

To: Councillor Lovelock (Chair)  
Councillors Duveen, Eden, Ennis, Gavin,  
Hacker, Hopper, Hoskin, Jones, Page,  
Skeats, Stevens, Terry and White

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2 March 2018

Your contact is: Simon Hill - Committee Services

### NOTICE OF MEETING - POLICY COMMITTEE - 12 MARCH 2018

A meeting of the Policy Committee will be held on Monday 12 March 2018 at 6.30pm in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

*Please Note - the Committee will first consider items in closed session. Members of the press and public will be asked to leave the Chamber for a few minutes.*

### ITEMS FOR CONSIDERATION IN CLOSED SESSION

The following motion will be moved by the Chair:

“That, pursuant to Section 100A of the Local Government Act 1972 (as amended) members of the press and public be excluded during consideration of the following items on the agenda, as it is likely that there would be disclosure of exempt information as defined in the relevant Paragraphs of Part 1 of Schedule 12A (as amended) of that Act”

<u>ACTION</u>	<u>WARDS AFFECTED</u>	<u>PAGE NO</u>
1. DECLARATIONS OF INTEREST FOR CLOSED SESSION ITEM	-	-
2. YEOMANRY HOUSE  Councillor Lovelock / Director of Environment and Neighbourhood Services	MINSTER	A1
3. CAVERSHAM CENTRE (NEW DIRECTIONS NORTH) & 53-55 CHURCH STREET  Councillor Lovelock / Director of Environment and Neighbourhood Services	CAVERSHAM	A8

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## ITEMS FOR CONSIDERATION IN PUBLIC SESSION

### 4. CHAIR'S ANNOUNCEMENTS

### 5. DECLARATIONS OF INTEREST

Councillors to declare any interests they may have in relation to the items for consideration in public session.

### 6. MINUTES

B1

To confirm the Minutes of the Policy Committee meeting on 19 February 2018.

### 7. PETITIONS AND QUESTIONS

To receive any petitions from the public and any questions from the public and Councillors.

### 8. DECISION BOOK REFERENCES

### 9. ANTI FRAUD AND CORRUPTION POLICY

BOROUGHWIDE

C1

Councillor Lovelock / Director of Finance

This report sets out for approval the revised and updated Anti-Fraud and Corruption policy.

### 10. ANTI MONEY LAUNDERING POLICY

BOROUGHWIDE

D1

Councillor Lovelock / Director of Finance

This report sets out for approval a draft Anti-Money Laundering Policy.

### 11. BUDGET MONITORING

BOROUGHWIDE

E1

Councillors Lovelock & Page / Director of Finance

This report sets out the projected Council revenue budget outturn position for 2017/18 based on actual, committed and projected expenditure for the Council as at the end of January 2018, and also contains information on the capital programme, capital receipts and the Housing Revenue Account (HRA).

## WEBCASTING NOTICE

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Members of the public who participate in the meeting will be able to speak at an on-camera or off-camera microphone, according to their preference.

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Present: Councillor Lovelock (Chair)

Councillors Duveen, Eden, Ennis, Gavin, Hacker, Hopper, Hoskin, Jones, Page, Skeats, Stevens, Terry and White.

### 65. EXCLUSION OF THE PRESS AND PUBLIC

Resolved -

That pursuant to Section 100A of the Local Government Act 1972 (as amended), members of the press and public be excluded during consideration of item 66 below as it was likely that there would be a disclosure of exempt information as defined in the relevant paragraphs specified in Part 1 of Schedule 12A to that Act.

### 66. PROPERTY RATIONALISATION PROGRAMME

The Director of Environment and Neighbourhood Services submitted a report giving an update on progress of the property rationalisation programme and setting out proposals for Phase 2 of the programme. The report set out exempt information, including detailed costings and estimated disposal values, to be taken into account by the Committee when considering a report on Property Rationalisation Programme in public session.

Resolved -

That the additional information in the report be taken into account when considering the Property Rationalisation Programme report in public session (see Minute 71 below).

(Exempt information as defined in paragraph 3).

### 67. MINUTES

The Minutes of the meeting held on 15 January 2018 were agreed as a correct record and signed by the Chair.

### 68. QUESTIONS

Questions on the following matters were submitted by members of the public:

	<u>Questioner</u>	<u>Subject</u>	<u>Reply</u>
1.	Peter Burt	Assessment of bids for Arthur Hill Pool	Cllr Hacker
2.	Peter Burt	Arthur Hill Pool Site - Draft Local Plan	Cllr Page
3.	Roger Lightfoot	Swimming Timetables	Cllr Hacker
4.	Roger Lightfoot	Funding of new Swimming Pools	Cllr Hacker

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(The full text of the questions and responses was made available on the Reading Borough Council website).

### 69. REPLACEMENT OF WATER STORAGE, MAINS WATER SUPPLIES AND DISTRIBUTION PIPEWORK TO COLEY HIGH RISE TOWER BLOCKS AND INSTALLATION OF SPRINKLER FIRE SUPPRESSION SYSTEM

The Director of Environment and Neighbourhood Services submitted a report on the project to replace the existing water storage facility, water supply mains and distribution pipework at the Coley High Rise Flats in Wensley Road, incorporating the installation of a new fire suppression sprinkler system to each block of flats.

The report explained that a review had concluded that the water supply pipework had exceeded its operational lifespan as had the water storage tanks, and that the tank linings were decaying. The main water supply system along with the water storage facilities therefore required replacement. By including a sprinkler system installation within the water main replacement project, it would provide an opportunity to procure the works in the most cost effective way and to minimise potential tenant disturbance. Retrofitting of sprinkler systems in high rise blocks was not a current legal requirement, but it might become a requirement in the future subject to recommendations arising from the review of regulations and public inquiry following the Grenfell Tower fire.

The report sought authority to award a contract for the works, which were to be undertaken over two phases, and approval for capital expenditure of up to £2.5m (including a contingency sum of circa 10% of the estimated project cost) and for the submission of a planning application for the ground level water storage tank and pumping station.

Resolved -

- (1) That the Head of Housing and Neighbourhood Services, in consultation with the Lead Councillor for Housing, be authorised to award a contract for the replacement of water storage, mains water supply and distribution pipework and the installation of fire suppression sprinkler systems to flats at Coley High Rise, Wensley Road, Reading, following the selection of a contractor after a successful competitive tender exercise;
- (2) That capital expenditure of up to £2.5m in the Housing Revenue Account, across the financial years 2018/19 and 2019/20, be approved;
- (3) That the submission of a planning application for the required ground level water storage tank and pumping station be approved.

70. LIBRARY SERVICE OFFER 2018/19: SAVINGS PROPOSALS

The Director of Environment and Neighbourhood Services submitted a report on proposals to deliver savings from the library service previously agreed by the Committee at its meeting on 17 July 2017 (Minute 18 refers), and setting out proposals for additional savings to reflect the current financial position of the Council.

The report noted that a comprehensive review of the Library Service in 2016 had delivered £290,000 of savings and that a new agreed service model had been implemented from April 2017. An additional £78,000 of savings had then been identified and achieved through service efficiencies. The 2015/16 Libraries Review had established a baseline for a future library service offer, and the data, information and views expressed by users at that time had assisted with the development of the current proposals, alongside updated data for library usage and the latest general demographic statistics.

The report set out the recommended options to achieve savings, which were as follows:

- Reducing opening hours at Central Library by 10 hours per week, at Caversham Library by 8 hours per week, at Battle Library and Tilehurst Library by 5 hours per week, and at Whitley Library by 3 hours per week;
- Letting or sharing space with partner organisations at Battle Library and Tilehurst Library allowing these libraries to be single staffed;
- Removing evening and weekend opening all year at Palmer Park Library but opening for 15 hours per week instead of currently 21 per week, using library staff in the College holiday times;
- Removing business support post and Digital and Volunteer Lead posts;
- Reducing the library stock fund by 30% to reflect lower levels of usage at sites;
- Other internal changes.

The report noted that Southcote Library would move to the extended community centre in 2018 to form a new 'hub' with an already agreed reduction to library staffing. The hub would have one reception and flexible staffing cover with Children's Centre and Library Service staff on site. Opening hours would not therefore be reduced in this location, but staffing arrangements were likely to be reviewed once the hub was live.

