedures and introduced shorter and clearer policies and procedures
- Delivered a new Website to ensure residents, businesses and visitors have access to good quality services and information

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

## 9.0 PRIORITIES FOR IMPROVEMENT

9.1 The annual review of governance provides 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.

Reading Borough Council  
Annual Governance Statement 2014/15

Signed:..... Signed:.....

Ian Wardle, Managing Director

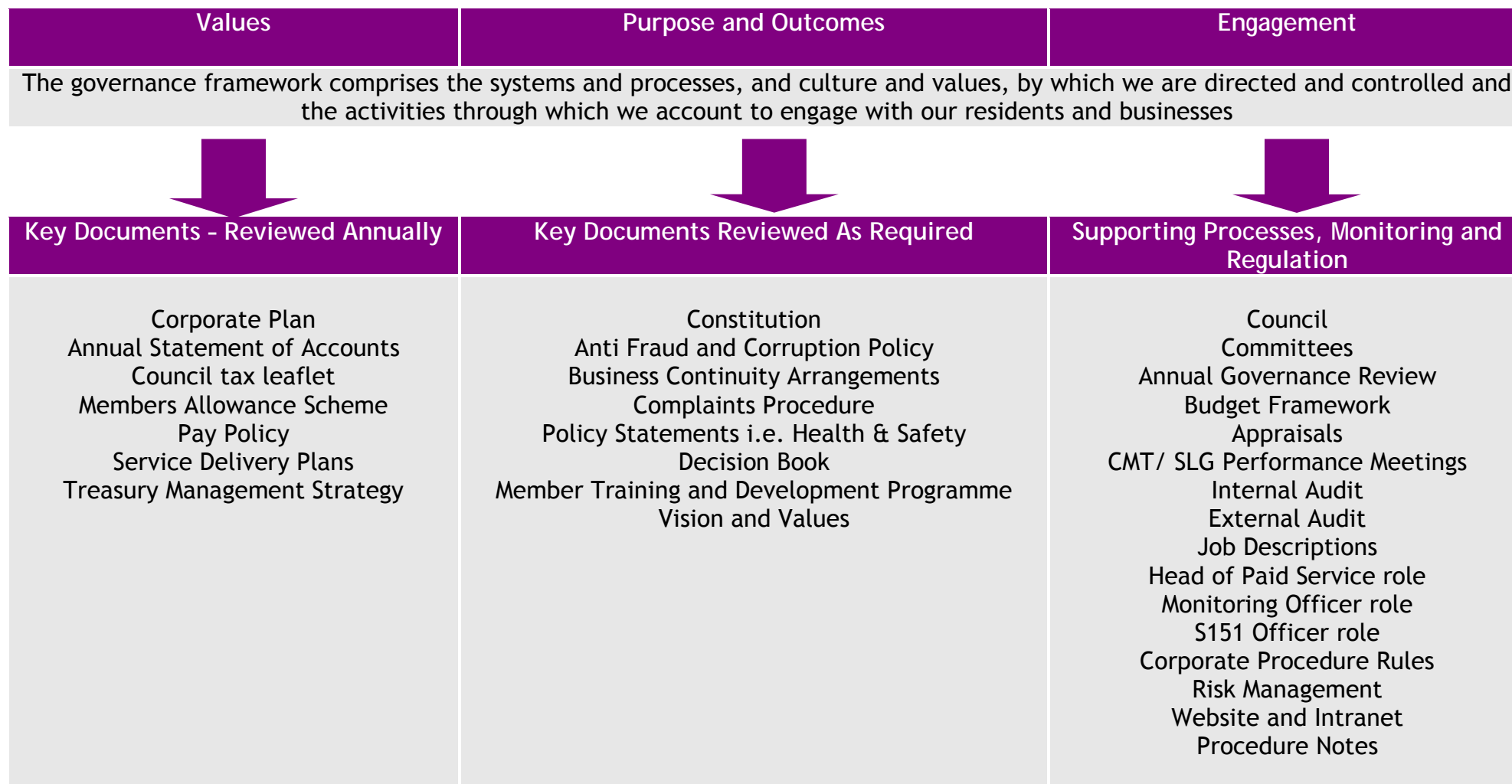
Councillor Jo Lovelock, Leader of Council

On behalf of the members and officers of Reading Borough Council

DRAFT

## Appendix A

### Governance Framework



Appendix B

**2014/15 Annual Review of Corporate Governance Arrangements – DRAFT Improvement Plan for 2015/16**

Ref	Action	CMT lead
AGS 1	Develop and manage a budget and financial management strategy to operate within available resources over the period to 2017/18	Managing Director
AGS 2	Strengthen financial and budget management throughout Council services and provide effective financial management support considering reducing budgets and the changing nature of income.	Head of Finance
AGS 3	Introduce cost effective solutions to meet the demand for safe and adequate emergency accommodation and mitigate the growing pressure on the B&B budget.	Director of Environment & Neighbourhood Services
AGS 4	Continue work to accelerate progress and reduce the school attainment gap	Director of Children, Education & Early Help Services
AGS 5	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	Director of Children, Education & Early Help Services
AGS 6	Continue to refresh forecasts to maintain level of understanding and develop capacity/demand modelling and promote development in children's services	Director of Children, Education & Early Help Services
AGS 7	Develop and monitor actions to mitigate the failure of providers around adult and children safeguarding	Director of Children, Education & Early Help Services / Director of Adult Care & Health Services

Appendix B

**2014/15 Annual Review of Corporate Governance Arrangements – DRAFT Improvement Plan for 2015/16**

Ref	Action	CMT lead
AGS 8	Produce a new workforce development plan to take account of Reshaping the Council, new skills required and the changing demands on services.	Director of Adult Care & Health Services
AGS 9	The Council is continuing to refine and simplify processes and procedures and will provide guidance and training to staff to ensure that controls are embedded throughout the organisation.	Managing Director
AGS 10	Continue to monitor the impact on staff resilience (stress and motivation) of organisational change and change generally	Head of Legal & Democratic Services
AGS 11	Continue to undertake work on embedding the policy, delivery, governance and monitoring arrangements for Health & Safety.	Managing Director
AGS 12	Continue to develop our commissioning, procurement and contract management	Director of Adult Care and Health Services
AGS 13	Continue to undertake work to further improve information management and the Council's data protection policy and reduce the risk of loss of data.	Head of Legal & Democratic Services
AGS 14	Given the risks presented via the significant changes being delivered and further cost reduction activity across the Council, the Corporate Management Team will continue to closely monitor the operation of the Council's control environment through the transformation and change processes	Managing Director
AGS 15	Complete a Council wide review of the use of vehicles and fleet in general to ensure compliance with legislation and that value for money is achieved.	Director of Environment & Neighbourhood Services

Appendix B

**2014/15 Annual Review of Corporate Governance Arrangements – DRAFT Improvement Plan for 2015/16**

AGS 16	Deliver improvements and actions contained in the Finance Improvement Plan	Head of Finance
AGS 17	Deliver and monitor the requirements of the Local Government Data Transparency code 2015 which sets out the requirement for Councils to publish key information	Head of Customer Services

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READING BOROUGH COUNCIL

REPORT BY HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	8 JULY 2015	AGENDA ITEM:	4
TITLE:	INTERNAL AUDIT ANNUAL ASSURANCE REPORT		
LEAD COUNCILLOR:	COUNCILOR STEVENS	PORTFOLIO:	AUDIT & GOVERNANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	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 Chief Auditor (required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards), which:

- Gives the Chief Auditor'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 2014/2015 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 Chief Auditor and consider the issues raised in the annual report.



### 3. KEY ISSUES

- 3.1 As the Chief Auditor 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 2015 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 2014/2015 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 Our audit programme for the year has highlighted both good practice and areas for improvement. Some of the key messages identified during our audit work are set out below:

- Key Financial Systems: We are pleased to report that the systems for Treasury Management, Entitlement & Assessment, Housing Rents and Payroll were rated with positive assurance opinions. However following our review of the General Ledger we identified that there was a need to tighten control over journal transactions. In addition there has been a range of system issues within Accounts Payable and the General Ledger since the implementation of Oracle Fusion in August 2014. These have since been addressed or will be through planned system updates.
- Debt Management: An analysis on the level of outstanding debt shows that the level of outstanding debt has been increasing and the value of debt exceeding 150 days has increased. Resource to progress recovery action should be kept under review and greater corporate overview of all outstanding debt is needed. This has been recognised by CMT and a Corporate Debt Action Plan has been developed.
- Performance Management: although not subject to a specific audit, performance management has been highlighted as a common issue throughout our work. Although there are examples of good practice, we have highlighted inconsistency in performance management, both in terms of people performance and the reporting of performance information. Performance monitoring has been identified corporately by CMT and a new programme of reporting performance has been introduced.
- Our programme and project reviews of capital projects within Education and Highways (Traffic) have highlighted some good governance and project management in the delivery of multi million pound projects.
- Within Education Services we raised some concerns over operational procedures with the Home to School Transport Service and the need for more in-depth analysis of complaints and travel arrangements. We also recommended that further work is undertaken to identify the reason for the number of children with statements. There are some positive measures being made to highlight and support improvements in school attainment and to strengthen this we recommended measures to improve data quality and performance information.
- Leavers Processes: Although not subject to a specific audit we have identified common themes indicating weaknesses in the processing of staff who leave the Council.

- Health & Safety: our review of Health & Safety recognised that a great deal of progress has been made by the Council in driving improvements in the control of health and safety risks. In addition we noted that there is an effective programme of gas inspections in place for the Council's housing stock.
- Two areas where we have raised some specific concerns are in the maintenance and procurement of the Councils fleet of vehicles and control and usage of fuel. Improvement plans have been put in place to address audit concerns and progress will be reported back through DMT's
- Engagement: On the whole there has been good engagement from management and this has helped to ensure the outputs from our work assist management in addressing any issues identified and add value. However, we have continued to find that management are slow to provide their responses to audit recommendations.

3.11 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.

3.12 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 2014/15 to have considered all assurances, risks and other governance issues that have arisen.

#### 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.

#### 4. CONTRIBUTION TO STRATEGIC AIMS

4.1 Audit Services aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular audit work is likely to contribute to the priority of remaining financially sustainable to deliver our service priorities.

5. COMMUNITY ENGAGEMENT AND INFORMATION

5.1 N/A

6. LEGAL IMPLICATIONS

6.1 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.

6.2 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.

6.3 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”.

7. FINANCIAL IMPLICATIONS

7.1 N/A

8. BACKGROUND PAPERS

8.1 N/A

# INTERNAL AUDIT AND INVESTIGATIONS

Annual Report  
For the year ended 31 March 2015

## 1. ANNUAL ASSURANCE

### 1.1 Introduction

- 1.1.1 The Chief Auditor's annual assurance opinion is designed to assist the Council to meet its obligations, under Regulation 4 of the Accounts and Audit Regulations 2015, 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 In accordance with the Public Sector Internal Audit Standards<sup>1</sup> (PSIAS) the Head of Internal Audit (Chief Auditor) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control (i.e. the organisations system of internal control). The opinion does not imply that Internal Audit have reviewed all risks relating to the organisation.
- 1.1.3 Internal auditors give assurance to all levels of management about the efficiency and effectiveness of operations, compliance with laws and regulations, accuracy and reliability of management reporting, and the safeguarding of assets and interests. Internal audit fulfils this role by undertaking a range of reviews which critically evaluate the council's internal control framework. Where necessary, Internal Audit makes recommendations for improvement and introduces best practice throughout the council.

### 1.2 Purpose and scope of this report

#### 1.2.1 The coverage of this report:

- a) includes an opinion on the overall adequacy and effectiveness of the council's risk management systems and internal control environment
- b) discloses any qualifications to that opinion, together with the reasons for the qualification
- c) presents a summary of the audit and anti-fraud work from which the opinion is derived, including reliance placed on work by other assurance bodies
- d) Draws attention to any issues the Chief Auditor judges particularly relevant to the preparation of the Annual Governance Statement.

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

## 2. CHIEF AUDITOR ASSURANCE OPINION

### 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 2015) that accompanies the statement of accounts for the year ended 31 March 2015.
- 2.1.2 Our opinion is derived from work carried out by Internal Audit during the year as part of the agreed internal audit plan for 2014/15, including our assessment of the Council's corporate governance and risk management processes. The internal audit plan for 2014/15 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, as Chief Auditor *I have concluded that Reading Borough Council's control environment is acceptable for its business needs and operates in an effective manner.* 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.
- 2.2.2 The Council has to secure further savings in the region of £28m over the two year period from April 2016 and has already embarked on significant transformation and change programmes, following an organisation restructure. Whilst it is important for the Council to remain flexible and agile to ensure that changes are successfully embedded and savings are delivered, it is also vital that lines of responsibility and accountability are clear, both during the transition and into any new target operating model. This needs to include an effective framework for providing assurance (often referred to as the three lines of defence) to senior management, members and citizens: service management, corporate oversight and independent assurance provided by Internal Audit.
- 2.2.3 The opinion takes into account of the work undertaken by the Audit and Investigations Team. This has included audits in a number of areas receiving positive risk ratings: Schools Monitoring, Transport Schemes, Culture & Sport Income, School Capital Programme, Payroll, Treasury Management, Register of Births Deaths and Marriages, Rent Accounting and compliance with the Payments Card Industry Data Security Standard. However, we have identified areas for development including: Fleet Management, Fuel control, Debt Management, Home to School Transport, SEN and Journal transactions. Management action plans have been agreed to strengthen the control weaknesses identified in these reports and will be subject to continual follow up.

- 2.2.4 We've reviewed seven key financial systems during the year. One of the key areas has been the implementation of Oracle Fusion which went live in August 2014. There have been implementation problems with the new system which, whilst these have been or are being addressed, has created additional risks which need to be monitored to ensure performance is maintained.
- 2.2.5 Given the risks presented via the significant changes being delivered and further cost reduction activity across the Council senior management needs to continue to closely monitor the operation of the Council's control environment through the transformation and change processes. It is also important that effective mechanisms for learning lessons are embedded. In continuing to provide ongoing robust assurance on the control environment, Internal Audit will need management's support to ensure that reviews are undertaken as planned and management responses are prompt and appropriate.

### 3. SUMMARY OF THE AUDIT WORK

- 3.1 An annual audit plan was produced by Internal Audit to cover the period 1 April 2014 to 31 March 2015, 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.
- 3.1.1 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. We completed 29 planned audit reviews, 5 school reviews and 7 grant claim certifications. The table below summarises the report classifications for the audit reviews undertaken in 2014/2015,

Report Classification	Number of reviews					
	2014/15		2013/14		2012/2013	
Substantial Assurance (Low Risk)	10	34%	21	58%	16	47%
Conditional Assurance (medium risk)	17	59%	14	36%	14	41%
Limited Assurance (High Risk)	2	7%	3	8%	4	12%
Subtotal	29		36		34	
Grant Claims certified	7		4		2	
School Audits	5		9		8	
Projects in progress	1		2		2	
Total	42		51		46	



## Priority of Recommendations

- 3.1.2 At the time of writing we have made a total of 156 audit recommendations in our reports (both draft and finalised), excluding schools (51), of which 6% were classified as high risk (2013/2014: 3%).
- 3.1.3 In the following section we have set out the key themes and findings identified during our audit work for 2014/2015.
- 3.1.4 Details of each individual report ratings and priority of recommendations for each audit can be found at Annex 1.

## 4. KEY MESSAGES FROM PLANNED AUDITS

- 4.1 Our audit programme for the year has highlighted both good practice and areas for improvement. Some of the key messages identified during our audit work are set out below:
- **Key Financial Systems:** We are pleased to report that the systems for Treasury Management, Entitlement & Assessment, Housing Rents and Payroll were rated with positive assurance opinions. However following our review of the General Ledger we identified that there was a need to tighten control over journal transactions. In addition there has been a range of system issues within Accounts Payable and the General Ledger since the implementation of Oracle Fusion in August 2014 and we've acknowledged that work is underway to address these either through the current version of Fusion or future releases. In the meantime we will work with Finance to ensure that any temporary processes are sufficiently robust and new system processes have adequate controls prior to implementation.
  - **Debt Management:** An analysis on the level of outstanding debt shows that the level of outstanding debt has been increasing and the value of debt exceeding 150 days has increased. Resource to progress recovery action should be kept under review and greater corporate overview of all outstanding debt is needed. This has been recognised by CMT and a Corporate Debt Action Plan has been developed.
  - **Performance Management:** although not subject to a specific audit, performance management has been highlighted as a common issue throughout our work. Although there are examples of good practice, we have highlighted inconsistency in performance management, both in terms of people performance and the reporting of performance information. Performance monitoring has been identified corporately by CMT and a new programme of reporting performance has been introduced.
  - Our programme and project reviews of capital projects within Education and Highways (Traffic) have highlighted some good governance and project management in the delivery of multi million pound projects.