It was considered that the proposed service offer would meet and even exceed the legal requirement for the library service to be 'comprehensive and efficient', specifically through maintaining a reasonable level of access for people with

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different lifestyles and availability at different locations throughout Reading, avoiding library closures, libraries and other services co-locating to make better use of buildings, increasing the use of volunteers and opportunities for creative partnerships, encouraging financial and book donations (introduced in Autumn 2017) and continuing to extend and develop the online loans offer. If agreed the proposals would be implemented from Autumn 2018 and could deliver annual savings of £217,000.

The report sought approval for a public consultation on the proposed options for reductions in opening hours, and a draft Consultation Document was attached to the report at Appendix 1, with a Public Consultation outline plan attached at Appendix 2. An initial draft Equality Impact Assessment was attached to the report at Appendix 3.

Resolved -

- (1) That the proposal to implement, and where necessary consult on, options to deliver a net annual saving of £217,000 in respect of Reading's Library Service, as set out in the report, be approved;
- (2) That officers be authorised to carry out a public consultation on the following options, using the consultation document attached to the report at Appendix 1:
  - A: Reduce opening hours at Reading Central from 46 to 36 per week;
  - B: Reduce opening hours at Caversham from 35 to 27 per week;
  - D: Reduce opening hours at Battle from 27 to 22 per week;
  - E: Reduce opening hours at Whitley from 21 to 18 per week;
  - G: Reduce opening hours at Tilehurst from 27 to 22 per week;
  - H: Reduce opening hours at Palmer Park from 21 to 15 per week.
- (3) That the following options be implemented:
  - C: Co-location of external agencies at Battle Library and reduce to single staffing;
  - F: Co-location of external agencies at Tilehurst Library and reduce to single staffing;
  - I: Remove 0.5 FTE Business Support post (subject to staff consultation);
  - J: Remove 1.0 FTE Digital & Volunteer Lead post (subject to staff consultation);
  - K: Reducing library stock fund to reflect lower levels of usage at libraries;
  - L: Internal changes.
- (4) That the Head of Housing and Neighbourhoods, in consultation with the Head of Legal & Democratic Services and the Lead Councillor for



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Culture, Sport and Consumer Services, be authorised to conclude lease agreements to facilitate co-location at Battle and Tilehurst libraries.

### 71. PROPERTY RATIONALISATION PROGRAMME

Further to Minute 23 of the meeting held on 18 July 2016, the Director of Environment and Neighbourhood Services submitted a report providing an update on progress of Phase 1 of the property rationalisation programme and setting out for approval proposals for Phase 2 of the programme.

The report explained that Phase 1A of the programme including the relocation of the Family Contact Centre from Amethyst Lane and the registration section of the Births, Deaths and Marriage Service from Yeomanry House to the Civic Centre had been completed. It summarised progress of Phase 1B which included works at the Town Hall and Museum and a new building at Henley Road Cemetery.

Phases 2A & 2B of the programme were focused on further increasing capacity in the Civic Office and the Whitley Health Centre, in order to enable the co-location of Children's Services staff and support teams. This would also facilitate the release of the Hamilton Centre for disposal, and a report would be submitted to the Committee seeking formal disposal once a marketing exercise had been completed.

Phase 2C of the programme was focused on proposals to refurbish and adapt 19 Bennet Road in order to reduce ongoing revenue costs and future capital maintenance liabilities. The proposed option included expansion of the warehouse space on the ground floor, and an associated reduction and refurbishment of the mess and changing rooms. On the first floor, the proposal included a refit and reconfiguration of the offices to provide additional desk capacity and increase utilisation. Condition improvement works, including the upgrade of the building services and replacement of windows, were also included to address the significant current maintenance liabilities and risks. The report noted that the proposals could enable the possible future release of 2-4 Darwin Close, and this would be reported to a future meeting of the Committee.

The detailed costs of the programme had been considered by the Committee in private session (Minute 66 above refers).

Resolved -

- (1) That £844k capital investment to the Civic Office and Whitley Health Centre to increase capacity and enable the co-location of Children's Services HQ teams within the Civic Office, and the release of the Hamilton Centre for disposal, be approved;
- (2) That £5.76m capital investment for the refurbishment and adaptation of 19 Bennet Road to protect the ongoing revenue budget be

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approved;

- (3) That the disposal of the Hamilton Centre, subject to a marketing exercise and further report to this Committee, be approved in principle;
- (4) That the proposal to submit a report to the Committee on the future of 2-4 Darwin Close be noted;
- (5) That the progress on the relocation of Births, Deaths and Marriage Service, the proposed works at the Town Hall, and the proposed works to Henley Road Cemetery, to enable the release of Yeomanry House for disposal, be noted;
- (6) That the increased scope of works to the rationalisation of the Town Hall and the combining of previously approved spend approvals from the capital programme and planned maintenance budgets be noted;
- (7) That the procurement proposals as set out in the report be noted and that the Director of Environment and Neighbourhood Services, in consultation with the Leader and Deputy Leader, the Strategic Finance Director and the Head of Legal and Democratic Services be authorised to enter into contracts with the winning bidder for the works to the Civic Offices, Town Hall, Cemetery, Whitley Health Building and 19 Bennet Road.

### 72. PROJECT FUNDING AWARDS - C-ITS AND SMART CITY CLUSTER

Further to Minute 66 of the meeting of Traffic Management Sub-Committee on 11 January 2018, the Director of Environment and Neighbourhood Services submitted a report informing the Committee of two capital funding awards for transport-related projects (Co-operative Intelligent Transport Systems (C-ITS) and Smart City Cluster) and seeking spend and scheme approval. Details of both projects had been reported to the Traffic Management Sub-Committee which had endorsed a recommendation to Policy Committee to grant approval. The report submitted to Traffic Management Sub-Committee was attached to the report at Appendix 1.

The report explained that procurement of the smart city platform would build on existing contracts where possible and economically advantageous, and that where it was not possible to integrate these projects into existing contracts a full procurement process would be undertaken. The report therefore sought delegated authority to enter into contracts as required.

Resolved -

- (1) That scheme and spend approval be given for the C-ITS (£250k) and Smart City Cluster (£1.73m) funding awards, totalling £1.98m of

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grant funding to deliver the objectives of the two projects;

- (2) That the Head of Transportation & Streetcare, in consultation with the Lead Councillor for Strategic Environment, Planning and Transport, the Head of Legal & Democratic Services and the Head of Finance, be authorised to enter into such various contracts as would be required to deliver the project objectives.

### 73. SCHOOL ADMISSION ARRANGEMENTS 2019/20

The Director of Children's Services, Education & Early Help Services submitted a report asking the Committee to determine the admissions arrangements for Community Primary Schools in Reading for the school year 2019/20, and the coordinated schemes for primary, junior and secondary schools.

The report explained that the Admissions Policy for Community Primary, Infant and Junior Schools 2019-2020, attached to the report at Appendix A, had no significant changes from the proposals for 2018/19, which had been agreed by Policy Committee on 13 February 2017. There had been no significant changes to the schemes since consultation had been carried out in 2015 on the 2016/17 Admission Policy. The Primary and Secondary School Co-ordinated schemes, attached to the report at Appendices B and C, had been approved following the consultation in 2015 and there had been no significant changes since then. The schemes for 2019/20 had been amended to reflect appropriate dates, and the only addition was the inclusion of dates on which the late offers would be made, to provide clarity for parents.

The report also sought approval for the 'Relevant Area', which set out the organisations that must be consulted for any admissions arrangements for schools in Reading, and was attached to the report at Appendix D.

Resolved -

- (1) That the scheme attached to the report at Appendices A and B be determined as the admissions arrangements for community schools in Reading and the local arrangements for complying with the national co-ordinated primary school admission procedures for the allocation of primary school places for residents of Reading Borough;
- (2) That the scheme attached to the report at Appendix C be determined as the local arrangements for complying with the national coordinated secondary admissions procedure for the allocation of secondary school places for residents of Reading Borough.
- (3) That the 'relevant area', setting out the organisations that must be consulted for any admissions arrangements for schools in Reading, be determined as attached to the report at Appendix D.

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### 73. ELECTORAL REGISTRATION AND ELECTIONS UPDATE

Further to Minute 89 of the meeting held on 14 March 2016, the Electoral Registration Officer submitted a report providing an update on the results of the 2017/18 annual canvass and the 2018 electoral register published on 1 December 2017. The report also included information on Individual Electoral Registration and the Local Elections that would take place on 3 May 2018.

Details of the numbers of individually registered electors, by polling district and ward, were attached to the report at Appendix A.

Resolved -

That the report be noted.

### 74. BUDGET MONITORING

The Director of Finance submitted a report setting out the projected Council revenue budget outturn position for 2017/18 based on actual, committed and projected expenditure for the Council as at the end of December 2017. It also contained information on the capital programme, capital receipts and the Housing Revenue Account.

The report explained that it was projected that the revenue budget would be underspent by £1.2m as at the year end, and at this point in time there were no projected commitments against the remaining contingency of £1.6m, but that the budget remained under pressure. In particular, the total of negative variances was £9.8m, which included some projection of further pressures on care places through to the year-end. Many of the positive variances and mitigations were not ongoing, so would not provide relief for any of the negative variances that were ongoing into 2018/19 and beyond. This produced a pressure in 2018/19 of £7.245m at this stage, and this pressure along with a further projection were built into the budget for 2018/19.

Resolved -

That it be noted that, based on the position at the end of December 2017, budget monitoring forecast that the budget would be underspent by £1.2m, without using the remaining contingency of £1.6m.

### 75. BUDGET 2018/19 AND MEDIUM TERM FINANCIAL STRATEGY

The Director of Finance submitted a report setting out proposals for the General Fund revenue budget for 2018/19 and Medium Term Financial Strategy (MTFS) for the period to 2020/21, alongside proposals for capital expenditure and the Housing Revenue Account. The Committee was asked to make a recommendation to the full Council meeting on 28 February 2018.

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The following documents were attached to the report:

- Appendix 1 - Additional savings proposals for 2018-21
- Appendix 2 - Calculation of Council Tax
- Appendix 3 - Fees and Charges Summary Statement
- Appendix 4 - Treasury Management Strategy Statement
- Appendix 5 - Outline Capital Strategy 2018/19
- Appendix 6 - General Fund and Summary Cost Centre Budget
- Appendix 7 - Discretionary Rate Relief 2017/18 update & 2018/19
- Appendix 8 - Capital Programme
- Appendix 9 - Dedicated Schools Grant
- Appendix 10 - HRA Budget 2018/19

Attached to the report at Appendix 1 were further proposals for savings and/or income generation which were submitted for approval by the Committee. Detailed background information on these 'Proposal for Change' had been circulated to members of the Committee. The proposals amounted to £3.6m in 2018/19, £3.9m in 2019/20 and £4.4m in 2021/21, and if agreed would allow for a balanced budget to be set for 2018/19 and for a balanced MTFs. Implementation of the proposals would be subject to statutory consultation where required and the consideration of Equality Impact Assessments where appropriate. It had not been possible to identify ongoing savings for each year of the MTFs, so some use of balances was required to enable one-off funding and the over-achievement of savings in earlier years to address deficiencies in later years. Overall, it was expected that the proposals, if agreed, would underpin the "going concern" statement that needed to be provided to the Council's external auditors, EY.

The Director of Finance stated at the meeting that the Council was making progress with regards to the closure of the 2016/17 accounts and had submitted audit packages to EY who were undertaking a review over five weeks. A number of complex issues were being worked through and some of these pre-dated 2016/17; it would not be possible to sign off the accounts before the Budget was considered at the 28 February full Council meeting but the Director would provide as much assurance as possible to the Council before consideration of the Budget.

The Committee were also asked to approve the proposed garage rent increase and the use of capital receipts to cover the estimated remaining equal pay settlement and a Delivery Fund to provide the capacity required to enable sustainable changes in the Council to be implemented and savings to be delivered.

Resolved -

- (1) That the savings proposals as described in the covering schedule in Appendix 1 be agreed, having taken into account and noted the background information in the accompanying 'Proposals for Change', for inclusion in the 2018/19 revenue budget and MTFs, and that

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Directors, in consultation with the relevant Lead Councillors and statutory officers, be authorised to implement the savings in their service areas as soon as practicable, and before the start of the 2018-19 financial year where possible, subject to: a) undertaking and considering the outcome of any necessary statutory consultation for the service in question; b) complying with the Authority's duties under Section 149 of the Equality Act 2010, including undertaking and considering the outcome of an Equality Impact Assessment where appropriate;

- (2) That a 4.0% garage rent increase be approved, in line with normal rent policy for garages (CPI + 1%);
- (3) That the first calls on capital receipts for the MTFS period, including 2017/18, be to cover the estimated remaining equal pay settlement and the Delivery Fund set aside to provide the capacity required to enable sustainable changes in the Council to be implemented and savings to be delivered, and that the Chief Executive, in consultation with the Director of Resources, be authorised to deploy this Fund in accordance with the Council's constitution;

### Recommended -

- (1) With regard to setting the Council Tax for the Reading Borough Council area:
  - 1) That the following, as set out in the report by the Strategic Director of Finance and in the Medium Term Financial Strategy, noting the Equality Impact Assessment, be approved:
    - a) The Council's General Fund Budget for the period 2018/21 (Appendix 6)
    - b) The specific revenue estimates for 2018/19 (Appendix 6)
    - c) The capital programme for the period 2018-21;
  - 2) It be noted that on 23 January 2018 the Council calculated the Council Tax Base 2018/19 for the whole Council area as 54,850 [item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")];
  - 3) Calculate that the Council Tax requirement for the Council's own purposes for 2018/19 as £1,579.99 (as set out below);
  - 4) That the following amounts be calculated for the year 2018/19 in accordance with Sections 31 to 36 of the Act:

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a) £390,542,725 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act

b) £303,880,000 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act

c) £86,662,725 being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(4) of the Act)

d) £1,579.99 being the amount at 4(c) above (Item R), all divided by Item T (2 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year

e) Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1053.33	1228.88	1404.44	1579.99	1931.10	2282.21	2633.32	3159.98

being the amounts given by multiplying the amount at 4(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands;

- 5) That it be noted that for the year 2018/19 the Police & Crime Commissioner for the Thames Valley has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
121.52	141.77	162.03	182.28	222.79	263.29	303.80	364.56

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- 6) That it be noted that for the year 2018/19 the Royal Berkshire Fire & Rescue Service have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
42.90	50.06	57.21	64.36	78.65	92.96	107.26	128.72

- 7) That, having calculated the aggregate in each case of the amounts at 4(e), 5 and 6 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2018/19 for each of the categories of dwelling shown below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1217.75	1420.71	1623.68	1623.68	2232.54	2638.46	3044.38	3653.26

- (2) That Council approve the Treasury Management Investment Strategy, Initial Capital Strategy and the Prudential Indicators set out in Appendix 4 and approve the MRP Statement to apply from 2018/19 in Annex A of the strategy, and in particular in connection with the apportionment of interest between the HRA & General Fund Council is asked to authorise the appropriation of non-residential shop units and garage blocks currently held within the HRA (and listed in the background paper on the Council's website together with a borough map showing locations) be appropriated from being held for housing purposes under the Housing Act 1957, to being held for the benefit, improvement and development of the Borough under Section 121 of the Local Government Act 1972, and for land in Norcot currently held under Section 121 of the 1972 Act to be appropriated for housing purposes under the Housing Act 1957, noting that these appropriations will impact the apportionment of interest as set out in the strategy;
- (3) That Council (in connection with its consideration of the budget and calculations of Council Tax above) take account of the statutory advice of the Strategic Finance Director in accordance with S25 of the Local Government Act 2003 on the robustness of the budget and adequacy of financial reserves in Section 6.1 of the report and in particular paragraph 6.1.f;
- (4) That Council approve the changes to Fees and Charges outlined in



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Appendix 3 of the report, and set out in detail on the Council's website, and authorise officers to take the action necessary to implement these changes;

- (5) That the Housing Revenue Account budget for 2018/19 as set out in Appendix 10 of the report be approved, and in line with the Government mandatory requirement a 1% rent reduction from the week beginning Monday 2 April to all HRA tenancy rents be authorised (noting that re-let of vacant HRA housing properties will be at target (formula) rent on all relets as agreed last year);
- (6) That the permitted PFI stock exemption to the annual 1% rent reduction for social rented housing not be applied for the financial year 2018/19, but the position be reviewed for 2019/20 in due course;
- (7) That the appointment of Jackie Yates to the post of Director of Resources, starting from 19 March 2018, be noted;
- (8) That the post of Director of Resources be designated to act as the local authority's Chief Finance Officer and Section 151 Officer with the statutory responsibilities under the Local Government Act 1972 and also be the Responsible Officer under Section 113 of the Local Government Finance Act 1992 with effect from 26 March 2018; and the Council's Constitution and Delegations' Register be amended accordingly to reflect this change.