- Within Education Services we raised some concerns over operational procedures with the Home to School Transport Service and the need for more in-depth analysis of complaints and travel arrangements. We also recommended that further work is undertaken to identify the reason for the number of children with statements. There are some positive measures being made to highlight and support improvements in school attainment and to strengthen this we recommended measures to improve data quality and performance information.
- Leavers Processes: Although not subject to a specific audit we have identified common themes indicating weaknesses in the processing of staff who leave the Council.
- Health & Safety: our review of Health & Safety recognised that a great deal of progress has been made by the Council in driving improvements in the control of health and safety risks. In addition we noted that there is an effective programme of gas inspections in place for the Council's housing stock.
- Two areas where we have raised some specific concerns are in the maintenance and procurement of the Councils fleet of vehicles and control and usage of fuel. Improvement plans have been put in place to address audit concerns and progress will be reported back through DMT's
- Engagement: On the whole there has been good engagement from management and this has helped to ensure the outputs from our work assist management in addressing any issues identified and add value. However, we have continued to find that management are slow to provide their responses to audit recommendations.

## 4.2 Corporate Governance

4.2.1 In our 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,
- Work completed by the internal audit team throughout 2014/2015
- The Council's annual governance statement and action plan

4.2.2 As in 2014/15, it has been necessary for the Council to continue to find significant reductions in resources and further significant reorganisations and transformation programmes have been ongoing. The Council undertook a review of 'capacity and resilience' across the organisation which identified areas where additional staff resources are potentially needed to deliver key corporate issues. During 2015/2016 we will look to assess the management of the risks associated with some of these changes and future planned changes.

- 4.2.3 Governance arrangements also need to be supported by appropriate management information that can support key strategic and operational decisions. These decisions are needed to make longer-term savings whilst minimising impact on service delivery. They need to be based on high quality information that covers the entire organisation, in order to support the organisation to prioritise activities and generate alternative ways of working that will be needed to achieve these goals.
- 4.2.4 The Council has recognised this and as from the 1<sup>st</sup> April 2015 has introduced a new approach to performance monitoring to increase accountability on service areas. Internal audit recommendations, lessons learned, other inspections will be reported which we believe will further improve governance and accountability.
- 4.2.5 During the year The Council's Financial Procedural Rules (Regulations) were updated across their length, to reflect the move from executive (Cabinet) arrangements to a committee system and organisational change as a result of the Council's reshape program. The Regulations provide the framework for managing the authority's financial affairs and apply to every Member and Officer of the Authority and anyone acting on its behalf.
- 4.2.6 The Council approved the Authority's updated Delegations Register in January 2015. The Delegations Register is a statement of the authority under which officers may exercise the functions delegated to them and do not inadvertently make decisions about functions which have not been delegated to an officer to exercise. Financial delegations and regulations need to be kept under continuous review.

#### 4.3 Assurance from other sources

- 4.3.1 In compiling this Annual Report, I have taken account of other sources of assurance in arriving at my overall opinion for 2014/15. These sources include, but are not limited to: the achievement of Public Services Network (PSN) accreditation for the Council, however it is noted that comprehensive ICT Security Policies need to be maintained and kept up to date. The draft Annual Governance Statement (AGS) compiled by the Policy Team with assistance from CMT. I have reviewed the draft AGS which adequately reflects the arrangements in place, the effectiveness of those arrangements and the identification of significant issues. Reports by officers to the various Council committees on matters including health and safety, treasury management, budget monitoring, complaints and human resources related matters. In particular KPMG's 2013/14 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.

#### 4.4 Conformance with standards

4.4.1 As the Council's Chief Auditor I can confirm that the Internal Audit Service has carried out an assessment to ensure that the Internal Audit Service is effective when compared against the Public Sector Internal Audit Standards (PSIAS). I undertake periodic reviews of the quality of internal audit work completed and also review all draft and final reports issued. In delivering the Internal Audit Service, in planning, conducting and reporting on reviews and in compiling this Annual Report, we have done this in conformance with the requirements of the PSIAS, published by the Chartered Institute of Internal Auditors and the subsequent Local Government Application Note in respect of PSIAS published by CIPFA.

#### 4.5 School Audits

4.5.1 During 2014/15 we undertook 5 school audits (as identified in annex 1). Our work involved carrying out targeted internal audit testing to assess the adequacy and effectiveness of financial management arrangements within each school visited, informed by a control, risk, self-assessment undertaken by each school. A snapshot of the results of our financial reviews carried out is as follows:

Report Classification	Number of reviews					
	2014/15		2013/14		2012/2013	
Substantial Assurance (Low Risk)	1	20%	6	67%	3	43%
Conditional Assurance (medium risk)	4	80%	3	33%	3	43%
Limited Assurance (High Risk)	-	-	-	-	1	14%
Total	5		9		7	

4.5.2 We made a total of 51 audit recommendations for schools (2013/14: 63), of which 4% were classified as high risk (2013/14: 2%).

4.5.3 A report is issued to each school detailing the finding and the actions which governing bodies should take to ensure that controls remain appropriate and effective.

#### 4.6 Implementation of internal audit recommendations

4.6.1 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. The table below shows the number of recommendations which are now due to have been implemented, and the number and percentage of those which have been evidenced as implemented, by level of risk.

	Total Recs reviewed	Recs implemented	%	Recs partially implemented	%	Recs not implemented	%
Priority 3 (Low Risk)	5	3	60%	1	20%	1	20%
Priority 2 (medium risk)	10	7	70%	2	20%	1	10%
Priority 1 (High Risk)	2	1	50%	1	50%	0	0%
Total	17	11	65%	4	24%	2	11%

4.6.2 Based on the data in the table above, overall management has implemented or partially implemented 89% of all recommendations reviewed with 11% having not been implemented. It is crucial that Priority 1 (High Risk Recommendations) are implemented promptly if the Council is to improve its overall control environment and therefore we are pleased to note this level of performance has been maintained during 2014/15.

### 5. OVERALL PERFORMANCE OF INTERNAL AUDIT

Key Performance Indicators	Target	Actual
Client Satisfaction	90% or above	93%
Production of final report within 2 weeks of receipt of management responses	95%	97%
Management responses received within 3 weeks of issue of draft report	75%	38%
Number of audit projects completed relative to those in the Plan	90%	86%
Actual spending of controllable budget	100%	99.79%
% Of working days lost to sickness	2%	1.36%

## 6. COUNTER FRAUD ACTIVITY

6.1 The Investigations Team that deals with benefit, housing tenancy, blue badge and internal fraud etc., have had a successful year and have once again demonstrated the value that they bring to Reading Borough Council. This is apparent when we take into account that the team have identified £405k from both overpayments and savings. The deterrent of this activity should not be underestimated. The following table contains details of successful outcomes by the Investigations Team:

	2013/14	2014/15
<b>Housing Fraud</b>		
Recommendations for recovery	9	7
Properties Recovered	5	3
Estimated saving from Recoveries <sup>2</sup>	£108,000	£72,000
Prosecutions Secured	0	1
SPD savings	0	£4,200
<b>Housing Benefit Fraud</b>		
Prosecutions	20	19
Other Sanctions ( Caution/Add Pens)	11	11
Value fraudulent Overpayments Identified	£282,200	£293,467
<b>Council Tax Reduction Scheme</b>		
Prosecutions	22	17
add pens	6	6
value of fraudulent overpayments identified	£31,966	£21,467
<b>Lawful developments certificates (planning)</b>		
referred for investigation	0	1
prosecutions pending	1	1
<b>Parking Fraud</b>		
Blue Badges recovered	6	2
prosecutions secured	1	1
PCN's issued	3	2
estimated annual savings	£13,200	£4,400
<b>Internal fraud</b>		
Dismissals/contract terminations	1	0
Resignations taken after investigation	2	1
Written Warnings issued	5	1
Criminal prosecution	1	1
Investigations pending outcome	0	5
Estimated annual savings	£14,000	£10,000

<sup>2</sup> Based on the Audit Commission's national assessment that it costs a local authority £18,000 per year to place a family in temporary accommodation who would otherwise have been housed in a property which was being unlawfully sub-let.

## 6.3 Housing Fraud

- 6.3.1 Housing fraud is now the most resource intensive function carried out by the team. The Council has recognised the need to maintain a resource of investigators given the risks of tenancy fraud. Although nationally tenancy fraud is the most widespread in the London area, where the differential between social housing rents and private housing rents is greatest, the prevalence of tenancy fraud is also applicable to Reading.
- 6.3.2 The team has dealt with all reactive housing tenancy referrals (33 in total) during 2014-15, in addition to carrying out proactive exercises such as tenancy audits (visits), tenancy succession authentication (see case study 1), validating new housing applications (537) to identify failure to report changes (e.g. Single Person Discount) and right to buy applications.
- 6.3.3 A significant development in recent years was the introduction of the Prevention of Social Housing Act 2013. This makes subletting a criminal offence and allows councils to prosecute those found to be subletting their property. Unlawful profit orders can also be applied to those who are found to have sublet their tenancies for a profit. The team have a number of cases under investigation or with legal services and in those suitable such orders will be considered.
- 6.3.4 The team have also commenced a programme, with housing services to undertake checks into any suspect succession application submitted. These checks help to prevent persons with no entitlement in obtaining an RBC tenancy. Succession allows tenants to “pass on” their tenancies to close family members, providing the criteria are fully met.

*Case Study 1 - An application for succession had been submitted by a Miss A. Miss A stated that she had lived with her Grandmother (Mrs B) at the address as her carer. Miss A claimed that she had lived at the address for a period in excess of 12 months preceding Mrs B's death, and was therefore fully entitled to succeed her late Grandmother's tenancy. After an extensive investigation the Court upheld the Council's decision to refuse succession. The evidence gathered proved that Mrs A had not been living at the address and the Council was able to re-let the property to a person with a need for Social Housing.*

## 6.4 Additional funding for tenancy investigations

- 6.4.1 Reading made a successful bid in August 2014 for funding from the DCLG over a two year period. The bid provided the technology to set up an intelligence hub for proactive tenancy fraud prevention, detection and deterrence through the sharing and matching of data. This will initially be in partnership with Bracknell Forest Council, Civica Fraud Detection Solutions and a number of Housing Associations in the Reading and Bracknell area. The project will go live in September 2015. During year two of the project, from April 2016, the team will be working with the following six housing associations:

- Thames Valley Housing
- Sanctuary Housing
- Affinity Housing
- Bracknell Forest Housing
- Catalyst Housing
- Sanctuary Housing

## 6.5 Benefit Fraud

- 6.5.1 This has been a period of transformation with the roll out of the Single Fraud Investigation Service; however there are a number of ongoing Housing Benefit fraud cases which did remain with RBC. These are cases where legal charges have been laid or legal advice obtained. The team secured 30 sanctions made up of 19 prosecutions and 11 administrative penalties<sup>3</sup> or cautions.

*Case Study 2 - One case brought to trial in 2015 involved the fraudulent activities of two sisters. Housing Benefit had been assessed in 2009 based upon the application stating that the tenant was not related to her Landlady. Following our investigation it was established that the tenant and landlady were in fact sisters. Both admitted at interview to the relationship and following legal proceeding in 2015 both were sentenced at Reading Crown Court. Miss A was sentenced to 10 months imprisonment suspended for a period of two years and ordered to do 120 hours unpaid work. Mrs B was sentenced to 8 months imprisonment suspended for a period of two years and ordered to do 120 hours unpaid work. Following Proceeds of Crime applications both sisters paid back almost £32,000 in overpaid Housing Benefits. They were also ordered to repay over £6,000 in legal costs*

## 6.6 Internal Fraud

- 6.6.1 Internal fraud consists of employee fraud and although incidences are low, given the size of the organisation, such occurrences will and do happen, despite the control measures and safeguards in place. Internal or employee frauds are when fraud is committed against the organisation a person is working for and can include travel and subsistence fraud, procurement fraud and even theft
- 6.6.2 The Council has a zero tolerance to any type of fraud or irregularity and incidences are investigated by a mixture of qualified investigators and auditors working together as and when required.

*Case Study 3 - In one case completed this financial year an allegation was made that an employee was drawing off very high levels of fuel from the fuel pumps at the service yard. The investigators examined CCTV images, GPS tracking data, fuel reports and undertook covert surveillance in order to gather evidence. Following a number of weeks of investigation sufficient evidence had been secured to formally interview Mr X. At this interview Mr X fully admitted to the theft of fuel with an approximate value of £12,630. Mr X was charged with a number of counts of theft and pleaded guilty at his crown Court trial. As a result of the investigation a full internal investigation was commenced and in June 2014 following a full disciplinary hearing Mr X was dismissed from his post.*

## 6.6 Blue Badge (Parking Fraud)

- 6.7.1 Blue badges or disabled parking permits are issued by Reading BC to persons with a genuine need to access facilities by car. However there are some people who are prepared to misuse or fraudulently acquire these badges. There is a significant cost to the Public purse as inappropriately used Badge holders may avoid resident parking charges and/or car parking charges. One officer is leading on Blue Badge parking the officer has attended Parking enforcement group meeting and is working with enforcement officers to undertake proactive Town Centre drive on identifying misuse of blue badges.

<sup>3</sup> We offer an administrative penalty in circumstances where it is felt that it would be more suitable to dispose of the matter without criminal proceedings being initiated.



## ANNEX 1: Detailed analysis of internal audit reviews 2014/15

**SUBSTANTIAL ASSURANCE** - 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.

Title	Start	Draft	Final	Recs		
				H	M	L
Gas/Electric Inspections	14-Oct-14	20-Feb-14	10-Apr-14	0	2	4
LSTF Cycle Hire Scheme	01-Jun-14	24-Oct-14	06-Nov-14	0	0	3
Culture & Sports Income Generation	15-Dec-15	23-Feb-15	23-Feb-15	0	2	6
School Places Capital Programme	01-Apr-14	10-Mar-15	10-Mar-15	0	0	0
Register of Births Deaths & Marriages	07-Apr-14	11-Jul-14	04-Aug-14	0	0	6
Payment Card Industry Data Security	07-Apr-14	29-May-14	23-Jul-14	0	3	2
Rent Accounting	18-Jun-14	21-Aug-14	15-Sep-14	0	0	0
Treasury Management	09-Dec-14	18-Mar-14	07-Apr-14	0	0	4
Payroll	28-Oct-14	30-Mar-15	28-Apr-15	0	1	0

**CONDITIONAL ASSURANCE**- 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.

Title	Start	Draft	Final	Recs		
				H	M	L
Licensing	09-Jun-14	03-Oct-14	05-Nov-14	0	9	3
Children Leaving Care	12-Jun-14	27-Aug-14	20-Aug-14	0	4	3
Deferred Payment Scheme	09-Jun-14	20-Nov-14	24-Dec-14	0	2	3
Adult social care charging arrangements	25-Apr-14	08-Dec-14	30-Jan-15	0	5	1
Special Education Needs	07-Oct-14	14-Jan-15	05-Feb-15	1	3	1
School Attainment	06-Jan-15	18-Mar-15	20-Apr-15	1	2	0
Home to School Transport	23-Jun-14	02-Sep-14	19-Nov-14	1	4	5
Access to records	17-Apr-14	17-Sep-14	20-Oct-14	0	3	1
Social Fund Reform	01-Apr-14	01-May-14	27-May-14	0	3	2
Entitlement & Assessment	09-Jul-14	29-May-14	02 Dec-14	0	4	1
Collection & Debt Recovery	08-Oct-14	18-Feb-15	12-Mar-15	0	4	0
General Ledger (Journals)	01-Aug-14	02-Dec-14	03-Marc-15	0	4	2
Accounts Payable	27-Oct-14	04-Dec-14	03-Mar-15	0	4	2
Overtime	02-Apr-14	23-Jul-14	03-Oct-14	0	3	2
Thameside Primary School	19-Nov-14	24-Nov-141	04-Dec-14	0	3	8
Public Health	04-Jul-14	12-Dec-14	16-Jan-15	0	5	2
Health & Safety	04-Apr-14	12-Dec-14	16-Jan-14	0	4	2

LIMITED ASSURANCE - 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.