(The meeting started at 6.30pm and closed at 7.50pm).

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

<b>TO:</b>	<b>POLICY COMMITTEE</b>		
<b>DATE:</b>	<b>19 FEBRUARY 2018</b>	<b>AGENDA ITEM:</b>	<b>9</b>
<b>TITLE:</b>	<b>ANTI-FRAUD AND CORRUPTION POLICY</b>		
<b>LEAD COUNCILLOR:</b>	<b>COUNCILLOR LOVELOCK</b>	<b>PORTFOLIO:</b>	<b>FINANCE</b>
<b>SERVICE:</b>	<b>FINANCE</b>	<b>WARDS:</b>	<b>BOROUGHWIDE</b>
<b>LEAD OFFICER:</b>	<b>PAUL HARRINGTON</b>	<b>TEL:</b>	<b>9372695</b>
<b>JOB TITLE:</b>	<b>CHIEF AUDITOR</b>	<b>E-MAIL:</b>	<b>Paul.harrington@reading.gov.uk</b>

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

- 1.1 The purpose of the Anti Fraud and Corruption policy is to set the responsibilities of members, managers and employees in respect to anti fraud and corruption activity.
- 1.2 The Council's anti fraud policy statement has been formally reviewed and updated to ensure that the policy remains up to date and fit for purpose. Accompanying the policy is the fraud response plan.
- 1.3 Attached to this report in Appendix 1 - Anti-Fraud and Corruption Policy

**2. RECOMMENDED ACTION**

- 2.1 The Committee is asked to approve the contents of the revised Anti Fraud and Corruption policy.

**3. POLICY CONTEXT**

- 3.1 The Council's Anti Fraud and Corruption Policy (AFCP) is designed to encourage prevention, promote detection and identify a clear pathway for investigation. The policy is supported by the fraud response plan which is intended as a quick guide for all staff to understand the requirements for reporting suspicious activity, whilst summarising how investigations will be conducted and what action will be taken on proven cases of fraud.
- 3.2 The policy is closely linked to the Council's Whistle Blowing Policy (WBP) and new Anti Money Laundering Policy (AMLP). The WBP enables any serious concerns to be raised confidentially about the behaviour of staff in a number of areas without fear of victimisation or discrimination. The AMLP sets out the procedures and reporting requirements that must be followed to enable the

Council to comply with its legal obligations in respect of anti money laundering legislation.

## Communications and Promotion

3.3 The Council promotes its policies on anti-fraud and corruption in a number of ways:

- All policies are available on the Council's intranet and website. Information is available as part of the constitution, HR guidance and internal audit & investigations web pages.
- Broadcast e-mails are periodically sent out to all staff that have access to e-mail promoting the strategy, response plan and the fraud hotline.
- The Whistleblowing hotline posters are displayed across the Council as well as other Council establishments.
- Staff contracts and induction training make reference to key governance and ethical policies.
- e-learning for Council and school staff to encourage the identification and reporting of fraud, corruption and money laundering.

## 4 Anti Fraud Coverage

4.1 Investigations are undertaken as required and reported in compliance with the Anti Fraud and Corruption policy. Systems are regularly reviewed for weakness and recommendations are made and followed up to rectify any weaknesses that have led to fraud.

4.2 To assist in investigations and networking the Council is a member of the National Anti-fraud network (NAFN), which provides useful access to information to assist investigations. Audit networks both regional and national also provide useful exchange of information on significant instances of frauds.

4.3 The Council also participates in the National Fraud Initiative including the submission of required data and the investigation of high risk matches for potential fraud. Further detailed data is securely provided to other Authorities in support of their investigations.

4.4 The internal audit plan is devised on the basis of risk. Part of the risk assessment includes findings from previous audit work including irregularities or areas that are more susceptible to fraud.

## 5. CONTRIBUTION TO STRATEGIC AIMS

5.1 The maintenance of governance with the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance by ensuring effective management practices are in place. Therefore preventing loss, and by deterring others from committing fraudulent activity helps to safeguard the Council's resources to be able to achieve the Corporate Plan priorities.

## 6. COMMUNITY ENGAGEMENT AND INFORMATION

6.1 N/A

## 7. EQUALITY IMPACT ASSESSMENT

7.1 There are no equality issues arising from this report

## 8. LEGAL IMPLICATIONS

8.1 Non adherence to this Strategy may facilitate serious financial and corporate governance weaknesses. It is a mandatory requirement that the Council adheres to the laws which are applied within the Strategy, i.e. Fraud Act, Bribery Act and the Theft Act etc. The Anti-Fraud and Corruption Strategy is the umbrella document demonstrating the activities taking place to combat fraud and corruption. Fraud and corruption exists in many formats and impacts (amongst other matters) upon the Council's finances, service delivery and our customers. A realistic Anti-Fraud and Corruption Strategy helps to address all areas of prevention, detection and prosecution/sanction of potential and actual illegality.

## 9. FINANCIAL IMPLICATIONS

9.1 There is no direct financial implication arising from this report

## 10. BACKGROUND PAPERS

10.1 N/A

# Policy Statement

## Anti-Fraud and Corruption Policy including Fraud Response Plan

March 2018

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Author	Paul Harrington
Service	Audit & Investigations
Directorate	Corporate Support Services
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**Distribution:** Releasing and issuing of this document is currently restricted to Reading Borough Council.

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**Maintenance:** Any required changes to this document should be raised and notified to the Chief Auditor specifying the reason for and details of the changes.

## 1. INTRODUCTION

- 1.1 The Anti-Fraud and Corruption Policy recognises that the Council as a large organisation is at risk of loss due to fraud and corruption both from within the Council and outside it.
- 1.2 In meeting the Council's responsibilities relating to fraud and corruption, whether attempted internally or externally, the Council is committed to an effective anti-fraud and corruption policy designed to:-
- encourage prevention;
  - promote detection;
  - ensure effective investigation where suspected fraud or corruption has occurred; and
  - prosecute offenders where appropriate.
- 1.3 There is an expectation and requirement that all members, employees, consultants, contractors, and service users be fair and honest, and if able to do so, provide help, information and support to assist the investigation of fraud and corruption.

## 2. DEFINITIONS

- 2.1 The Fraud Act 2006 is legislation that has been introduced in order to provide for absolute clarity on the subject of fraud. It replaced certain parts of other legislation (e.g. parts of the Theft Act 1968 and 1978) which were generally untidy, had become difficult to operate and were open to arguments on technicalities.
- 2.2 Section 1 of the Fraud Act 2006 introduced a new general offence of fraud and three ways of committing it:
- Fraud by false representation;
  - Fraud by failing to disclose information; and
  - Fraud by abuse of position.
- 2.3 Fraud by false representation requires:
- Dishonesty;
  - An intent to make gain or cause loss; and
  - The person makes the representation knowing that it is or might be false or misleading.
- 2.4 Fraud by failing to disclose information requires:
- Dishonesty;
  - An intent to make gain or cause loss; and
  - Failure to disclose information where there is a legal duty to disclose.



## 2.5 Fraud by abuse of position requires:

- Dishonesty;
- An intent to make gain or cause loss; and
- Abuse of a position where one is expected to safeguard another person's financial interests.

### Corruption

2.6 Corruption is 'the offering, giving, soliciting, or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly.' It is an offence under the Prevention of Corruption Acts 1889 - 1916 as amended and section 117(3) of the Local Government Act 1972.

### Bribery

2.7 Bribery can be described as giving someone a financial inducement or other form of advantage to encourage that person to perform their functions or activities improperly, or to reward that person for having already done so, in order to gain a personal, commercial, regulatory or contractual advantage. The Bribery Act 2010 came into force on 1 July 2011.