Title	Start	Draft	Final	Recs		
				H	M	L
Fleet Management	15-Dec-14	02-Apr-14	14-May-15	3	2	1
Fuel System	18-Dec-14	19-Mar-15	18-May-15	0	5	5

SCHOOL AUDITS- during 2014/15 we undertook 5 school audits (as identified below). Our work involved carrying out targeted internal audit testing to assess the adequacy and effectiveness of financial management arrangements within each school visited.

Title	Start	Draft	Final	Recs		
				H	M	L
Thameside Primary School	19-Nov-14	24-Nov-14	04-Dec-14	0	3	8
English Martyrs Catholic Primary	30-Jun-14	14-Nov-14	27-Nov-14	0	4	7
Phoenix College	07-Oct-14	14-Oct-14	05-Nov-14	2	9	2
Blagrove Nursery School	23-Oct-14	01-Dec-14	18-Dec-14	0	3	4
Caversham Primary School	12-Nov-14	14-Nov-14	24-Nov-14	0	1	8

ASSURANCE NOT APPLICABLE - Reviews undertaken during the year, to which the assurance ratings are not appropriate.

Title	Start	Final
Patron Edge in Leisure systems	29-May-14	22-Aug-14
Local Transport Capital Settlement	12-Sep-14	29-Sep-14
Local Pinch Point Grant Funding	12-Sep-14	29-Sep-14
Bus Subsidy Grant	20-Jul-14	22-Jul-14
Carbon Reduction Commitment Grant	14-Jul-14	31-Jul-14
Troubled Families Programme	1-Feb-15	13-Feb-15
Adoption Reform Grant	20-May-14	22-May-14
Community Capacity (Capital) Grant	01-Aug-14	01-Aug-14

READING BOROUGH COUNCIL

HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	8 JULY 2015	AGENDA ITEM:	5
TITLE:	AUDIT & INVESTIGATIONS QUARTERLY PROGRESS REPORT		
LEAD COUNCILLOR:	COUNCILLOR STEVENS	PORTFOLIO:	AUDIT & GOVERNANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	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 2015.

1.2 The report aims to:

- Report back on those audit reviews outstanding at year end (31<sup>st</sup> March 2015) 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.
- Track progress on the response to audit reports and the implementation of agreed audit recommendations

1.3. Attached to this report in Appendix A are the internal audit assurance definitions and priority ratings of recommendations.

2. RECOMMENDED ACTION

2.1 The Audit & Governance Committee are requested to consider the report.

### 3. SUMMARY OF AUDIT FINDINGS

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#### 3.1 Gas/Electric Inspections



3.1.1 Under the Gas Safety (Installation and Use) Regulations 1998, Reading Borough Council is required to ensure the safety of all its tenants by undertaking annual gas safety checks of appliances in all of its own properties. Approximately 5,700 properties are monitored and maintained by the Council through an annual servicing and ongoing repair gas servicing contract. Gas inspections are carried out in-house.

3.1.2 The Council aims undertake electrical inspections every 10 years and these are performed by external contractors. At the time of the audit the electrical framework contract was being retendered with the aim of having three contractors undertaking the test and inspections. Rewiring work is undertaken by independent contractors, again through separately tendered framework contracts.

3.1.3 The effectiveness of the gas inspection process has continued to improve and we base this opinion on, most significantly, the low incident of errors detected and also the generally robust administrative practices undertaken by the Gas Servicing Team.

3.1.4 The data systems used to manage both gas and electric inspections have been created in-house and whilst they appear to be very effective we flagged the risk of maintaining stand-alone databases and the need to share the technical knowledge of their operation. This is being looked at with a resolution by September 2015 and the bespoke databases will be reduced as a result.

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#### 3.2 Repair and Renewal Grant:



3.2.1 Under the scheme homes and businesses that were flooded between 1 December and 31 March could apply for a government grant to help cover the cost of buying and installing new measures to reduce the risk of flooding, or limit the damage should they be flooded in the future.

3.2.2 During 2014/15 six properties were approved for resilience work totalling £23,363.55. This expenditure was applied for and reimbursed by Defra on a quarterly basis in accordance with the grant determination. We can confirm there are satisfactory controls in place to independently validate

the appropriateness of each application, the cost and that the work had been satisfactorily completed in accordance with the Scheme conditions.

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3.3 School Attainment:



3.3.1 Although schools are responsible for setting their own attainment targets and for monitoring the delivery of performance, the Council is required to ensure educational standards are progressively improved in accordance with Department of Education (DfE) standards and to take remedial action where this is not apparent. School performance measures are compared against the threshold levels in pupils' attainment and/or progress (floor standard). Schools that do not meet the standard may face a number of potential challenges and interventions from Central Government and the Council, depending on the perceived level of under-performance.

3.3.2 It is our opinion the Council has satisfactory governance arrangements in place to highlight and support improvements for driving change in those schools which are underperforming. We have made some recommendations to strengthen the team's analysis of performance and monitoring attainment in schools. A re-defined Schools Monitoring Group process will be implemented in September 2015, including documented actions and outcomes and every school will know how they are currently assessed.

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3.4 Treasury Management:



3.4.1 The Treasury Management function was found to be well managed. A number of advisory recommendations were made to further strengthen the audit trail around decision making to ensure that decisions taken are clearly justified.

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3.5 Payroll:



3.5.1 Overall controls within the payroll operation did not give rise to concern. An issue arose with the reconciliation between the payroll system and the new financial system which resulted in the need to devise a new and more complex reconciliation procedure that took time to develop.

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### 3.6 Fuel System:



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- 3.6.1 A stock of fuel is held by the Authority to power both fleet vehicles and equipment used to provide services to the community. The total fuel cost for the Council's vehicle fleet for 2014/15 was £520k. Of this amount £17k was issued through fuel cards at local retailers when the Council's own system was unavailable.
- 3.6.2 The Council recognises the need to monitor and control the use of fuel for its fleet of vehicles and operates a fuel management system to monitor fuel use per vehicle. Fuel cost data is provided to cost centre managers as part of the recharge process, however this needs to incorporate better information on vehicle/equipment fuel usage, such as fuel capacity for identification of variations in fuel consumption, efficiency and possible fuel misuse.
- 3.6.3 The fuel management system we use monitors fuel use per vehicle and requires the driver to enter the correct odometer figure at the fuel pumps before it will dispense fuel and a notional difference in odometer readings is applied per vehicle. We have recommended restrictions need to go further to constrain the volume of fuel at any one dispensing and limit the volume of fuel dispensed within a set period of time.
- 3.6.4 In addition to fuel usage restrictions, more needs to be done to manage and restrict the number of fuel keys (including override keys) as only 58% of keys have transactions recorded over the last four months and plant keys do not have volume restrictions.
- 3.6.5 Fuel stock has been well managed to maximise the volume of fuel purchased each time, which reduces the cost per litre. Fuel tanks are dipped on a regular basis to check that the fuel system indicates the correct level of fuel in the tanks.
- 3.6.6 In response to our recommendations an exercise is being completed to review the usage of all existing fuel keys (vehicle & plant) and the Corporate Facilities Team will work with fleet management and service managers to apply more appropriate restrictions on use including quantity and frequency of fuel dispensed. Improved management information and monitoring will begin immediately and amendments made to by system administrators will in future be clearer and checked by the facilities Manager.

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### 3.7 Fleet Management:



- 
- 3.7.1 The Council maintains a range of different types of vehicles across a number of service areas. The types of vehicles range from sweepers to specialist and heavy goods vehicles. In principle Fleet Management is responsible for the procurement, servicing, registration and overall maintenance of these vehicles to ensure compliance with a host of local and statutory requirements.
- 3.7.2 There is recognition by the service that Fleet Management Systems and process need developing further to ensure compliance with legislation and to ensure value for money is achieved. The service is currently undertaking a council wide review of the use of vehicles and the fleet in general in conjunction with Peter Brett Associates, the Council's Transport Consultant. Our recommendations will feed into the outcome of this review, to form an action plan to improve the Council's Fleet Management systems.
- 3.7.3 One recognised area for improvement is to increase the frequency of checking of driver licences. The interim Transport Manager has recognised that these need to be done in respect of fleet vehicles and has started to implement a targeted programme to do this using an on-line facility. Checks of drivers of Heavy Goods Vehicles have recently been completed.
- 3.7.4 Although the council provides a range of vehicles for staff it also relies on staff using their own vehicles on Council business. These are known as the 'grey fleet'. A review of procedures relating to the use and liabilities associated with the use of these vehicles noted that the Department for Transport places little distinction between official vehicles and the 'grey fleet'. In order that the Council can corporately demonstrate it is meeting its responsibilities, the Service is to begin a programme of capturing all areas of private vehicle use associated with RBC service delivery and align them to a single tracking system. This will need corporate assistance as it is recognised that this risk is not solely owned by fleet management as currently responsibility for checking driver credentials is delegated to service managers. Furthermore, RBC does not maintain insurance cover for privately owned vehicles making it critical that proper and regular checks are made in this respect and all staff are reminded of their obligations.
- 3.7.5 One of our principle concerns related to the letting of fleet vehicle and related contracts. Although the procurement of Waste Freighters has recently been successfully let through a framework contract there are a number of areas where contracts either could not be located or have lapsed.

3.7.6 Tracking devices are supposed to be fitted to council fleet vehicles. Audit work has found evidence that these have either not been fitted or had been temporarily disabled in some cases. The reasons for this are being followed through currently, but it is evident that the implementation and use of trackers needs to be reviewed, updated and then universally implemented. Fleet Management are acting upon this.

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3.8 Collection and Debt Recovery:



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3.8.1 While we were satisfied that the Council follows statutory processes and good practice in most areas, the audit concluded that there was further work that could be done in order to reduce levels of debt incurred in the future and to reduce outstanding corporate debt.

3.8.2 The Council's accounts show all debtor balances, which include debts where proactive action needs to be taken to ensure the Council collects the money that is due to it. Our significant priorities are to ensure that the historic debt level is reduced, future debt is minimised, and where possible debt is prevented altogether.

3.8.3 Only Sundry Debt held in the Academy System which typically runs between £3-4 million (over 1 month old) at any one time and HB & CTAX Overpayment Debt (£4.6m at 31 Dec 2014) was being reported to CMT. Debt held outside of this system was not being reported systematically to CMT. Some services are managing debt / income collection levels in respect of their own activities, and the audit identified that needs to be more systematically recognised and reported.

3.8.4 We have issued a positive assurance opinion on the basis that the Council is aware of its debt management environment and is actively seeking to mitigate these risks, despite issues around aged debt management and collection performance.

#### 4. CONTRIBUTION TO STRATEGIC AIMS

4.1 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 contributing to the strategic aim of remaining financially sustainable.

#### 5. COMMUNITY ENGAGEMENT AND INFORMATION

5.1 N/A



## 6. LEGAL IMPLICATIONS

- 6.1 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.
- 6.2 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.
- 6.3 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”.
- 6.4 The Internal Audit Service works to best practice as set out in Public Sector Internal Audit Standards Issued by the Relevant Internal Audit Standard Setters. This includes the requirement to prepare and present regular reports to the Committee on the performance of the Internal Audit service.

## 7. FINANCIAL IMPLICATIONS





- 7.1 N/A

## 8. BACKGROUND PAPERS

- 8.1 N/A

APPENDIX A

2015/16 Assurance ratings

<b>Substantial</b>	 <b>GREEN</b>	<p>Substantial assurance can be taken that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with low impact on residual risk exposure.</p>
<b>Reasonable</b>	 <b>YELLOW</b>	<p>We can give reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until resolved.</p>
<b>Limited</b>	 <b>AMBER</b>	<p>Limited assurance can be taken that arrangements to secure governance, risk management and internal control within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.</p>
<b>No assurance</b>	 <b>RED</b>	<p>There is no assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Action is required to address the whole control framework in this area with high impact on residual risk exposure until resolved.</p>

## APPENDIX A

### Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Priority rating	Current Risk	Action required
<b>High</b>	<p>Poor key control design OR widespread non-compliance with key controls.</p> <p>PLUS</p> <p>Significant risk to achievement of a system objective OR evidence present of material loss, error or mis-statement.</p>	Immediate*
<b>Medium</b>	<p>Minor weakness in control design OR limited non-compliance with established controls.</p> <p>PLUS</p> <p>Some risk to achievement of a system objective</p>	Within one month*
<b>Low</b>	<p>Potential to enhance system design to improve efficiency or effectiveness of controls.</p> <p>These are generally issues of good practice for management consideration</p>	Within three months*

\* Unless a more appropriate timescale is identified/agreed at the draft report stage.

READING BOROUGH COUNCIL

HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	8 JULY 2015	AGENDA ITEM:	6
TITLE:	STRATEGIC RISK REGISTER		
LEAD COUNCILLOR:	JO LOVELOCK	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	<a href="mailto:Paul.Harrington@reading.gov.uk">Paul.Harrington@reading.gov.uk</a>

1. EXECUTIVE SUMMARY

- 1.1 The primary purpose of this report is to update the Audit & Governance Committee on the Q1 status of the Council's 2015/16 Strategic Risk Register, in line with the requirements of the Council's risk management strategy.
- 1.3 The Council Management Team (CMT) maintains the Register on behalf of the Council, with the assistance of the Council's Chief Auditor.
- 1.4 The Register is reviewed on a quarterly basis by CMT.
- 1.5 The Register is presented to the Council's Audit & Governance Committee a minimum of six monthly or quarterly in the case of any risks where the position has worsened or for residual red risks where the Audit & Governance Committee shows a particular interest. It was last presented to the Committee in Apr 15.
- 1.6 The following documents are appended:
- Appendix 1 - 2015/16 Q1 Strategic Risk Register.  
Appendix 2 - Risk scoring guidance

2. RECOMMENDED ACTION

- 2.1 The Audit & Governance Committee is requested to consider the Q1 status of the Council's 2015/16 Strategic Risk Register.

### 3. BACKGROUND

3.1 The revised Strategic Risk Register as at Jun 2015 (Q1) is reproduced at appendix 1. Arrows are used to indicate direction of change in any scores since the previous quarter.

3.2 The following key points should be noted to aid understanding:

↑↓ have been used to indicate movements in the net (residual) risk scores since the previous quarter, where a → is shown no change has occurred.

A “mitigation” column has been added for each risk so as to provide a summary of the mitigating (controls) actions in place to minimise risk.

3.3 Members are reminded that although guidance is provided to officers in relation to the scoring of risks, with a view to providing as much consistency as possible, it still remains very much a subjective process. The primary aim of this report is to identify those key vulnerabilities that the officers consider need to be closely monitored in the forthcoming months and, in some instances, years ahead. In many cases this will be because the risk is relatively new and, whilst being effectively managed, the associated control framework is yet to be fully defined and embedded. In such circumstances it follows that not only will the potential impact be large, but the risk of likelihood of occurrence could also be increased. Furthermore, it is possible that the likelihood can be influenced by events outside of the Council’s control e.g. the economic climate and its impact on financial planning, or severe weather etc.

3.4 Directorate level risk registers generally only contain risks whose impact would not be felt wider than the directorate to which they belong should they materialise and are managed within the directorate.

3.5 The Strategic Register is compiled from risks identified at directorate level, which have been escalated along with high-level generic risks, which require strategic management. Entries within the Register reflect the risks identified by the Council Management Team thereby strengthening their strategic perspective, management response and controls.

3.6 The inclusion of risks within any level of risk register does not necessarily mean there is a problem. On the contrary, it reflects the fact that officers are aware of potential risks and have devised strategies for the implementation of mitigating controls.

3.7 Each entry within the register is scored to provide an assessment of the residual level of risk. All risks have been scored based on an assessment of their impact and likelihood. These assessments are made at two points, before any actions are in place (inherent risk) and after identified controls are in place (residual risk).