### Money Laundering

2.8 Money laundering is a term applied to any method used to convert or exchange money or assets obtained from criminal activity into money or assets that are "clean", in such a way that the "clean" money can no longer be linked back to the criminal activity. Whilst the risk of money laundering to RBC is relatively low and the provisions of the Money Laundering Regulations 2007 do not strictly apply to RBC as an organisation, RBC has adopted an Anti-Money Laundering Policy as good practice. This Policy supports all staff in complying with the money laundering provisions included within the Proceeds of Crime Act 2002 and the Terrorism Act 2000.

## 3 RULES AND PROCEDURES

3.1 The Council has various procedures and rules to ensure that the day to day operations and activities are properly controlled and are an important part of the internal control framework.

3.2 These include:-

- Council Constitution including Financial Regulations;
- Contracts Procedure Rules;
- Code of Conduct for Councillors;
- Officers' Code of Conduct; and
- Scheme of Delegation.

- 3.3 Individual Services will have also introduced their own measures designed to control their activities e.g. schemes of delegation, working manuals, procedures etc.
- 3.4 Directors need to ensure that staff have access to these rules and regulations and that staff receive appropriate training.
- 3.5 Reports of incidents involving elected members will be passed to the Monitoring Officer to be dealt with in accordance with the *Member Complaints Procedure*.
- 3.6 Failure to comply with the rules and regulations may result in formal action being taken. In the case of employees this would be through the Council's disciplinary process and for members the appropriate political Group disciplinary processes.
- 3.7 It is the responsibility of the Monitoring Officer to report complaints about Councillor Conduct to the Standards Committee. The terms of reference of the Standards Committee, and the procedure for dealing with complaints about Members, are in Article 9 of the Council's Constitution.
- 3.8 The Audit & Governance Committee complements the work of the Standards Committee in relation to its role in promoting high ethical standards and ensuring adherence to the code of conduct for members and officers.

#### 4 BEHAVIOUR OF MEMBERS AND EMPLOYEES

- 4.1 The Council is resolute that the culture and tone of the Authority is one of honesty and opposition to fraud and corruption. The Council expects Members (elected and co-opted) and employees (including agency staff, consultants and contractors) to lead by example in ensuring effective opposition to fraud and corruption. This includes ensuring adherence to legislation, local rules and regulations, national, professional and local codes of conduct and that all procedures and practises are beyond reproach.
- 4.1 The Secretary of State has specified the general principles<sup>1</sup> which are to cover the conduct of members and co-opted members. The Council has developed its working behaviour around these principles.
- 4.2 The Council's Codes of Conduct for Members and employees set out an approach to work that is honest, fair, accountable and, as far as possible, transparent. Members and employees must act in line with the codes at all times.
- 4.3 The Council's employees are a vital element in its stance against fraud and corruption and they are positively encouraged to raise any concerns that they may have.
- 4.4 All information supplied will be dealt with fairly and confidentially. The aim will be to avoid revealing the names of persons who supply information.

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<sup>1</sup> seven principles of public life identified in the First Report of the Committee on Standards in Public Life (the *Nolan Committee*)

- 4.5 Directors are expected to deal firmly and quickly with those who are corrupt, who seek to corrupt, who defraud, or who seek to defraud the Council. Cases involving staff will usually lead to disciplinary action, which may result in dismissal. Where there is prima facie evidence that a criminal offence has been committed it is the policy of the Council to refer the case for prosecution.
- 4.6 There is a need to ensure that any investigative process is not misused and, therefore, any abuse, such as raising unfounded malicious allegations, may be dealt with as a disciplinary matter.
- 4.7 In relation to complaints involving Members, the Audit & Investigations Team will consult the Monitoring Officer on whether or not the complaint falls within the scope of the Members' Code of Conduct and if so, what further steps (if any) should be taken.

## 5 PREVENTION OF FRAUD AND CORRUPTION

- 5.1 A key preventative measure against fraud and corruption is an adequate internal control framework covering all the Council's systems both financial and non-financial which support the delivery of services. The corporate rules and procedures referred to at paragraph 3.2 form part of this framework. The operation and adequacy of the internal controls in individual systems is the responsibility of Directors and is subject to regular review by both Internal and External Audit.
- 5.2 A further preventative measure against fraud and corruption exists at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. Staff recruitment is therefore required to be in accordance with the Council's Recruitment and Selection Policy, which requires written references to be obtained and identity documents to be checked.
- 5.3 When recruiting for posts that involve work with children or vulnerable adults, or where otherwise deemed appropriate, the screening process must include assessment and checks by the Disclosure and Barring Service.
- 5.4 All employees are required to report receiving any gift or hospitality to their manager who should decide if the gift is acceptable or should be declined. It must be recorded in a register maintained by the directorate. The type of hospitality offered and the person/organisation offering it must also be recorded in the register maintained by the Directorate.
- 5.5 Members are required to declare their personal and prejudicial interests in accordance with the Code of Conduct for Members and voting Co-opted members and to act in accordance with the code.
- 5.6 Employees are required to declare their personal interests in accordance with the Officers Code of Conduct.

### Data Matching

- 5.7 The Council will undertake data matching exercises in accordance with Data Protection legislation for the purposes of identifying and reducing fraud and corruption.
- 5.8 Regular data matching files and Real Time Information (RTI) are received from the DWP and the information used to identify any incorrectness of a Housing Benefit or Council Tax Support claim.
- 5.9 The Council also takes an active part in the National Fraud Initiative as organised by the Cabinet Office. This involves submitting data we hold in various departments of the Council for matching to that held by other organisations and following up promptly any matches received back.

### Probity Audits

- 5.10 Probity audits will be included in the Internal Audit Plan, as time allows, aimed specifically at identifying potential irregularities or providing assurance that they do not exist.

### Fraud Warnings

- 5.11 The Corporate Investigations Team will be the focal point for any fraud warnings on potential external threats or attacks that have occurred in other organisations and will take appropriate action to identify or prevent similar incidents occurring at this Council. This includes processing the Intelligence Bulletins published by the National Anti-Fraud Network.

### Whistle-Blowing

- 5.12 Our approach to whistleblowing enables employees (through the Staff Whistleblowing Policy), councillors and members of the public to express any concerns they have about illegal or illegitimate practices involving the council. The whistleblower can raise their concerns without fear of victimisation, discrimination or disadvantage.
- 5.13 Employees are encouraged to raise concerns through their immediate line manager or head of service in accordance with the staff whistleblowing policy. Concerns can be reported by calling 08000430699, sending an email to [Whistleblowing@reading.gov.uk](mailto:Whistleblowing@reading.gov.uk), or by writing to Corporate Investigations Team, Civic Offices, Reading RG1 2LU.
- 5.14 The Council's Whistleblowing Policy also seeks to reassure individuals that they will be protected from possible reprisals if they make disclosures in good faith.

It is the duty of all individuals to report a suspicion of financial irregularity to their Manager, or other method identified above. Such disclosures will be treated in accordance with the Whistle-blowing Policy.

5.15 Contractors with the Council are also encouraged to raise genuine concerns as part of their contract terms and conditions.

#### Referrals from the Public

5.16 Members of the public are encouraged to report genuine concerns through the designated channels. Examples are dedicated on-line forms, email addresses, and postal mail addressed to the Investigations Team or Chief Auditor. More information can be found on the Council's website (<http://www.reading.gov.uk/fraud>). Members of the public can also report fraud whilst contacting the Council either by phone or in person for other reasons and systems are built in place to ensure all reports of fraud are recorded and acted on.

5.17 The Council also has a *Corporate Complaints Policy* through which complaints can be made on a wide range of subjects. These can reveal suspicions of dishonesty.

## 6 DETECTION AND INVESTIGATION OF FRAUD AND CORRUPTION

6.1 The preventative measures described in the previous section significantly reduce the risk of fraud and corruption but cannot eliminate it entirely. The operation of the internal controls in a system may alert employees to potential fraud. However, many frauds are discovered by chance or 'tip off'.

6.2 Financial Regulations require Directors to notify the Chief Auditor immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Under the code of conduct employees are expected to report any impropriety or breach of procedure to the appropriate manager. Reporting cases in this way is essential to the Anti-Fraud and Corruption Policy and to ensure that:

- all suspected cases of fraud and corruption are investigated properly;
- the fraud response plan (Appendix 1) is carried out properly;
- there is a standard process for dealing with all suspected cases of fraud and corruption; and
- people and the Council's interests are protected.