3.8 Whatever level of residual risk remains, it is essential that the controls identified are appropriate, working effectively and kept under review.

3.9 Plans are in place to mitigate the risks identified in the Strategic Risk Register.

#### 4.0 CONTRIBUTION TO STRATEGIC AIMS

- 4.1 Risk management underpins all aspects of the council strategic aims.
- 4.2 The risks within the risk registers are directly linked to the projects and work streams that are in place to deliver the strategic aims.
- 4.3 Budget risks directly influence all strategic aims.

#### 5.0 COMMUNITY ENGAGEMENT AND INFORMATION

- 5.1 Risk management is an internal management process that is open to scrutiny from councillors and the public at the Councils Audit and Governance Committee meetings.

#### 6.0 LEGAL IMPLICATIONS

- 6.1 Local Government Acts 1999 and 2000 established a requirement of performance improvement in modernised local government. Risk management is an important element in ensuring that service delivery objectives are achieved.

#### 7.0 FINANCIAL IMPLICATIONS

- 7.1 There are none associated with the recommendations in this report. The work recommended will be met from existing budgets.

#### 8.0 BACKGROUND PAPERS

- 8.1 Council's Risk Management Strategy.
- 9.2 Delivering Good Governance in Local Government - Framework, CIPFA/ Solace 2012.
- 9.3 The Accounts and Audit Regulations 2011

## Reading Borough Council

### Strategic Risk Register Q1 2015/2016

Date of Review: June 2015

Date of next review: September 2015



**Reading**  
Borough Council

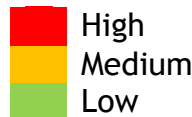

Working better with you

The strategic risks are managed by the Corporate Management Team with directorate support. Strategic risks are those that can be described as presenting a:

- Significant Council wide risk
- Significant risk specific to one directorate which could impact upon the Council as a whole
- Significant risk to the Council as part of working with external organisations or its role within the community

The format adopted for use in reporting RBC’s strategic risk is based on the standard risk reporting currently employed across all Directorates. Risk is typically reported and evaluated on a qualitative basis.

- All risks are scored on a scale ranging from ‘Very High’ to ‘Very Low’ (5→1) for IMPact and Likelihood (LH).
- Inherent risk are assessed on the basis that there are no controls in place, or on the basis that any existing controls are not operating effectively - the worst case scenario if the risk were to occur
- The ‘Residual’ score assigned to each risk identified within the SRR is based on an assessment of the current status of the risk; this includes all mitigations that are currently under way.
- Trends are identified to highlight whether the risk is improving, worsening or is unchanged, allowing for appropriate management action to be taken where necessary.
- The following keys are used throughout the SRR:

<p>Score</p> 	<p>Trends</p> 
---	--

Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation and due date	Action owner	Residual risk			
		IMP	LH	Score			IMP	LH	Score	DoT

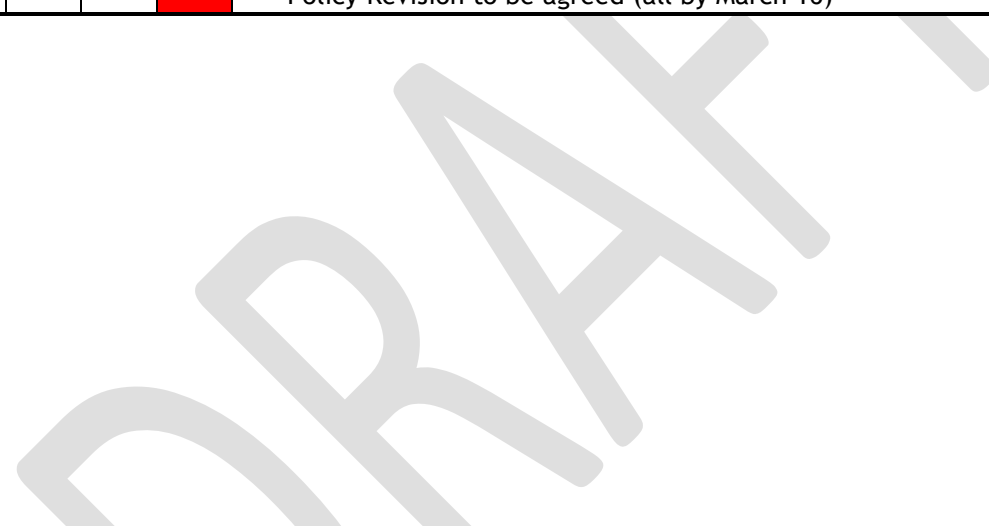


NOT PROTECTIVELY MARKED

1	Budget risk: Unable to deliver services within the resources available to the Council to meet obligations and service standards, including keeping the current year's budget within the approved budget framework	5	5	25	<ul style="list-style-type: none"> <li>Continuous development of a budget strategy and budget options to reduce spending by approximately £28m over the 3 years to 2017/18 by February 2016</li> <li>Budget options to be presented to committee in July and the autumn to make savings</li> <li>Directorates are required by the budget framework to bring forward mitigating measures where practical to address adverse budget variances - at each budget monitoring</li> </ul>	IW IW Direct ors	4	4	16	→	IW/A C
2	Procurement & Commissioning: Creation and development of commissioning plans becoming disjointed and having conflicting priorities;	4	4	16	<ul style="list-style-type: none"> <li>Corporate procurement board developing clear remit for governance and oversight of high risk procurements</li> <li>Board to develop a framework for delivery greater consistency in procurement practice WF Scoping by September</li> <li>Corporate group has joined national 'Commissioning Academy' programme and will develop from this an agreed corporate approach to commissioning including clear links to service strategies and plans BD/JL First draft Sept15</li> <li>Updating register of major contract/tender procurement dates and phased implementation of new online contract management system JL First phase completion Sept 15</li> <li>Identify issues and develop proposals to address shortfalls in capability and capacity to enable effective delivery BD/JL/LP July 2015</li> </ul>	WF  BD/JL	4	3	12	↑	BD

Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation	Action owner and due date	Residual risk				
		IMP	LH	Score			IMP	LH	Score	DoT	Risk Owner
3	Data Protection: Risk of breach of data by inadequate data handling and not adequately	5	4	20	<ul style="list-style-type: none"> <li>Ongoing corporate training programme for data protection, raising awareness with staff groups of the need to handle personal data securely and properly during 2015/16</li> <li>Need identified to roll out training corporately and</li> </ul>	CB/SK	3	4	12	→	CB

	<p>preventing and minimising security incidents, including ICT incidents, resulting in loss of data, unlawful sharing of data, reputational damage and significant financial penalties levied by the Information Commissioner’s Office.</p>				<p>introduce e-learning refresher training module</p> <ul style="list-style-type: none"> <li>▪ Need to test application of training by officers</li> <li>▪ Incident management procedures mitigate loss or breach of data</li> <li>▪ Need identified to update data protection suite of policies</li> <li>▪ Need identified to provide for an information governance officer reporting to Sonal Khimji to assist with implementation of new policies and ongoing work advising officers</li> <li>▪ Corporate ICT Security Policy implemented with clear audit trail</li> <li>▪ BeCrypt Implementation and encrypted USB Stick Introduction provide seamless encryption on Council ICT equipment</li> <li>▪ Increased Secure Email roll-out</li> <li>▪ Policy Revision to be agreed (all by March 16)</li> </ul>						
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Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation	Action owner and due date	Residual risk				
		IMP	LH	Score			IMP	LH	Score	DoT	Risk Owner
4	<p>Property Risk - Corporate Property</p> <p>Failure to maintain the fabric and services of buildings resulting in injury to individuals and/or non-compliance with relevant legislation or unavailability</p>	5	5	25	<ul style="list-style-type: none"> <li>• The comprehensive review of assets has included a rolling program of condition surveys that has informed a prioritised program of works shortly to be approved and implemented.</li> <li>• Review of Building Management responsibilities to ensure that responsibilities are clear and adequate training is in place in relation to FL56 responsibilities</li> </ul>	GF / RP/ JS  JS/ PE Corp H & S Team BD	4	4	16	→	AB/GF

	of asset.				<ul style="list-style-type: none"> <li>A number of Business Continuity plans require updating. Timetable agreed for the delivery of these plans.</li> <li>Project commenced looking a RBC staff accommodation in order to best utilise assets.</li> <li>Health and Safety project team reviewing 19 Bennet Road and Darwin Close</li> <li>Structural reports completed for priority areas of work. Immediate Health and Safety measures addressed.</li> </ul>	JS GB/ DENS senior mangers Property Services / service manager s					
5	Property Risk - Housing stock  Failure to maintain the fabric of the structure, communal areas and services related to council's housing stock resulting in injury to individuals and or non-compliance with legislation	5	5	25	<p>Further actions (in addition to existing mitigation)</p> <ul style="list-style-type: none"> <li>Develop Housing asset management strategy (to inform asset management plans and programmes); complete viability modelling to inform the strategy by Sept.</li> <li>Revised CDM (Construction, Design and management) H&amp;S regulations - implementing processes to ensure clarity of client responsibilities; new project documentation and sign-off procedures by Sept.</li> <li>Legionella training for gas fitters and plumbers to enable them to test and dose our general needs housing stock in line with new guidance and regulations (annual test aligned with gas service). New procedures, risk assessment and policy by Sept</li> <li>Developing competency/role related training and induction plans for tradespersons/technical staff in Housing Building Maintenance by Sept.</li> </ul>	SG  MF  MF  MF/ Corp H&S	5	2	10	NEW	SG

Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation	Action owner and due date	Residual risk				
		IMP	LH	Score			IMP	LH	Score	DoT	Risk Owner
6	Safeguarding (children)  Risk of death or injury to children, through inappropriate care or attention.	5	3	15	<ul style="list-style-type: none"> <li>Routine audit process underway, reviewed monthly by HoS</li> <li>Deliver Children's Social Care Improvement plan with focus on improved record keeping, compliance with procedures and acting on poor performance indicators. Monitored monthly until complete by end of March 16</li> <li>New Notification process for top ten high profile cases started on 15<sup>th</sup> June 2015 embed by March 16</li> <li>External audit of case work, completes 22/6/2015, leading to practice improvements.</li> </ul>	RB SC  RB  RB	5	2	10	→	HM

7	Safeguarding (Adults)  Risk of death or injury to young people or adults through inappropriate care or attention.	5	4	20	<ul style="list-style-type: none"> <li>▪ Suite of prevention/ awareness raising projects :-</li> <li>▪ Re launch safe places JS Oct15, Safeguarding team to deliver a knowledge management package/ e learning and brief/present as required. SMCg+ EMcl</li> <li>▪ Principal Social Worker role in place</li> <li>▪ Safeguarding Adults Board to agree programme to embed Care Act duties SMCg -workshop June 15, action plan Nov 15</li> <li>▪ Ensuring robust procedures are reviewed, implemented, and staff trained, to facilitate a swift and effective response. WF by Sept 15</li> <li>▪ This to include</li> <li>▪ Reviewed and published manuals and procedure guidance- SMCg- Sept 15</li> <li>▪ Case file audit to test rigour of recording practice and accessibility of records . MOR to report to DMT August 15</li> <li>▪ Workload management process and analysis kept up to date to ensure staff capacity to respond. MOR Sept15</li> <li>▪ RBC Action plan agreed and delivered with respect to infrastructure, practice and partnership working WF June 15 Complete</li> <li>▪ Making Safeguarding Personal fully implemented MOR Jan 16</li> <li>▪ Dols procedure reviewed,(complete) staff trained, and performance recorded and reported with respect to timely, appropriate, proportionate response. MOR July 15</li> </ul>	WF	5	3	15	↑	WF
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Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation	Action owner and due date	Residual risk				
		IMP	LH	Score			IMP	LH	Score	DoT	Risk Owner
8	Failure to manage unexpected growth which leads to increased demand upon services- In particular Adults who fund their own care for whom Government has not yet announced regulations and guidance. looked after children.	4	4	16	<ul style="list-style-type: none"> <li>▪ Contingency plans developed by Oct 15 RP</li> <li>▪ DACHS Risk register to be agreed by DMT July 15</li> <li>▪ Transformation Board to agree plans Sept 15</li> <li>▪ This to be reviewed once guidance is published (Oct 15)</li> <li>▪ Analysing and refreshing forecasts to maintain level of understanding</li> <li>▪ Develop capacity/demand modelling in children's services</li> <li>▪ Regular financial and service monitoring</li> </ul>	HM	3	3	9	↑	HM

NOT PROTECTIVELY MARKED

9	Failure to manage demand for school places via availability & funding for additional requirements	5	4	20	<ul style="list-style-type: none"> <li>• Programme underway to deliver 2500 more permanent school places with £61m budget. Monitored monthly to expected completion in Summer 2016.</li> <li>• External consultants checking forecasts with update due in Autumn 2015</li> </ul>	KM KM	3	3	9	→	HM
10	Poor performance on reducing the numbers of young people not in Education, Employment or Training (NEET)	4	5	20	<ul style="list-style-type: none"> <li>▪ Action plan developed and monitored monthly with target to reduce level of NEET to below 5% this year</li> <li>▪ Redefine contract with Adviza to ensure 100% of NEET young people are engaged with appropriate services, complete by end of June 2015.</li> <li>▪ Re-establish NEET operational group, led by new 14-19 Advisor to ensure every young person has an appropriate plan to become EET. Monitored monthly by HOS.</li> </ul>	ZH KM KM	3	3	9	NEW	HM
11	Failure to close the gap in school attainment	4	5	20	<ul style="list-style-type: none"> <li>▪ Consulting with schools about a new Raising Attainment Strategy to become operational in September 2015.</li> <li>▪ Develop a partnership with schools which enables the delivery of school to school support during academic year 2015/16</li> <li>▪ Develop an action plan to raise the attainment of Black heritage young people following the system review by external consultants. Plan due by end of June 2015</li> </ul>	KM KM KM	3	4	12	→	HM

Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation	Action owner and due date	Residual risk				
		IMP	LH	Score			IMP	LH	Score	DoT	Risk Owner
12	Ensuring that staff comply with corporate policies and procedures and that they are appropriate to support people in their day-to-day work	4	4	16	<ul style="list-style-type: none"> <li>▪ Review of all policies and procedures completed</li> <li>▪ New Policy and procedures approach to be introduced</li> <li>▪ Phased programme of updates to be agreed</li> <li>▪ Audit review implementation</li> </ul>	IW - Jul Nov	3	4	12	→	IW
13	Safeguarding Closure, poor performance of private or third sector providers	4	5	20	<ul style="list-style-type: none"> <li>▪ Market Failure strategy developed and published by Dec 15 BD</li> <li>▪ Monitoring reports to 1/4ly performance review-BD</li> <li>▪ Review contingency plans at local and sub-regional level</li> <li>▪ Ensure sufficient capacity available to develop and monitor 'improvement plans' by provider</li> <li>▪ Liaison with CQC and MONITOR on understanding/knowledge of quality issues at local level</li> </ul>	WF	4	3	12	→	WF / HM

					<ul style="list-style-type: none"> <li>Develop market position statement</li> </ul>						
14	Changes in the way children with special needs (SEN) are identified and catered for, including personal budgets, and fewer children labelled as having SEN in the biggest change to the system for 30 years.	5	3	15	<ul style="list-style-type: none"> <li>Develop further the Special Educational Needs (SEN) Strategy to enable special schools to meet the needs of children and young people with higher levels of need.</li> <li>Schools Forum task and finish group to make recommendations in July for consideration and action to reshape the current budget for 2015/16</li> <li>Develop accurate benchmark information with 'good' authorities via ADCS group, first meeting in September.</li> </ul>	KM KM KM	3	3	9	→	HM
15	Impact of the Care Act on adult social care services including increased numbers of assessments, additional duties to carers, deferred payment system and risk of the new system being underfunded by Government	5	3	15	<ul style="list-style-type: none"> <li>Establish governance through programme Board WF July 15</li> <li>Establish clear work-streams and programme leads July 15</li> <li>Regular reporting to CMT on progress</li> <li>Complete financial modelling work Sept15 RP</li> <li>Ensure health partners are aware of the challenges that the Care Act poses and the impact on their services WF report to Integration Board monthly</li> <li>Coms plan to be developed Sept 15</li> <li>Regular reporting of Care Actwork stream to CMT &amp; ACE</li> </ul>	MO	4	2	8	→	WF

Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation	Action owner and due date	Residual risk				
		IMP	LH	Score			IMP	LH	Score	DoT	Risk Owner
16	Impact on staff resilience (stress and motivation) of Reshaping and change generally.	4	5	20	<ul style="list-style-type: none"> <li>'Take the Temperature' through staff surveys and focus groups (Sep)</li> <li>Ensure that managers are carrying out 1:1's, appraisal and team meetings at a local level (Nov);</li> <li>Ensure that managers know how to measure stress and carry out surveys of staff (Nov)</li> </ul>	CB/WK	3	4	12	→	CB

NOT PROTECTIVELY MARKED

17	Impact of the Better Care Fund on health and social care economy, including the Council's savings plans and overall integration agenda	4	4	16	<ul style="list-style-type: none"> <li>Agree work programme and targets complete</li> <li>Agree and review milestones</li> <li>Clarify resource required-Nov15</li> <li>Evaluation and workshop -MOR ready to present Sept 15</li> <li>Work with health partners to deliver targets established in the plan</li> <li>Risk sharing agreement with the Berkshire West LAs and the CCG to ensure the BCF funding is released to support the delivery of the projects and to ensure Adult Social Care is supported by the BCF funding</li> <li>Encourage neighbouring local authorities to develop shared principles around the integration agenda</li> <li>Maintain sufficient capacity within the Council to deliver system change (All during 1516 complete by March 16)</li> </ul>	WF	3	3	9	→	WF
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Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation	Action owner and due date	Residual risk				
		IMP	LH	Score			IMP	LH	Score	DoT	Risk Owner
18	Homelessness: Increasing number of people becoming homeless and placing additional financial pressure on the Council to provide temporary accommodation (including B&B).	4	5	20	<ul style="list-style-type: none"> <li>Temporary accommodation: complete refurbishment of Wensley Rd block and let units by July.</li> <li>Develop a more commercial offer to landlords - extending the Council's Deposit Guarantee Scheme to include rent guarantee following extensive landlord consultation and an independent review - to increase the numbers of quality-assured private rented sector homes available to households who are homeless and at risk of homelessness. Launch September</li> <li>Appraise further options to source additional cost effective solutions to meet the demand for safe and adequate emergency accommodation and mitigate the growing pressure on the B&amp;B budget and improve outcomes for families. (by September)</li> </ul>	ZW BH SG/ Finance	3	4	12	↓	SGee

NOT PROTECTIVELY MARKED

					<ul style="list-style-type: none"> <li>Develop an action plan which draws on best practice in other authorities in prevention and early intervention to prevent homelessness, working across partner agencies and staff disciplines. (by June) Implementation of action plan by October</li> <li>Develop training for staff cross sector and make 'every contact count'.</li> </ul>	BH					
19	Failure to provide suitable accommodation for young people leaving care	4	5	20	<p>Developing protocol between CSC and Housing to improve outcomes for 16-17 year old deemed homeless. By 31<sup>st</sup> July</p> <p>In negotiation to commission six places dedicated beds by end of July 2015.</p>	AF/SG BD/AF	4	2	8	NEW	HM/SC

Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation	Action owner and due date	Residual risk				
		IMP	LH	Score			IMP	LH	Score	DoT	Risk Owner
20	Health & Safety Training has not been completed by staff and managers leading to a risk of injury and litigation.	4	4	16	<ul style="list-style-type: none"> <li>Audit of health and safety training to identify gaps. Review of numbers who have completed Level 1 to ensure accuracy and programme of training to be agreed. System to be agreed to monitor training and refreshers.</li> <li>Training action point on Corp H&amp;S Action Plan</li> <li>Audit template updated to gather training data from services - will require on going monitoring throughout the year</li> </ul>	RP Corporate H&S Team	4	3	12	NEW	GF/RP
21	That the Council gets an "inadequate" judgement in an Ofsted Inspection of Children's Services	5	4	20	<ul style="list-style-type: none"> <li>Significant Reviews of services completed.</li> <li>Service Improvement Plan with focus on improved record keeping, compliance with procedures and acting on poor performance indicators. Monitored monthly until complete by end of 2015/16</li> <li>LAC Sufficiency Strategy in implementation</li> <li>Robust case supervision process with monthly auditing in place.</li> <li>Diagnostic Review of Adoption currently being planned.</li> </ul>	RB RB RB	5	3	15	NEW	SC



NOT PROTECTIVELY MARKED

22	That the Council gets an “inadequate” judgement in an Ofsted Inspection of School Improvement	5	4	20	<ul style="list-style-type: none"> <li>▪ Consultation on Raising Attainment strategy underway to develop a new way of working</li> <li>▪ Self-evaluation against latest inspection framework is underway to develop service action plan. To complete by 22<sup>nd</sup> July.</li> </ul>	KM KM	5	3	15	NEW	SC
23	That the Council has insufficient focus on identifying, preventing, disrupting and hence protecting children at risk of sexual exploitation	5	3	15	<ul style="list-style-type: none"> <li>▪ CSE Strategy across the Council and with partners developed and shared. Done.</li> <li>▪ Monthly partnership meetings (SEMRAC) established to progress case issues and develop practice. Done.</li> <li>▪ MASH to monitor all incoming referrals for CSE indicators, in place by end of July</li> <li>▪ Improve follow up response to SEMRAC cases through improved coordination across teams. In place by end of August 2015</li> <li>▪ Screening all children who go missing July 2015</li> <li>▪ Visits to hotels, accommodation and taxi/private hire checks underway</li> <li>▪ Improve rate of return interviews for children who go missing to at least 50% by the end of July</li> </ul>	RB RB KJ DENS AF	5	2	10	NEW	SC

Risk ref no	STRATEGIC RISKS	Inherent risk			Mitigation	Action owner and due date	Residual risk				
		IMP	LH	Score			IMP	LH	Score	DoT	Risk Owner
24	Failure to recruit permanent social work staff within the next 6 months and adequately develop the mix of experience and balance in the workforce over the next 3 years, limits the ability to deliver outcomes	5	3	15	<ul style="list-style-type: none"> <li>▪ New recruitment strategy for agency social workers underway from April 2015</li> <li>▪ Talent Acquisition strategy being implemented for permanent recruitment</li> <li>▪ Reading offer is widely publicised</li> <li>▪ Create links with local universities to promote Reading Borough Council as an employer</li> <li>▪ Convert good interim staff to permanent</li> </ul>	AP/ SC	3	2	6	NEW	HM/SC
25	Failure to manage the growth in landfill waste tonnage, and the resultant increased pressure on the Councils budget	4	2	8	<ul style="list-style-type: none"> <li>▪ Waste Minimisation Strategy adopted and being implemented.</li> <li>▪ Neighbourhood working launched to help implement the Waste Minimisation Strategy.</li> <li>▪ Strategic Waste Manager and a communications officer appointed to refocus Re3 partnership outcomes.</li> </ul>	MS	2	2	4	→	MS

26	Failure to have sufficient available resources to fund the capital programme	4	3	12	<ul style="list-style-type: none"> <li>▪ Only approving new schemes for which resources are available</li> <li>▪ Robust programme management to mitigate the risk of unforeseen overspends (Monthly Monitoring)</li> <li>▪ Developing a programme of asset disposals to release capital receipts (by Autumn)</li> <li>▪ Prudential Code limits to constrain uncontrolled borrowing (in place)</li> </ul>	AC In Annual Treasury Strategy  AB/GF	3	2	6	NEW	AC
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DRAFT

Likelihood	Almost Certain (Above 95%)	5	10	15	20	25
	Highly Likely (Above 75%)	4	8	12	16	20
	Likely (Above 40%)	3	6	9	12	15
	Possible (above 10%)	2	4	6	8	10
	Rare (Less than 10%)	1	2	3	4	5
		Negligible	Slight	Moderate	Critical	Catastrophic
Impact						

- Political
- E-risks
- Regulatory
- Financial/Fraud
- Opportunities
- Reputation
- Management
- Assets
- New Projects/Partnerships
- Customers/Citizens/Clients
- Environment

TYPES OF RISKS

Likelihood

Description	<i>Example Detail</i>
Almost certain (above 95%)	Has happened in the past 6 months; or Is expected to happen in the next 6months More than 95% probability
Highly Likely (above 75%)	Has happened in the past 6months to 2.5 years Is expected to happen in the next 6months to 2.5 years Between 75% to 95% probability
Likely (above 40%)	Has happened in the past 2.5 to 6 years Is expected to happen in the next 2.5 to 6 years Between 40% to 75% probability
Possible (above 10%)	Has happened in the past 6 to 10 years Is expected to happen in the next 6 to 10 years Between 10% to 40% probability
Rare (less than 10%)	Has happened in the past 10 years or more; or Is expected to happen after 10 years or more Between 1% to 10% probability

## Impact

Description	Impact Type	Example Detail
Catastrophic	H&S	Death or life threatening
	Service Delivery	Loss of service for more than 5 days Impacts on vulnerable groups Affect the whole council
	Reputation	Negative sustained <u>national</u> publicity, resignation or removal of CE, Director or elected member.
	Environmental	Major damage, long term contamination to local area
	Legal	Legal action almost certain and difficult to defend, Catastrophic breach of duty resulting in imprisonment
Financial	Financial impact not manageable within existing funds and requiring Member approval for virement or additional funds i.e. in excess of £1,000,000 Or >15% of monthly budget	
Critical	H&S	Extensive, permanent/long term injury or long term sick
	Service Delivery	Loss of service 3 to 5 days Possible impact to small numbers of vulnerable people, definite impacts on property or non-vulnerable groups Affects most directorates
	Reputation	Negative <u>national</u> publicity
	Environmental	Serious damage, medium term contamination to local area
	Legal	Legal action expected, Significant breach of duty resulting in fines/disciplinary action
	Financial	Financial impact manageable within existing Directorate budget but requiring Director and Head of Finance approval for virement or additional funds i.e. between £500,000 and £1,000,000 Or >10% of monthly budget
Moderate	H&S	Injury, lost time, Short term sick absence
	Service Delivery	Loss of service 2 to 3 days Impacts to non vulnerable groups, Affects a single directorate
	Reputation	Negative sustained <u>local</u> publicity, High proportion of negative customer complaints
	Environmental	Moderate impact, to short term contamination to local area
	Legal	Legal action possible Moderate breach of duty resulting in disciplinary action
	Financial	Financial impact manageable within existing Directorate budget but requiring Director and Head of Finance approval for virement or additional funds i.e. between £250,000 and £500,000 Or >5% of monthly budget
Slight	H&S	Injury - no lost time
	Service Delivery	Loss of Service 1 to 2 days Impacts to non vulnerable groups Affects 1 or a few services of the council
	Reputation	Negative <u>local</u> publicity
	Environmental	Minor impact, short term contamination
	Legal	Legal action unlikely Minor breach of duty resulting in disciplinary action
	Financial	Financial impact manageable within existing service budget but requiring service manager approval for virement or additional funds i.e. between £50,000 and £250,000 Or >2% of monthly budget
Negligible	H&S	Incident - no lost time
	Service Delivery	Brief disruption, less than 1 day Impacts to non vulnerable groups Affects a project
	Reputation	Minor adverse local publicity
	Environmental	Local incident would be dealt with immediately with minimal impact
	Legal	Legal action unlikely Localised service level deviation from duties
	Financial	Possible financial impact manageable within service budget i.e. less than £50,000 Or > 1% of monthly budget

READING BOROUGH COUNCIL

REPORT BY HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	8 JULY 2015	AGENDA ITEM:	7
TITLE:	PROVISIONAL 2014/15 REVENUE OUTTURN & CAPITAL PROGRAMME		
LEAD COUNCILLOR:	JO LOVELOCK/ TONY PAGE	AREA COVERED:	CORPORATE SERVICES
SERVICE:	FINANCIAL	WARDS:	BOROUGHWIDE
AUTHOR:	ALAN CROSS	TEL:	0118 9372058
JOB TITLE:	HEAD OF FINANCE	E-MAIL:	Alan.Cross@reading.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 This report summarises the financial position at the end of the 2014/15 financial year, setting out final budget variances subject to audit. The capital programme provisional outturn is also considered.
- 1.2 The report also explains (in Appendix E) the Final Accounts process leading to the formal approval of the accounts at the end of September.

2. RECOMMENDED ACTION

- 2.1 Audit & Governance Committee is requested to note the outturn position set out in the report subject to external audit.
- 2.2 Audit & Governance Committee is asked to note the capital programme outturn and funding, and note the use of £2.3m S106 receipts approved by Policy Committee per the schedule in Appendix D.

3. GENERAL FUND BUDGET

- 3.1 For 2014/15 the Council had a budget requirement of £126.8m which was funded by revenue support grant £33.1m, retained business rates £26.9m, council tax £65m and the estimated collection fund surplus of £1.8m. 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 outturn position is set out. The table includes the original budget approved by Council in February 2014, and the probable approved at Council in February 2015, as well as the outturn and variances. The outturn is subject to external audit of the accounts which were completed at the end of June.

3.3 TABLE 1 PRELIMINARY OUTTURN - GENERAL FUND

	Budget 2014/15 £'000	Probable 2014/15 £'000	Draft Outturn 2014/15 £'000	Variance to Budget £'000	Variance to Probable £'000
CSS	12,300	11,994	12,079	-221	86
DENS	30,265	31,291	30,522	257	-769
DCEEHS/DACHS	72,726	72,726	72,659	-67	-67
Directorate Total	115,291	116,011	115,260	-30	-750
Capital Financing	12,109	11,804	11,908	-201	104
Insurance	791	841	906	115	65
Property & Pensions Liabilities, Env Agency Levy, Other Provisions & Cross Council Savings	1,870	1,992	2,367	496	375
Redundancy Provision	800	800	800	0	0
<b>TOTAL</b>	<b>130,861</b>	<b>131,448</b>	<b>131,241</b>	<b>380</b>	<b>-207</b>
Capitalisation	0	0	-836	-836	-836
Use of Reserves(-)add to	0	-604	596	596	1,200
Grants	-3,851	-3,701	-4,326	-473	-625
Use of General Fund Balance	-217	-350	118	335	468
Budget Requirement	126,793	126,793	126,793		

Commentaries comparing the Approved Budget to outturn by Directorate are set out in Appendices A to C.

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 2015/16

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 £0.75m for 24 employees.

### 3.5 GENERAL FUND BALANCES

Based on the provisional outturn the General Fund Balance as at 31<sup>st</sup> March 2015 is as follows

	Approved Budget £'000	Forecast (February) £'000	Actual £'000
1 April 2014	5,230	5,503	5,503
Use of Balances	217	350	
Transfer to balances			118
31 March 2015	5,013	5,153	5,621

Table 1 above includes capitalisation of £836k of revenue expenditure that is of a capital nature. This will enable £836k, together with £438k from the overall underspend, and £91k arising from the Government's distribution of unused grant held back to be transferred to the Organisational Change Reserve, principally to help meet future redundancy costs.

The schedule of reserves at the year end is as follows

Forecast as at	31/3/14 Actual £'000	31/3/15 February Forecast £'000	31/3/15 Actual £'000	Variance To Plan £'000
Earmarked Reserves	950	950	950	0
Civic Offices Dual Running	1,104	0	0	0
Self Insurance	4,546	4,400	5,143	+743
Organisational Change Reserve	3,800	3,900	5,400	+1,500
Prudential Reserve	3,300	3,000	3,300	+300
Revenue Grants Unapplied	10,617	5,000	9,480	+4,480
<b>Total General Fund</b>	<b>24,317</b>	<b>17,250</b>	<b>24,273</b>	<b>+7,023</b>
HRA - North Whitley PFI	8,800	8,900	9,000	+100
<b>Total</b>	<b>33,117</b>	<b>26,150</b>	<b>33,273</b>	<b>+7,123</b>

Other reserve transfers have largely followed the budget plan agreed in February. The balance on the Insurance Reserve at the start of the year took full account of a Review of the Council's needs for this reserve undertaken by the Council's Insurance advisor. Within the draft closed accounts there has been a transfer to the insurance reserve as (broadly similar to) that recommended by the review.

### 3.6 HOUSING REVENUE ACCOUNT

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

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

	Budget 2014/15 £'000	Probable 2014/15 £'000	Draft Outturn 2014/15 £'000	Variance to Budget £'000	Variance to Probable £'000
Repairs	15,915	15,919	12,220	-3,695	-3,699
Management	17,153	16,018	15,203	-1,950	-815
Capital	10,825	10,600	8,829	-1,996	-1,771
Total Expenditure	43,893	42,537	36,252	-7,641	-6,285
Rents	35,150	35,777	36,442	-1,292	-665
PFI Allowance/Grant	3,997	3,997	3,997	0	0
Service Charges	450	450	529	-79	-79
Interest & GF Contribution	147	147	199	-52	-52
Total Income	39,744	40,371	41,167	-1,423	-796
Net Income	-4,149	-2,166	4,915	-9,064	-7,081
HRA Balance b/f	11,171	13,430	13,430		
HRA Balance c/f	7,022	11,264	18,345		



The table shows the HRA having a balance £7.1m higher than was forecast in January when the budget was set for 2015/16. The main reasons for this are as follows;

	£'000
Slippage of Capital Repairs/Planned Maintenance Programme	2,800
Financing of Capital Repairs from borrowing	1,487
Underspend on Day to Day Repairs	569
Other Repair Costs	330
PFI Costs less than forecast	428
Reduced Management Costs following service restructure	387
Reduced Interest & Capital Financing Costs	284
No need to increase bad debt provision (good rent collection)	400
Voids better than budget	265
Other Income	131
Total	7,081

Within the Repairs Capital budget, slippage is due to £1.3m on the Hexham Rd project carrying forward into 15/16 as works were re-programmed due to the availability of decant properties. A further £1.3m on Solar Panels is to be carried forward due to delays in approval being granted by SSE of the installation addresses, preventing works starting. Underspend on day to day repairs is in part due to lower than expected void levels (turnover) and the £200k contingency has not been spent.

Having financed almost £1.5m repairs from borrowing, and taking account of sold council houses, as at 31 March after closing the accounts, the Council will hold £7.9m housing capital receipts, most of which will be needed to finance the agreed council house building programme together with the HRA borrowing headroom. The HRA business plan will be updated in the light of the outturn information and latest plans and reported in due course.

### 3.7 CAPITAL EXPENDITURE

The table below shows a comparison by service between the Draft Outturn and Probable Expenditure as reported to Policy Committee & Council in February, and the projection based on the end of January Approved Programme, reported to Policy in March.

	Probable	January	Outturn
	£m	£m	£m
Safeguarding & protecting those that are most vulnerable	0.9	0.9	0.4
Providing the best life through education, early help & healthy living	13.5	13.5	11.7
Providing Homes for those in most need	9.8	9.8	8.9
Keeping the town clean, safe, green and active	2.6	2.6	2.3
Providing Infrastructure to support the economy	23.8	19.8	18.9
Remaining financially sustainable to deliver these service priorities	18.9	17.5	18.6
<b>Total Expenditure</b>	<b>69.5</b>	<b>64.1</b>	<b>60.8</b>
<b>Financing of the Programme</b>			
Grant	32.5	29.6	26.6
Receipts (inc. MRA)	16.7	15.6	14.8
S106 Receipts	1.9	1.9	2.2
School Revenue & Other Contributions			1.2
Borrowing	18.4	17.0	16.0
<b>Total Financing</b>	<b>69.5</b>	<b>64.1</b>	<b>60.8</b>

The projected probable outturn (as at 30 November 2014) for the capital programme for 2014/15 was £69.5m, reported to Policy Committee in February. This was revised down to £64.1m as at 31 January 2015, predominantly due to delays in expenditure on transport Pinch Point & LSTF schemes (£4m), reported in March.

The actual outturn of £60.8m (a further reduction of £3.7m) resulted, in the main, from slower progress than previously expected on some of the schools expansion and other education projects (£2.5m).

So far as funding is concerned, the majority of the variation between actual outturn and the November position is in the amount of grant used; grant for schools and transport projects being carried forward for use in 2015/16. Borrowing was £2.4m lower than projected.

### 3.8 BORROWING OUTSTANDING

In line with the requirements of the CIPFA Prudential Code there is a separate Treasury Outturn report on your agenda. Table 5 shows the summary position of capital debt outstanding as measured by the adjusted capital finance requirement

Table 5 Capital Debt Outstanding  
(Adjusted CFR)

	Probable £m	Outturn £m
General Fund	170.6	169.4
HRA	194.2	192.6
Total	364.8	362.0

Actual borrowing at 31 March 2015 was £314.0m gross and £276.9m net of investments.

### 3.9 FINAL ACCOUNTS PROCESS

Appendix E 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 were “signed off” by the Head of Finance at the end of June. They have been published on the website 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 website publication initially has a “subject to audit” cover, with the audit opinion at the end of September. Any significant audit 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 6 shows the Council Tax Collection Rate over the last 4 years:

	2011/12	2012/13	2013/14	2014/15
Collection Rate	97.41%	97.54%	96.93%	96.61%

- 3.12 Over the last two years collection performance has been slightly reduced following the introduction of the working age Council Tax Support Scheme which requires a new or increased contribution from non pensioner households formerly entitled to council tax benefit. In addition to in year collection, previous year's arrears to the value of almost £1.3m (2013/14 £1.1m) were also collected, leaving gross arrears (for all years since 1997/98) at 31 March 2015 of £10.3m (31/3/14 £9m). We anticipate collecting at least £2.4m of this in due course (based on our historic arrears collection performance), and have accounted accordingly, so the year end council tax surplus on the collection fund will be £2.237m, £37k higher than we had estimated in January.

Recovery activity of recent years has resulted in irrecoverable debt written off continuing to fall. Only £7k was written off in 2014/15 (£32k in 2013/14 and £26k in 2012/13).

### 3.13 BUSINESS RATES

Arrears of Business Rates total £5.9m in 2014/15 (£4.7m in 2013/14). For 2014/15 the in year Collection Rate was just below 97.0% (97.3% in 2013/14). In addition there was a reduction in previous years arrears of £2m (2013/2014 £1.46m).

### 3.14 HOUSING RENTS

Arrears of rents from Council Housing and Temporary Accommodation totalled over £0.84m broken down as follows:-

	Current Tenants		Former Tenants	
	£000	% of rent	£000	% of rent
Council Housing	473	1.30%	321	0.9%
Temporary Accommodation	7		36	
	<u>480</u>		<u>357</u>	

Against these arrears a bad debt provision of £0.6m has been made. In comparison at 31/3/2014, current tenants rent arrears were £372k and former tenants rent arrears were £352k.

### 3.15 GENERAL DEBTORS

The table at Appendix G summarises the level of general debtors outstanding of £7.85m 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.

### 3.16 WRITE OFFS

Financial regulations require that Committee approval is given for write offs above £15,000. Approval was agreed for the 8 write offs totalling £469k (7 related to business rates) at Policy Committee.

## 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

2014/15 Budget

2014/15 Closing working papers (excluding confidential items)

## Outturn for 2014/15

This overview provides the key results of the financial outturn

## Approved Budget

The Approved budget for the directorate is £12.5m, made up as follows:

	Annual Budget	Actual	Variance
	£'000	£'000	£'000
Employee Costs	14,752	14,954	202
Running Costs	19,170	18,650	-520
Gross Expenditure	33,922	33,604	-318
Income	-21,622	-21,525	97
Net Expenditure	12,300	12,079	-221

## Summary of Year end Position

The outturn shows a net underspend of	£-221k
	-1.8%

## Directorate Commentary on outturn

There are various variances within Customer Services; in general, trading areas had a better year end than forecast, and overall (subject to final checking) the service had a £704k underspend, but housing benefit costs, after Government Grant were £707k over spent. Over £500k of this latter variance had been expected, as it arose following audit adjustments to the 2013/14 final claim, and the service has been carefully managing costs in recent months to mitigate this loss.

Childcare Lawyers - the caseload had been at its lowest level ever, and although it has recently been rising; at outturn the service has substantially achieved the agreed budget reductions in Reading's share of costs which was originally planned to be phased in over 2 years - but has been relaised in a single year as we have a £138k underspend. Land Charges was 16k under as anticipated, and our overall Legal costs were £165k under including these variances.

Other services had smaller underspends as below

Significant Budget Variations - Service & Explanation of Year End Position (>£100k)	Overspend £000	Underspend £000
Customer Services		-704
Housing Benefit	707	
Finance		0
Legal		-165
MD Office		-25
M&PR		-34
<b>Total</b>	<b>707</b>	<b>-928</b>
Net Position (over/-underspend)		-221

This overview provides the key results of the financial outturn

**Approved Budget**

The approved budget for the directorate as shown is £30.3m, made up as follows:

	Annual Budget	Actual	Variance
	£'000	£'000	£'000
Employee Costs	29,125	28,682	-443
Running Costs	43,555	52,848	9,292
Gross Expenditure	72,680	81,530	8,849
Income	-42,415	-51,008	-8,593
Net Expenditure	30,265	30,522	257

**Summary Projection of Year end Position**

The end of year figures show a net overspend of	£257k
	0.8%

**Directorate Commentary on outturn**

The Directorate as a whole is reporting a year end overspend of £277k, just under 1% of total budget - a significant improvement on earlier forecasts of around £1m. A sharp increase in bed and breakfast costs arising from increased homelessness, increased costs arising from increased waste disposal tonnage and a declining number of traffic regulation infringements all caused significant in-year budget pressures. An allowance for these areas has been made in the 15/16 base budget going forward. There were other one-off pressures relating to accommodation and printing costs. One-off savings on Concessionary Fares and public transport contracts due to revised opening date for the Mere oak Park and Ride site helped off-set pressures.

First half projections of unachievable income, particularly for RSL and culture, has been monitored carefully and compensatory savings, a new RSL membership offer and a good performance in the later half of the year has all helped to balance the Leisure and Arts budgets. Better than expected income across many statutory services, some of which was one off, as well as reduced running costs has helped to offset other overspends.

Significant Budget Variations - Service & Explanation of Year End Position (>£100k)	Overspend £000	Underspend £000
Waste Disposal - additional costs due to increased tonnage (£100k) and consultants costs (£144k)	244	
Declining number of traffic regulation infringements, including parking, savings from new contract awarded for off-street enforcement, and other minor parking variances.	911	194
Additional income generation (including grants) and Transport fees, and public transport contract and vacancy savings (all one off), net of costs. Savings due to reduced demand for concessionary fares.	476	1,353
Bed & Breakfast net cost pressures	655	279
Planning - Additional income from large scale planning applications and salary savings due to staff vacancies		131
Facilities Management - Reduced internal income in relation to capital schemes, rental and unachieved budget savings; unachievable saving proposal in relation to cost of fountain house and printing; some offset via lower running costs in the new Civic	460	95
Regulatory Services - salary savings, greater than budgeted Licensing income, Coroners Service overspend due to premises and mortuary costs with a corresponding increase in Joint Arrangement income, and other minor variances within Regulatory Services.	177	366
Leisure and arts services income variations and savings	340	464
Other minor variances	61	185
<b>Total</b>	<b>3,324</b>	<b>3,067</b>
<b>Forecast Net Position (over/-underspend)</b>		<b>257</b>

## Outturn for 2014/15

This overview provides the key results of the financial outturn

## Approved Budget

The Approved budget for the directorate is £72m, made up as follows:

	Annual Budget	Actual	Variance
	£'000	£'000	£'000
Employee Costs	87,871	86,594	-1,277
Running Costs	92,034	109,005	16,971
Gross Expenditure	179,905	195,600	15,694
Income	-107,179	-122,940	-15,761
Net Expenditure	72,726	72,659	-67
<b>Summary of Year end Position</b>			
The outturn shows a net underspend of			£-67k
			0.0%

## Directorate Commentary on outturn

The outturn position for Children's Services was a £162k overspend which was only £16k more than forecast in February. The pressures in residential placements and agency were largely offset by underspends on other LAC placements and vacancies within CATS. For Education services the outturn is a £174k underspend reflecting play income savings, slippage on post 16 and charging school improvement costs to grant. The £1.35m pressure on the high needs block do not impact upon the LA budget as this is DSG funded. Adult Services pressures have decreased slightly from the forecast position of a £264k overspend to a small underspend of £132k. This mainly due to a slight reduction in pressures and a slight increase in income due to various additional grants however a number of these grants are one off but are potentially funding recurrent expenditure. The extent of this issues is under review and will be reported as part of performance monitoring in June (May Data). For Commissioning & Improvement there was an £220k overspend reflecting pressures flowing from cross Council savings.

To support unexpected increases in client demand across Adult and Children Social Care, the Directorates have a strategic reserve budget. The aim is to use the reserve on a non re-current basis to meet pressures across the Directorate. This year an element of the ongoing funding has been drawn upon to manage the outturn position of the Directorate. There will still be a contribution of just over £1m to the reserve that will be added to the overall balance. This will be in line with that expected of c £3.7m as at 31 March 2015. This will be carried forward on the balance sheet and will be split 50:50 between the two new Directorates in 2015/16 to support unexpected pressures.

Significant Budget Variations - Service & Explanation of Year End Position (>£100k)	Overspend £000	Underspend £000
Children's Service	162	
Adult Services		-132
Education & Early Years		-174
Commissioning & Improvement	228	
Application of Reserve to service costs		-151
<b>Total</b>	<b>390</b>	<b>-457</b>
<b>Forecast Net Position (over/-underspend)</b>		<b>- 67</b>



APPENDIX D

Scheme	S106	Amount used	
Bus link - Revenue	1644 - Kennet Island	151,111.00	
	<b>Applied to revenue - bus link</b>	<b>151,111.00</b>	
<b>Arts and Leisure</b>			
Arthur Newbery Park	1564 - Sadina Pierces Hill	2,807.22	
	1897 - 28 Lower Elmstone Road	4,747.04	
	3017 - 177 Park Lane	1,889.84	
	3125 - 45 Oak Tree Road	571.20	
	3164 - 1 Oak Tree Road	2,081.70	
	<b>Arthur Newbery Park total</b>	<b>12,097.00</b>	
Baltimore access/paths	1534 - 2-4 All Hallows Road	2,312.00	
	<b>Baltimore Walk total</b>	<b>2,312.00</b>	
Beresford Road Rec	2065 - 644 Oxford Road	16,431.40	
	1445 - Land at Battle Hospital	69,763.78	
	1549 - 120 Connaught Road	2,393.38	
	<b>Beresford Road Rec Total</b>	<b>88,588.56</b>	
Blagrave Rec Ground	3137 - 98 School Road, Tilehurst	1,667.00	
	<b>Blagrave Rec Total</b>	<b>1,667.00</b>	
Bugs Bottom Environmental Impr	647 - Phase 8, Shipnell's Farm	9,845.00	
	<b>Bugs Bottom total</b>	<b>9,845.00</b>	
Caversham Court Garages	1616 - 276 Kidmore Road	2,366.19	
	1465 - 1 North Street	6,000.00	
	1912 - 17 & 19 St Peters Hill	11,419.17	
	3259 - 11 Gosbrook Road	11,034.05	
	3971 - 67 Kensington Road	1,500.00	
	<b>Caversham Court total</b>	<b>32,319.41</b>	
Cintra Park Infrastructure	1666 - 68-72 Northcourt Avenue	12,392.00	
	3111 - British Sch, 153 Southampton Street	3,762.92	
	3987 - 7 Craven Road	2,000.00	
	4020 - 17 Newcastle Road	6,327.08	
<b>Cintra Park Total</b>	<b>24,482.00</b>		
Christchurch/Hills Mdws.Imprs. (S106)	1758 - 27-29 Church Road	686.97	
	<b>Christchurch and Hills Meadows improvements total</b>	<b>686.97</b>	
Coley Rec Ground	3002 - 2 Berkeley Avenue	2,033.46	
	<b>Coley Rec Total</b>	<b>2,033.46</b>	
Concert Hall Stage	530 - Bear Wharf, Fobney St	29,946.16	
	<b>Concert Hall Stage total</b>	<b>29,946.16</b>	
Forbury Gardens	1440 - Princes Court, 20-24 Vachel Road	14,150.00	
	<b>Forbury Gardens total</b>	<b>14,150.00</b>	
John Rabson's Recreational Grounds play area	1999 - The Whitley Tavern, Northumberland Avenue	464.00	
	<b>John Rabson's total</b>	<b>464.00</b>	
Kennet Towpath Improvements (DB 313)	1250 - Land R/O 51-65 Bulmershe Road	290.00	
	<b>Kennet Towpaths total</b>	<b>290.00</b>	
Kensington Road Rec	1445 - Land at Battle Hospital	117,222.29	
	3203 - Land adj 122 Wantage Road	4,094.40	
	<b>Kensington Road Rec total</b>	<b>121,316.69</b>	
Lousehill Copse	1983 - Dee Park	12,377.11	
	<b>Lousehill Copse total</b>	<b>12,377.11</b>	
Mapledurham Pavillion	1428 - Land r/o 46 Highdown Hill Road	2,063.60	
	1466 - 42 Highdown Hill Road	1,375.00	
	1578 - 276 & Land r/o 274 Kidmore Road, Caversham	2,000.00	
	1592 - 60 St Peters Avenue	238.87	
	3025 - Land Adj 5 Richmond Road	2,046.45	
	3176 - 29 Woodcote Road	1,900.09	
	<b>Mapledurham Pavillion total</b>	<b>9,624.01</b>	