6.3 The Council's Confidential Reporting (Whistleblowing) Policy is intended to encourage and enable staff to raise serious concerns. Employees reporting concerns in this way are afforded certain rights under the Public Interest Disclosure Act 1998.

6.4 The Audit & Investigations Team will consult with Directors to decide on the type and course of investigations. Human Resources staff will also be consulted and involved where appropriate in investigations, particularly where they may lead to disciplinary action. This will include referring cases to the Police where necessary. Audit & Investigations Officers may also seek informal advice from the Police in the early stages of an investigation. Care will be taken to ensure that internal disciplinary procedures are followed but do not prejudice any criminal case.

## 7. SANCTIONS

- 7.1 When an investigation's findings supports the suspicion that fraudulent or corrupt activity has occurred, action will be taken in accordance with the *Fraud Response Plan*, which requires all types of sanctions - disciplinary, civil and criminal - to be considered.
- 7.2 Any disciplinary action against employees will be taken in accordance with the Council's *Employee Disciplinary Rules and Procedures*. For elected members, sanctions used for breaches of the Members Code of Conduct will be taken in accordance with the *Members Complaints Procedure*.
- 7.3 Where fraud or impropriety has been perpetrated by organisations/ individuals with whom the Council has a contractual relationship the Council will take action, including where appropriate, terminating the contract, publicising findings and civil recovery proceedings.

## 8. REDRESS

- 8.1 The Council will seek to recover any losses fraudulently obtained from it and where necessary the costs incurred in doing so.
- 8.2 We will consider all means available to recover these amounts including possession orders, compensation claims, civil litigation, making an application for recovery from an employee's pension fund and general debt recovery.
- 8.3 The Council will also take advice to be able to use the investigatory powers available under the Proceeds of Crime Act and the use of restraint and confiscation orders.
- 8.4 Other forms of redress to recover losses, (such as making a claim against our insurance cover) or to prevent further fraudulent activity by the perpetrator, (such as notifying their professional body); will also be used wherever appropriate.

## 9 TRAINING AND AWARENESS

- 9.1 The Council recognises that an important aspect of its Anti-Fraud and Corruption Policy is the general awareness and responsiveness of employees throughout the Council. To facilitate this, appropriate provision will be made through online fraud awareness training and bribery and corruption training through Learning and Development and communications. Training on specific fraud topics will also be provided to those members and employees most likely to encounter that type of fraud such as procurement, commissioning, collusion and bid rigging.
- 9.2 The investigation of fraud and corruption is carried out in consultation with Services by the Council's Audit & Investigations Team whose skill base in investigative techniques is maintained by appropriate training.

- 9.3 In addition the Council will seek via appropriate publicity to increase and maintain the general public awareness of the facilities available to report concerns about fraud and corruption.
- 9.4 Managers should ensure that staff are adequately trained to carry out their duties and are aware of how to comply with the Council's policies.

## 10 REVIEW OF THE POLICY AND ITS EFFECTIVENESS

- 10.1 The Council has an array of measures and procedures to assist in combating fraud and corruption. It is determined to keep pace with any future developments in preventative and detection techniques and to be able to respond to any future government incentives for the detection of fraud. The Anti-Fraud and Corruption Policy and its effectiveness will be the subject of regular review.

## 11 WHO TO CONTACT

- 11.1 Advice and guidance on how to pursue matters of concern may be obtained from:-

Monitoring Officer

0118 93 72602

Head of Human Resources

0118 93 74500

Chief Auditor

0118 9372695

Fraud & Investigations Manager

0118 93 72143

## APPENDIX 1 - FRAUD INVESTIGATION PLAN

### 1 INTRODUCTION

- 1.1 The Council is committed to the highest possible standards of openness, probity and accountability in all its affairs. The Anti-Fraud and Corruption Policy document outlines the principles the Council is committed to in relation to preventing, reporting and managing fraud and corruption.
- 1.2 This Fraud Response Plan reinforces the Council's firm approach by setting out the ways in which employees or members of the public can voice their concerns about suspected fraud or corruption and how the Council will deal with such complaints.

### 2 WHAT DOES THE COUNCIL WANT TO KNOW ABOUT?

- 2.1 This Plan is intended to be implemented where suspicions of fraud or corruption have been raised.

#### Examples of fraudulent or corrupt acts

- 2.2 The examples/areas of risk listed below apply to local authorities in general. It is not an exhaustive list.

#### *Employee Fraud where benefit is obtained directly from the Council*

- Theft of cash or other assets e.g. building materials which involves false accounting to conceal the loss.
- Where Council equipment is used for personal use e.g. unauthorised private use of Council vehicles.
- Undertaking personal tasks in 'works time' - e.g. shopping, unauthorised use of IT facilities such as the Internet, and any other such activities that could reasonably fall under this classification.

#### *Employee Fraud against a third party*

- Where an employee abuses a position of trust to defraud a third party e.g. a social worker who has access to the cash and property of an elderly person or a teacher in charge of school funds.

#### *External Fraud*

- Where individuals or companies fraudulently obtain money from the Council, e.g. invalid invoices/work not done.
- Money Laundering - "the process by which criminal proceeds are sanitised to disguise their illicit origins".
- Benefit fraud - false declarations of income or statements of residency.
- Tenancy - Fraudulent applications for housing or successions of tenancy and subletting of the property.
- Right to buy - Fraudulent applications under the right to buy/acquire



- Business rates - Fraudulent applications for exemptions and reliefs, unlisted properties
- Blue Badge - Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees.
- Social care payments - Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim.

### *Corruption and Bribery*

Areas of the highest risk include:-

- Tendering and award of contracts.
- Settlement of contractors' final accounts and claims.
- Appointment and reward of consultants.
- Canvassing for appointments.
- Acceptance of hospitality and other benefits e.g. free holidays.
- Awarding of permissions, planning consents and licences.

In the case of any doubt about the seriousness of any concerns, advice and guidance can be obtained from the Chief Auditor on 0118 9372695 or Fraud & Investigations Manager on 0118 93 72143

- 2.6 Other activities of Council officers which are unlawful, fail to comply with Council procedure, rules or policies or which fall below established standards or practices may be investigated under this plan following consideration by management and on advice from Human Resources and Internal Audit. Concerns or allegations which fall within the scope of other, existing, procedures (e.g. child protection or discrimination issues) will normally be dealt with under those procedures.

## 3 SAFEGUARDS

**Confidentiality** - All concerns will be treated in confidence and every effort will be made not to reveal the identity of employees if they so wish. At the appropriate time, however, employees may need to come forward as witnesses.

**Anonymous Allegations** - This policy encourages individuals to put their names to allegations. Concerns expressed anonymously are much more difficult to act upon, but they will be considered at the discretion of the Council. In exercising this discretion, the factors to be taken into account would include:

- the seriousness of the issues raised;
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources.

**Untrue Allegations** - If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the originator. If, however, individuals make malicious or vexatious allegations, disciplinary action may be considered against the individual making the allegation.

#### 4 WHAT SHOULD AN EMPLOYEE DO IF THEY SUSPECT FRAUD OR CORRUPTION?

- 4.1 Employees are often the first to realise that there is something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances, it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 4.2 The Council's Confidential Reporting (Whistleblowing) Policy is intended to encourage and enable staff to raise serious concerns within the Council rather than overlooking a problem or passing details to the media or other external bodies. This policy has been discussed with the relevant Trade Unions and has received their approval. Employees reporting concerns in this way are afforded certain rights under the Public Interest Disclosure Act 1998.
- 4.3 A full copy of the Whistleblowing Policy is available on the Council's intranet ([Whistleblowing-Policy](#)) and website (<http://www.reading.gov.uk/whistleblowing>)
- 4.4 Where appropriate, employees should normally raise concerns with their immediate manager or their supervisor who, if the claim can be substantiated, will inform the Chief Auditor. The nature of the complaint will determine the Council's course of action.
- 4.5 Audit & Investigations can be contacted by phone on 0118 9372695, by email at [Audit Services](#) and [Corporate Investigations Team](#) or by writing to the Chief Auditor, Reading Borough Council, Finance Services, Magistrates Flat, Civic Offices, Bridge Street, Reading RG1 2LU.