Scheme	S106	Amount used
Museum Store	1880 - Land at Windermere Road	10,901.00
	<b>Museum Store total</b>	<b>10,901.00</b>
Palmer Park Improvements	3033 - Land r/o 61-65 Eastern Avenue	3,618.00
	<b>Palmer Park total</b>	<b>3,618.00</b>
Prospect Park - Phase 3	2087 - 55 Bath Road	55.00
	<b>Prospect Park total</b>	<b>55.00</b>
Robert Hewett Rec	1270 - 2 Berkeley Avenue	4,000.00
	1420 - 24-28 Coley Place	4,576.68
	1774 - 154 Castle Hill	9,000.00
	1778 - 28 William Street	1,998.22
	1894 - 28 Argyle Street	7,929.08
	1933 - 33 Wolsley Street	3,153.00
	1974 - Land at 6a & 8 Lorne Street	1,570.64
	2056 - 32 Berkeley Avenue	4,000.00
	3015 - 23 Russell Street	5,283.48
	<b>Robert Hewett Rec total</b>	<b>41,511.10</b>
Thames Parks Plan - Phase 3	3043 - 147 Henley Road	1,616.07
	3062 - Land at Caversham Rectory	2,070.72
	3141 - Abbotsmead Place/School Lane	23,759.41
	3180 - 15-18A Hawthorne Road	6,167.08
	3236 - Land r/o 50 Norcot Road	1,710.14
	<b>Thames Parks Plan total</b>	<b>35,323.42</b>
Town Hall Lift	744 - Folk House, Church Street	66.84
	1405 - 46 Waylen Street	485.35
	1417 - Briants Avenue	1,798.58
	<b>Town Hall lift total</b>	<b>2,350.77</b>
<b>Arts and Leisure total</b>		<b>455,958.66</b>
<b>Education</b>		
St John's Primary Expansion to 2FE	1320 - 119 Orts Road	841.99
	1349 - 211 London Road	3,400.00
	1476 - 16 Kings Road	0.05
	2114 - 29a Kendrick Road	8,923.68
	3319 - 48 Queens Road	10,269.00
	<b>St Johns Primary</b>	<b>23,434.72</b>
St Martins Expansion	3229 - 39 Prospect Street	2,464.98
	3345 - 3 Derby Road	10,593.89
	<b>St Martins Primary</b>	<b>13,058.87</b>
<b>Education total</b>		<b>36,493.59</b>
<b>Environment</b>		
St Mary's Boundary Wall	558 - 11/12 Gun Street	2,805.00
	<b>St Marys Wall</b>	<b>2,805.00</b>
<b>Environment Total</b>		<b>2,805.00</b>
<b>Affordable Housing</b>		
Former Avenue School site, Northumberland Avenue -Extra Care Housing Scheme	3253 - Abbotsmead Place	259,022.64
	3262 - 56 London Road	3,625.00
	3300 - 98-100 School Road	14,000.00
	3319 - 48 Queens Road	2,000.00
	3341 - Land at Abbey Hall	2,500.00
	3345 - 3 Derby Road	15,474.57
	3971 - 67 Kensington Road	10,875.00
	3987 - 7 Craven Road	31,500.00
	4020 - 17 Newcastle Road	22,834.54
	<b>Cedar Court</b>	<b>361,831.75</b>
<b>Affordable housing total</b>		<b>361,831.75</b>

Scheme	S106	Amount used
<b>RUAP</b>		
Reading Station	BCC Developer Contribution	245,257.52
	1813/2105 - Aldwych House, Blagrove Street	248,167.27
	3298 - Land at Foudry Place	91,844.02
	4011 - 42 Kenavon Drive	206,176.98
	4067 - 350 Basingstoke Road	258,803.00
	4070 - Thames Tower	273,029.26
	<b>Reading Station total</b>	<b>1,323,278.05</b>
<b>RUAP total</b>	<b>1,323,278.05</b>	
<b>Grand total</b>		<b>2,331,478.05</b>
Of which:		
Capital		2,180,367.05
Revenue		151,111.00
		<b>2,331,478.05</b>

## Final Accounts Process

The draft final accounts, and audit accounts for previous years can be accessed on the Council's website

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").

Amongst other things, the code requires that the Council's accounts are presented in in with International Financial Reporting Standards (IFRS). Furthermore, 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 all support services across front line 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.

This is the final year of application of the Accounts & Audit Regulations 2011 which 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. The 2014 regulations have the same requirements but move forward over the next 3-4 years the approval date to May (CFO sign off) and July (Audit & Committee approval).

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 F

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

The table sets out the arrears by service @ 31 March 2015  
By Age of debt (days)

	TOTAL	61-90	91-120	120+
Community Care	1,539	108	176	1,255
DEACS	113	37	1	75
DENS	760	107	92	561
Housing	320	0	0	320
Benefits	4,917	327	233	4,357
CSS	191	69	17	105
CSS (other)	11	0	0	11
Total	7,851	648	519	6,684

As at 31 March 2014, debt totalled £6.659m, the increase (net) more than entirely arising from increases in overpaid HB, which is often recovered from on-going benefit at weekly amounts limited by DWP.

## READING BOROUGH COUNCIL

### REPORT BY HEAD OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	8 JULY 2015	AGENDA ITEM:	8
TITLE:	TREASURY OUTTURN REPORT FOR 2014/15 & RELATED UPDATE		
LEAD COUNCILLOR:	COUNCILLOR LOVELOCK	PORTFOLIO:	LEADERSHIP/FINANCE
SERVICE:	ALL	WARDS:	BOROUGHWIDE
LEAD OFFICER:	ALAN CROSS	TEL:	0118 9372058
JOB TITLE:	HEAD OF FINANCE	E-MAIL:	<a href="mailto:Alan.Cross@reading.gov.uk">Alan.Cross@reading.gov.uk</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 2014/15. 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 2014/15; the establishment of the Municipal Bonds Agency, and further work currently taking place to review aspects of our treasury approach as part of our developing budget strategy.

#### 2. RECOMMENDED ACTION

- 2.1 That the committee considers the annual Treasury Outturn Report for 2014/15.

#### 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, particularly the Corporate Strategic Objective of remaining financially sustainable.

**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 (& related papers associated with the Municipal Bonds Agency, save confidential and legally privileged items.

# Annual Treasury Outturn Report 2014/15

## 1. Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code (CIPFA's TM Code) requires that authorities report on the performance of the treasury management function at least twice a year (mid-year and at year end). The Council's Treasury Management Strategy for 2014/15 was approved as part of the budget in February 2014.

We have borrowed and invested substantial sums of money and are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

The 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 2014/15

- 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)

**Growth and Inflation:** The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved



consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to 44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

**Labour Market:** The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

**UK Monetary Policy:** The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn throughout 2014/15. Over the year, its members held a wide range of views, notably on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

Political uncertainty, particularly in the run up to the General Election had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets in the first half of the year, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20% (i.e. it cost European banks to deposit money with the ECB). The much-anticipated quantitative easing, which will expand the ECB's balance sheet by 1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and it will involve buying 60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no change to US policy rates. The central bank however continued with ‘tapering’, i.e. a reduction in asset purchases by 10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough to weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word “patient” from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

Market reaction: From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission through into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

### Local Context

At 31/03/2015 the Authority’s underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £441m. However, this includes £34.25m PFI debt and various adjustments for which borrowing is not normally needed, and the Council’s maximum borrowing requirement during the year was around £282.3m, and was £277.9m at the end of the year.

Our current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to normally holding a minimum investment balance (for cash flow management reasons) of around £10m. We expect to have an increasing CFR over the next 3 years due to the need to fund some of the capital programme from new borrowing. In February our treasury strategy estimated that around £75m new borrowing would be needed over the next three years.

### Borrowing Strategy

At 31/03/2015 the Council had £314m of loans, (a reduction of £6m on the 31/03/2014 position) as consequence its historic strategy for funding previous years’ capital programmes.

The chief objective when borrowing 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, with flexibility to renegotiate loans should the Authority’s long-term plans change being a secondary objective.

Affordability and the “cost of carry” remained important influences on the Authority’s borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain at least over the next two years, it was more cost effective in the short-term to

use internal resources/existing loans. Arlingclose assists us with ‘cost of carry’ and breakeven analysis. A summary of 2014/15 activity is:

#### Borrowing Activity in 2014/15

	Balance on 01/04/2014 £m	Maturing Debt £m	Balance on 31/03/2015 £m	Ave Rate % and Ave Life (yrs)
Short Term Borrowing <sup>1</sup>	0.5	0.0	0.5	0.5%/ 1year
Long Term Borrowing - PWLB	289.9	6.7	283.2	3.56%/30.6yrs
Long Term Borrowing - Market	30.0	0.0	30.0	4.18%/55.2yrs
<b>TOTAL BORROWING</b>	320.4	6.7	313.7	3.61%/32.9yrs
Other Long Term Liabilities	34.0	0.2	33.8	
<b>TOTAL EXTERNAL DEBT</b>	354.4	6.9	347.5	
Increase/ (Decrease) in Borrowing £m			(6.7)	

**LOBOs:** The Council has £30m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £25m of these LOBOS had options during the year, none of which were exercised by the lender.

**Debt Rescheduling:** The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Authority’s portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence. There has been no significant change in the debt portfolio over the year; the average maturity period slightly reducing through the passage of time.

**Abolition of the PWLB:** In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The authority intends to use the PWLB’s replacement as a potential source of borrowing if required.

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

## Investment Activity

The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2014/15 the Authority's investment balances have ranged between £32m and £77 million.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

### Investment Activity in 2014/15

Investments	Balance on 01/04/2014 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 31/03/2015 £m	Avg Rate % / Avg Life (yrs)
Short Term Investments	21.0	46.0	52.0	15.0	0.40
Call Accounts	8.0	Changes daily		3.3	0.76
Long Term Investments	0.0	5.0	0.0	5.0	>3.00
Long Term (tradeable) Corporate Bond	4.9	0.0	4.9	0.0	-
Money Market Funds	0.0	Changes weekly, sometimes daily		11.1	0.40
<b>TOTAL INVESTMENTS</b>	<b>33.9</b>			<b>34.4</b>	

Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in the Treasury Management Strategy Statement for 2014/15, which was developed in the 2015/16 strategy with an initial £5m long term investment in the CCLA Property Fund.

Counterparty credit quality was assessed and monitored with reference to credit ratings. Normally the Council's minimum long-term counterparty rating was A-across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

## Credit Risk

Counterparty credit quality as measured by credit ratings has been summarised by Arlingclose for us as below:

Date	Value Weighted Average - Credit Risk Score	Value Weighted Average - Credit Rating	Time Weighted Average - Credit Risk Score	Time Weighted Average - Credit Rating
31/03/2014	31/03/2014	5.36	A+	4.12
30/06/2014	30/06/2014	5.46	A+	5.78
30/09/2014	30/09/2014	5.87	A	6.33
31/12/2014	31/12/2014	5.71	A	6.33
31/03/2015	31/03/2015	4.85	A+	5.32

### Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

-D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

## Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

S&P also revised the Outlook for major Canadian banks to negative following the government's announcement of a potential bail-in policy framework.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities (i.e. including local authorities), large corporate and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, whose constituent banks are on the Authority's lending list, is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Authority's lending list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank (formerly the Council's main banker) failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately 25bn (£20bn) in total - none of the failed banks featured on the Authority's lending list.

In October following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, Arlingclose advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Durations for new unsecured investments with banks and building societies which were previously reduced. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.

### Effect on the Council of Changing Bank Regulation

The effect of the above is that were there to be a repeat of the events of 2008 in the UK banking market, the Council's deposits would be at significantly greater risk of (at least partial) loss. To mitigate this, as indicated above in the summary investment table, our approach has been to reduce the exposure (i.e. value lent) and duration (i.e. placing shorter term deposits) to individual banks and more of our money has been placed in money market funds, which spreads the risk for an equivalent return. Later in the year, as we developed our 2015/16 treasury strategy we widened the money market funds we used to include a variable net asset value fund with an extra day's notice (but the expectation we'll need to hold our investment for at least 6 months), and at the very year end we invested £5m in the CCLA Property Fund where we expect a 3-5% yield (but expect to hold the investment for at least 5 years).

## Budgeted Income and Outturn

The average cash balances invested were £56m during the year. The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates have remained at relatively low levels (see Table 1 in Appendix 2). New deposits were made at an average rate of 0.71%. Investments in Money Market Funds generated an average rate of 0.42%.

Our investment income for the year was £457k; on average we earned 0.82% (but to some extent this yield was boosted by a legacy guaranteed bank bond investment that matured in year yielding 3.4%).

## Compliance with Prudential Indicators

Our Prudential Indicators for 2014/15 were set in as part of the Authority's Treasury Management Strategy Statement in February 2014.

### Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

**Interest Rate Exposures:** This indicator is set to manage exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures are expressed as the proportion of net principal borrowed. We have been anticipating that the indicator should fall over time as we use up the money we have borrowed historically to fund the capital programme. However, because of the front loaded nature of many of our cash flows we have slightly breached the limit we set of 120%.

	2014/15	2015/16	2016/17
Upper limit on fixed interest rate exposure	120%	120%	120%
Actual	113%-132% Ave. 123%		
Upper limit on variable interest rate exposure	50%	50%	50%
Actual	Max. -14%		

In practice it was not reasonable to take action to mitigate this breach, as the options would have been to prematurely repay a fixed rate loan, or make a fixed term deposit longer than our advice permitted.

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are normally classed as variable rate.

**Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower	Actual 31 March
Under 12 months	25%	0%	13%
12 months and within 24 months	25%	0%	2%
24 months and within 5 years	25%	0%	5%
5 years and within 10 years	25%	0%	5%
10 years and within 20 years	100%	40%	12%
20 years and within 30 years	100%		12%
30 years and within 40 years	100%		28%
40 years and within 50 years	100%		23%
50 years and above	100%		0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment, with LOBO option dates treated as potential repayment dates.

**Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2014/15	2015/16	2016/17
Limit on principal invested beyond year end	£20m	£10m	£10m
Actual	£5m	-	-

Note that the longer term CCLA Property Fund and Variable Asset Money Market Fund investments mentioned above can be sold at short notice (1 month/2 days).

**Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating or credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA 1, AA+ 2, etc.) and taking the arithmetic average, weighted by the size of each investment. (A low score implies lower credit risk, but may not be compatible with a reasonable return for the level of risk implied by our strategy).

	Target	Actual
Portfolio average credit score	6.0	4.85



**Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target	Actual
Total cash available within 3 months (above estimated cash flow requirements)	£10m	Met throughout the year, except for 1 week when we borrowed £5m short term

### Investment & Treasury Training

During the year there was a reorganisation of responsibilities within the Finance Function, and the officer dealing with Treasury issues on a day to day basis changed. The new incumbent received initial training from her predecessor, overseen by senior officers and has attended appropriate training seminars provided by our treasury advisor, Arlingclose to become familiar with the role. Arlingclose seminars on current treasury issues are a regular and important part of our treasury advice service. We also have membership of the CIPFA Treasury Management Network.