#### 5 WHAT SHOULD A MEMBER OF THE PUBLIC DO IF THEY SUSPECT FRAUD OR CORRUPTION?

- 5.1 The Council encourages members of the public who suspect fraud and corruption to contact the Chief Executive or Internal Audit Section in the first instance.
- 5.2 The Audit & Investigations Team is a unit, which operates independently of all other Council Services, and has the following objectives in relation to fraud and corruption:-
  - To promote an anti-fraud culture.
  - To deter, prevent, detect and investigate fraud and corruption.
  - To see appropriate action is taken against those who commit fraud or corruption.
  - To obtain compensation in respect of any losses to the Council.

5.3 The Audit & Investigations Team can be contacted by phone on 0118 9372695 or 0118 93 72143, by email at [Services.Audit@reading.gov.uk](mailto:Services.Audit@reading.gov.uk) or [AntiFraud@reading.gov.uk](mailto:AntiFraud@reading.gov.uk) or by writing to the Chief Auditor, Reading Borough Council, Finance Services, Magistrates Flat, Civic Offices, Bridge Street, Reading RG1 2LU.

## 6 HOW THE COUNCIL WILL DEAL WITH ALLEGATIONS OF FRAUD OR CORRUPTION

6.1 For issues raised by employees or members of the public, the action taken by the Council will depend on the nature of the concern. The matters raised may:

- be investigated internally; or
- be referred to the Police where there is evidence of a criminal offence.

6.2 Within five working days of a concern being received a designated officer will write to the complainant in those instances where the complainant has provided contact details:-

- acknowledging that the concern has been received;
- indicating how it is proposed to deal with the matter;
- giving an estimate of how long it will take to provide a final response;
- indicating whether any initial enquiries have been made;
- supplying information on staff support mechanisms, and
- indicating whether any further investigations will take place, and if not, why not.

6.3 The Council accepts that people who reported the alleged fraud or corruption need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, they will receive information about the outcome of any investigation and whether any changes/improvements are to be made to systems and procedures as a consequence.

## 7 ALTERNATIVE METHODS FOR TAKING A COMPLAINT FORWARD

7.1 If either a member of the public or an employee feels it is right to take the matter outside these processes, the following are possible ways forward:

- Local Councillors - details of how to contact and surgery hours are on the Council's web site [www.reading.gov.uk](http://www.reading.gov.uk).
- Ernst & Young - the Council's external auditors. They are completely independent from the Council and can be contacted on 0118 928 1100 or by writing to Ernst & Young, Apex Plaza, Forbury Road, Reading, RG1 1YE
- Trade Unions - employees may invite their Trade Union to raise a matter on their behalf.
- Relevant professional bodies.
- Solicitors.

- Thames Valley Police - suspicions of fraud or corruption may be reported directly to the Police who can be contacted on 101.
- The Local Government Ombudsman - this is an independent body set up by the Government to deal with complaints against Councils in the United Kingdom. Advice can be obtained on 0300 061 0614.
- Public Concern at Work - this is a charity, which provides free and strictly confidential legal help to anyone concerned about a malpractice which threatens the public interest. They operate a helpline on 020 7404 6609 or can be e-mailed at [whistle@pcaw.co.uk](mailto:whistle@pcaw.co.uk). More information is on their website at [www.pcaw.org.uk](http://www.pcaw.org.uk).

7.2 If employees take matters outside the Authority, it will be necessary to ensure that they do not disclose confidential or legally privileged information. As such, it is advisable that employees take appropriate advice before proceeding.

## 8. INITIATING ACTION

### *Detection*

8.1 Suspicion of fraud or irregularity may be captured through a number of means, including the following:

- Supervision and checking controls
- Random spot checks by managers
- Operation of proper management and control procedures
- Following a complete audit trail
- Regular and similar complaints
- Performance of financial reconciliations
- Suspicions of fraud reported by staff (it is important that staff know that any reported fraud will be acted upon and they are protected against victimisation or dismissal under the Public Interest Disclosure Order 1998).

### *Protection when raising a suspicion*

8.2 When staff bring information about a wrongdoing to the attention of their employers or a relevant organisation<sup>2</sup>, they are protected in certain circumstances under the Public Interest Disclosure Act 1998. Disclosures are more commonly known as ‘whistleblowing’.

8.3 Qualifying disclosures are disclosures of information where it is reasonably believed (and it is in the public interest) that one or more of the following matters is either happening, has taken place, or is likely to happen in the future.

- A criminal offence
- The breach of a legal obligation
- A miscarriage of justice

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<sup>2</sup> Relevant organisations or prescribed people/bodies for local authorities are: the Council’s external auditors and the Comptroller and Auditor General, through the National Audit Office.

- A danger to the health and safety of any individual
- Damage to the environment
- Deliberate attempt to conceal any of the above.

### *Action to be taken*

- 8.4 All actual or suspected incidents of fraud will be reported without delay to the Line Manager, Fraud & Investigations Manager and/or Chief Auditor. Referrals can be made via the online reporting page found on the Council's website [www.reading.gov.uk/fraud](http://www.reading.gov.uk/fraud).
- 8.5 If the Line Manager receives the initial contact, you must:
- Be responsive to staff
  - Note all relevant details, and note documentary evidence
  - Objectively evaluate the suspicion and refer to CIT or CA where necessary
  - NOT DELAY IN REPORTING THE SUSPICION
- 8.6 On initial evaluation of the referral it will either be closed for no further action or allocated to an appropriate individual for further action.
- 8.7 Investigating officers are required to ensure that investigations are objective, fair and complete and that they comply with the relevant statutory provisions and internal procedures including The Regulation of Investigatory Powers Act 2000 (RIPA)<sup>3</sup>

### *Corporate Policy & Procedure.*

- 8.8 Where criminal activity is suspected the investigators may notify the police and seek their advice. In such instances the Police will be responsible for taking forward any investigation and providing advice in respect of any preliminary enquiry to be undertaken. Any internal investigations will continue to be progressed alongside the criminal one supporting the Police in their investigation, and may result in dismissal.

### *Prevention of further loss*

- 8.9 Where initial enquiries provide reasonable grounds for suspecting a member or members of staff of fraud, the Council will decide how to prevent further loss. This may result in the suspension, with or without pay of the suspect(s); it may be necessary to plan the timing of suspension to prevent the suspect(s) from destroying or removing evidence that may be needed to support disciplinary or criminal action. Regard should be paid to guidance below in relation to disciplinary action.
- 8.10 In these circumstances, the suspect(s) will be approached unannounced. They will be supervised at all times before leaving the premises. They will be allowed to collect personal property under supervision, but will not be able to remove any property belonging to the Council. Any security passes and keys to premises and equipment will be collected.

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<sup>3</sup> RIPA – a law to govern the interception and use of electronic communications

8.11 The Council will consider the best means of denying access to its premises/property while the suspect(s) remain suspended (for example removing access passes and informing staff not to admit the individual(s) to any part of the premises). Similarly, access permissions to all computer systems will be withdrawn.

## 9. ESTABLISHING AND SECURING EVIDENCE

9.1 Following an allegation or the report of a suspicion of fraud, information to determine whether fraud is a possibility will initially be obtained by the investigating officer(s):

### *Discreet enquiries*

9.2 The Council must follow up any such suspicions or allegations; this may involve enquiries with members of management, employees, volunteers or contractors. These will be carried out in such a way as to ensure that innocent individuals are not harmed by false accusations; and in the event of a fraud having been committed to avoid alerting the perpetrators.

### *Review of documents/records*

9.3 Security of records once a suspected fraud is reported - steps will be taken immediately to prevent the theft, alteration, or destruction of relevant records. Such actions may include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to where the records currently exist, and preventing the individual(s) suspected of committing the fraud from having access to the records. The records must be adequately secured until the investigator or the Police obtain the records to begin an investigation.

9.4 The investigator or Police may consider whether it is necessary to extend the investigation beyond the initial suspicion, to determine the extent of any fraudulent activity.