### Municipal Bond Agency

During the year, along with 35 other authorities and the LGA the Council became a founder shareholder in the Municipal Bond Agency, which will raise money in the financial markets and lend that money to councils at lower rates than the PWLB. We are currently working with several other authorities and the Agency to agree the final form of documentation, and take legal advice on those arrangements (which involve a cross guarantee between borrowers to provide assurance to the market, and secure the best rate). The final details will be reported to Policy Committee in due course

## Prudential Indicators 2014/15

The Local Government Act 2003 requires the Authority to have regard to CIPFA's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's original planned capital expenditure, probable (from February's Council report) and actual may be summarised as follows

Capital Expenditure and Financing	2014/15 Estimate £m	2014/15 Probable £m	2014/15 Actual £m
General Fund	70.4	60.0	52.1
HRA	12.6	9.5	8.7
<b>Total Expenditure</b>	<b>83.0</b>	<b>69.5</b>	<b>60.8</b>
Capital Receipts & MRA	13.2	16.7	14.8
Government Grants	34.9	32.5	26.6
S106	1.1	1.9	2.2
Revenue (Schools & Other)			1.2
Borrowing	33.8	18.4	16.0
<b>Total Financing</b>	<b>83.0</b>	<b>69.5</b>	<b>60.8</b>

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.15 Revised Forecast £m	31.03.15 Actual £m	31.03.16 Estimate £m	31.03.17 Estimate £m
General Fund	214.0	214.5	243.5	263.0
HRA	194.2	192.6	196.3	200.0
<b>Total CFR</b>	<b>408.2</b>	<b>407.1</b>	<b>439.8</b>	<b>463.0</b>

The CFR is forecast to rise by just over £50m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

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	31.03.15 Revised £m	31.03.15 Actual £m	31.03.16 Estimate £m	31.03.17 Estimate £m
Borrowing	316.7	313.7	336.8	363.5
Finance leases	1.0	1.0	0.9	0.8
PFI liabilities	33.7	33.7	32.8	31.8
<b>Total Debt</b>	<b>351.4</b>	<b>348.4</b>	<b>370.5</b>	<b>396.1</b>

Total debt is expected to remain below the CFR during the forecast period. The actual debt levels are monitored against the Operational Boundary and Authorised Limit for External Debt, below.

**Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt.

Operational Boundary	2014/15 £m	2014/15 Maximum £m	2015/16 £m	2016/17 £m
Borrowing	390	322.2	400	400
Other long-term liabilities	40	34.1	40	40
<b>Total Debt</b>	<b>430</b>	<b>356.3</b>	<b>440</b>	<b>440</b>

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act. 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.

Authorised Limit	2014/15 £m	2015/16 £m	2016/17 £m
Borrowing	400	410	410
Other long-term liabilities	40	40	40
<b>Total Debt</b>	<b>440</b>	<b>450</b>	<b>450</b>

**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	2014/15 Approved %	2014/15 Revised %	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %
General Fund	9.9	9.3	9.4	10.1	12.5
HRA	26.9	26.3	25.6	25.9	25.7

**Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the (notional) impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme delivered (actual) or proposed.

Incremental Impact of Capital Investment Decisions	2014/15 Budget Estimate £	2014/15 Revised Estimate £	2015/16 Estimate £	2015/16 Estimate £	2016/17 Estimate £
Incremental Impact of Capital Investment Decisions					
Increase in Band D Council Tax (in-year)	11.69	6.81	5.33	15.80	10.30
Increase in Band D Council Tax (on-going)	49.34	28.75	22.50	66.57	43.29
Increase in Average Weekly Housing Rents	0.63	0.35	0.17	0.49	0.32

### Money Market Data and PWLB Rates

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

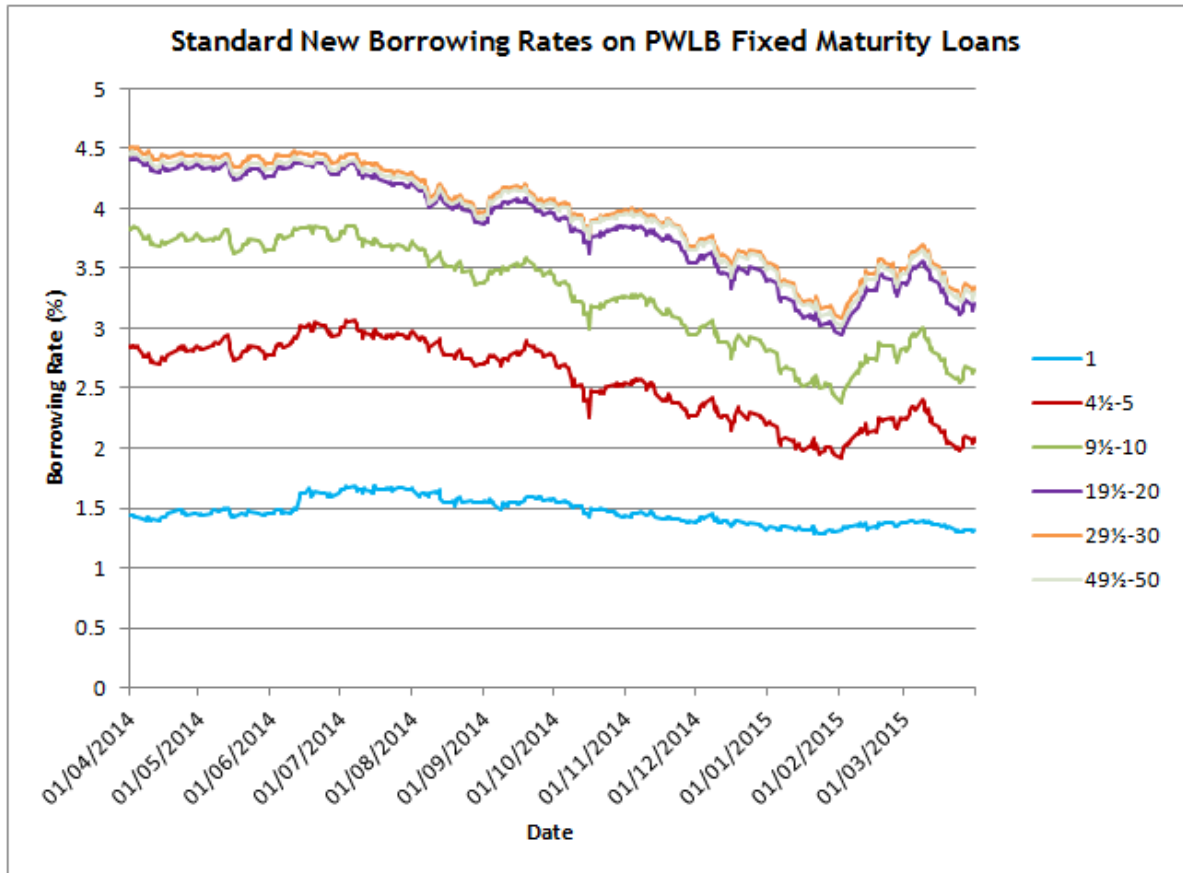
*Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.*

**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
01/04/2014	0.50	0.36	0.39	0.42	0.46	0.56	0.84	1.05	1.44	2.03
30/04/2014	0.50	0.36	0.40	0.42	0.47	0.57	0.85	1.09	1.47	2.02
31/05/2014	0.50	0.35	0.40	0.43	0.48	0.67	0.87	1.11	1.46	1.98
30/06/2014	0.50	0.36	0.40	0.43	0.50	0.71	0.94	1.33	1.70	2.17
31/07/2014	0.50	0.37	0.41	0.43	0.50	0.72	0.97	1.34	1.71	2.17
31/08/2014	0.50	0.36	0.42	0.43	0.50	0.77	0.98	1.22	1.53	1.93
30/09/2014	0.50	0.43	0.45	0.43	0.51	0.66	1.00	1.25	1.57	1.99
31/10/2014	0.50	0.40	0.43	0.43	0.51	0.66	0.98	1.10	1.38	1.78
30/11/2014	0.50	0.35	0.50	0.43	0.51	0.66	0.97	0.93	1.15	1.48
31/12/2014	0.50	0.43	0.48	0.42	0.51	0.66	0.97	0.92	1.12	1.44
31/01/2015	0.50	0.45	0.45	0.43	0.51	0.66	0.95	0.83	0.98	1.18
28/02/2015	0.50	0.43	0.47	0.43	0.51	0.66	0.96	0.99	1.22	1.53
31/03/2015	0.50	0.50	0.62	0.43	0.51	0.74	0.97	0.88	1.06	1.34
Average	0.50	0.39	0.44	0.43	0.50	0.67	0.95	1.09	1.38	1.79
Maximum	0.50	0.50	0.62	0.43	0.51	0.81	1.00	1.38	1.77	2.26
Minimum	0.50	0.24	0.36	0.42	0.46	0.56	0.84	0.80	0.96	1.18
Spread	--	0.26	0.26	0.01	0.05	0.25	0.16	0.58	0.81	1.08

**Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	1.44	2.85	3.83	4.41	4.51	4.49	4.47
30/04/2014	166/14	1.45	2.86	3.79	4.37	4.46	4.43	4.41
31/05/2014	206/14	1.45	2.78	3.65	4.27	4.38	4.35	4.33
30/06/2014	248/14	1.63	2.95	3.74	4.30	4.40	4.36	4.34
31/07/2014	294/14	1.66	2.96	3.70	4.21	4.30	4.27	4.25
31/08/2014	334/14	1.55	2.70	3.38	3.88	3.97	3.94	3.93
30/09/2014	378/14	1.57	2.77	3.46	3.96	4.07	4.05	4.03
31/10/2014	424/14	1.44	2.54	3.27	3.86	3.99	3.97	3.96
30/11/2014	465/14	1.39	2.27	2.94	3.54	3.68	3.66	3.65
31/12/2014	508/14	1.32	2.19	2.80	3.39	3.53	3.50	3.49
31/01/2015	042/15	1.30	1.94	2.44	2.98	3.12	3.08	3.06
28/02/2015	082/15	1.37	2.24	2.83	3.37	3.50	3.46	3.45
31/03/2015	126/15	1.31	2.06	2.65	3.20	3.33	3.29	3.28
	Low	1.28	1.91	2.38	2.94	3.08	3.03	3.02
	Average	1.47	2.56	3.28	3.85	3.96	3.93	3.92
	High	1.69	3.07	3.86	4.42	4.52	4.49	4.48



**Table 3: PWLB Borrowing Rates - Fixed Rate, Equal Instalment of Principal (EIP) Loans**

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	2.09	2.92	3.85	4.24	4.42	4.49
30/04/2014	166/14	2.12	2.93	3.82	4.20	4.38	4.45
31/05/2014	206/14	2.08	2.84	3.68	4.08	4.27	4.36
30/06/2014	248/14	2.29	3.01	3.76	4.12	4.30	4.38
31/07/2014	294/14	2.32	3.02	3.73	4.05	4.21	4.28
31/08/2014	334/14	2.13	2.75	3.40	3.72	3.89	3.95
30/09/2014	378/14	2.18	2.82	3.48	3.79	3.97	4.05
31/10/2014	424/14	1.97	2.59	3.29	3.66	3.86	3.96
30/11/2014	465/14	1.79	2.31	2.96	3.32	3.54	3.65
31/12/2014	508/14	1.72	2.23	2.82	3.17	3.39	3.50
31/01/2015	042/15	1.59	1.98	2.45	2.77	2.99	3.10
28/02/2015	082/15	1.78	2.29	2.84	3.16	3.38	3.48
31/03/2015	126/15	1.62	2.10	2.67	2.99	3.21	3.31
	Low	1.58	1.94	2.40	2.72	2.95	3.06
	Average	1.99	2.61	3.31	3.66	3.85	3.94
	High	2.39	3.13	3.89	4.26	4.43	4.50

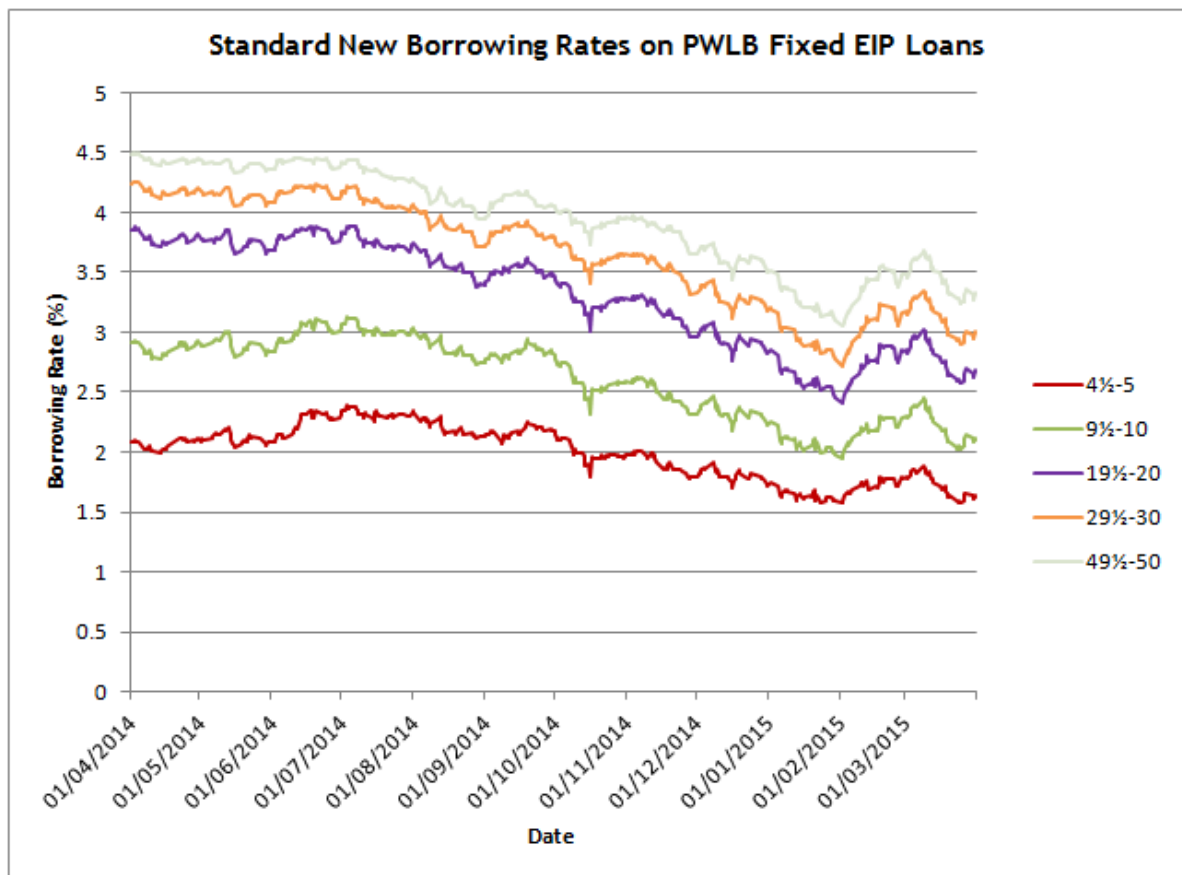




Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre- CSR	Pre- CSR	Pre- CSR	Post- CSR	Post- CSR	Post- CSR
01/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
30/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
31/05/2014	0.55	0.57	0.58	1.45	1.47	1.48
30/06/2014	0.59	0.61	0.67	1.49	1.51	1.57
31/07/2014	0.58	0.61	0.69	1.48	1.51	1.59
31/08/2014	0.58	0.62	0.72	1.48	1.52	1.62
30/09/2014	0.64	0.68	0.75	1.54	1.58	1.65
31/10/2014	0.61	0.63	0.68	1.51	1.53	1.58
30/11/2014	0.58	0.64	0.69	1.48	1.54	1.59
31/12/2014	0.60	0.62	0.66	1.50	1.52	1.56
31/01/2015	0.59	0.60	0.65	1.49	1.50	1.55
28/02/2015	0.61	0.61	0.66	1.51	1.51	1.56
31/03/2015	0.62	0.62	0.66	1.52	1.52	1.56
<b>Low</b>	0.55	0.56	0.57	1.45	1.46	1.47
<b>Average</b>	0.59	0.61	0.66	1.49	1.51	1.56
<b>High</b>	0.64	0.68	0.76	1.54	1.58	1.66