READING BOROUGH COUNCIL  
REPORT BY DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	12 MARCH 2018	AGENDA ITEM:	10
TITLE:	ANTI MONEY LAUNDERING POLICY		
LEAD COUNCILLOR:	COUNCILLOR LOVELOCK	PORTFOLIO:	FINANCE
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	Paul.harrington@reading.gov.uk

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

- 1.1 Although local authorities are not obliged to comply with the requirements of the Money Laundering Regulations 2017, guidance from CIPFA recommends that they should embrace the underlying spirit of the legislation as it impacts on certain areas of their work.
- 1.2 As a result, there are obligations on local authorities to have in place internal procedures to prevent the use of its services for money laundering. In particular, the legislation has placed a duty on individuals to report incidents of money laundering activity, for example, cash payments that arouse suspicion to the National Crime Agency.
- 1.3 This report proposes a policy, together with supporting guidance notes that will support staff in identifying potential suspect transaction during the course of their work at Reading Borough Council. The policy provides a mechanism for such transactions to be reported to an appropriate officer for evaluation and potentially to the relevant authorities.
- 1.4 Attached to this report in Appendix 1 - Anti-Money Laundering Policy

**2. RECOMMENDED ACTION**

- 2.1 The Policy Committee is requested to review and approve the draft policy for adoption.

### 3. POLICY CONTEXT

- 3.1 Historically, legislation seeking to prevent the laundering of the proceeds of criminal activity was aimed at professionals in the financial and investment sector, however it was subsequently recognised that those involved in criminal conduct were able to ‘clean’ the proceeds of crime through a wider range of businesses and professional activities.
- 3.2 The Money Laundering Regulations 2017 (MLR 2017), impact on certain areas of local authority business and, as under the previous regulations of 2007, require local authorities to maintain internal procedures to prevent the use of their services for money laundering. A key difference of the 2017 Regulations is to require relevant persons to adopt a more risk-based approach towards anti-money laundering, particularly in the conduct of due diligence.
- 3.3 This policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures that must be followed to enable the Council to comply with legal obligations.
- 3.4 Under the legislation there are two main types of offences which may be committed:
- Money laundering offences.
  - Failure to report money laundering offences.
- 3.5 Money laundering activity includes:
- Acquiring, using or possessing criminal property,
  - Handling the proceeds of crimes such as theft, fraud and tax evasion,
  - Being knowingly involved in any way with criminal or terrorist property,
  - Entering into arrangements to facilitate laundering criminal or terrorist property,
  - Investing the proceeds of crime in other financial products
  - Concealing, disguising, converting, transferring criminal property or removing it from the UK.
  - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
  - Investing the proceeds of crimes through the acquisition of property/assets,
  - Transferring criminal property.
- 3.6 There are further associated offences regarding due diligence and disclosures:
- Due diligence
- Failure to apply customer due diligence.
  - Failure to apply on-going monitoring of business relationship and customer due diligence.
  - Failure to comply with timing on verification of clients and any beneficial owner.



- Failure to apply enhanced customer due diligence and monitoring where required.
- Failure to keep required records.
- Continuing with a business relationship where unable to apply customer due diligence

#### Disclosures

- Making a disclosure to a person which is likely to prejudice a money laundering investigation (“tipping off”).
- Failing to disclose.
- Prejudicing an investigation.

3.7 Money laundering regulations apply to cash transactions in excess of 15,000 Euros (approximately £13,000). However, Proceeds of Crime Act (POCA) applies to all transactions and can include dealings with agents, third parties, property or equipment, cheques, cash or bank transfers.

3.8 Although instances of suspected money laundering are likely to be rare, given the nature of services provided by the Council, failure to comply with legal requirements could have significant implications for both the Council and the individuals concerned.

#### 4. The Obligations of the Council

4.1 The law requires those organisations in the regulated sector and conducting relevant business to:

- Appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity (their own or anyone else’s),
- Implement risk sensitive policies and procedures relating to customer due diligence, reporting, record keeping, internal control, risk assessment and management, the monitoring and management of compliance and the internal communication of such policies and procedures.

4.2 Not all of the Council’s business is ‘relevant’ for the purposes of the legislation. It is mainly the accountancy and audit services together with certain financial, company and property transactions carried out by Legal Services. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council, therefore all employees are required to comply with the Council’s Anti Money Laundering Policy in terms of reporting concerns regarding money laundering.

4.3 It is a requirement of the MLR 2017 that appropriate systems of internal control are in place to prevent activities relating to money laundering and terrorist financing. There must be management controls in place to identify the possibility that criminals may be attempting to launder money or fund terrorism, so as to enable appropriate action to prevent or report it to be taken.

4.4 It is management's responsibility to implement systems of internal control capable of identifying unusual or suspicious transactions or customer activity and quickly report the details to the MLRO. Systems of internal control should include the following:

- Identification of senior management responsibilities.
- Provision of information to senior management on money laundering and terrorist financing risks.
- Training of relevant employees on the legal and regulatory responsibilities for money laundering and terrorist financing controls and measures.
- Documentation of the Council's risk management policies and procedures.
- Measures to ensure that money laundering and terrorist financing risks are taken into account in the day to day operations of the organisation.

## 5. Identification of potential money laundering situations

5.1 Criminals have various ways of concealing, moving and legitimising the proceeds of crime. Examples of signs of money laundering where suspicions should arise include:

- Use of cash where other means of payment are normal,
- Unusual transactions or ways of conducting business,
- Unwillingness to answer questions/general secretiveness,
- Use of new/shell companies,
- Payment of deposits which are subsequently requested back,
- Lack of 'traceability' of persons involved,
- Individuals and companies that are insolvent yet have funds.

5.2 It is not possible to give a definitive list of ways in which to identify money laundering or how to decide whether to make a report to the MLRO. The following are types of risk factors which may, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:

- Payment of a substantial sum in cash (over £5,000),
- A secretive customer, e.g. refuses to provide requested information without a reasonable explanation,
- Concerns about the honesty, integrity, identity or location of a customer,
- Illogical third party transaction such as unnecessary routing or receipt of funds from third parties or through third party accounts,
- Involvement of an unconnected third party without logical reason or explanation,
- Overpayments by a customer,
- Absence of an obvious legitimate source of funds,
- Movement of funds overseas, particularly to a higher risk country or tax haven,
- Transactions which are out of the line of normal expectations, without reasonable explanation,
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational,
- The cancellation or reversal of an earlier transaction,

- Requests for release of customer account details other than in the normal course of business,
  - Transactions at substantially above or below fair market values,
  - Poor business records or internal accounting controls,
  - A previous transaction for the same customer which has been, or should have been, reported to the MLRO.
- 5.3 In addition to the money laundering offences, the legislation sets out further offences of failure to report suspicions of money laundering activities. Such offences are committed where, in the course of conducting relevant business in the regulated sector, you know or suspect, or have reasonable grounds to do so (even if you did not know or suspect), that another person is engaged in money laundering and you do not disclose this as soon as is practicable to the MLRO.
6. CONTRIBUTION TO STRATEGIC AIMS
- 5.1 The maintenance of governance with the Council to ensure that it is efficient, effective and economic in everything it does is achieved through the improvement of corporate governance by ensuring effective management practices are in place. Therefore preventing loss, and by deterring others from committing fraudulent activity helps to safeguard the Council's resources to be able to achieve the Corporate Plan priorities.
6. COMMUNITY ENGAGEMENT AND INFORMATION
- 6.1 N/A
7. EQUALITY IMPACT ASSESSMENT
- 7.1 There are no equality issues arising from this report
8. LEGAL IMPLICATIONS
- 8.1 Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. Any person found guilty of a money laundering offence is liable for imprisonment (maximum of 14 years), a fine, or both however, an offence is not committed if the suspected money laundering activity is reported to the MLRO and, where necessary, official permission obtained to continue in the transaction.
9. FINANCIAL IMPLICATIONS
- 9.1 There is no direct financial implication arising from this report
10. BACKGROUND PAPERS
- 10.1 N/A

# Policy Statement

## Anti-Money Laundering Policy

March 2018

Date published	March 2018
Approved by & date	Policy Committee XX/XXXX 2018
Author	Paul Harrington
Service	Audit & Investigations
Directorate	Corporate Support Services
Review date	Annually - March 2019



Section

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Borough Council  
Working better with you

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## 1. Introduction

- 1.1 Although local authorities are not obliged to comply with the requirements of the Money Laundering Regulations 2017, guidance from CIPFA indicates that they should embrace the underlying spirit of the legislation and regulations.

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1.2 Reading Borough Council takes a zero-tolerance approach to fraud and corruption and as such will be taking a proactive approach to the prevention, detection and reporting of suspected money-laundering incidents. This Policy sets out the Council's commitment to ensuring compliance with the requirements of legislation relating to money-laundering and criminal property. The Policy sits alongside the Council's Anti-Fraud and Corruption Policy Statement.

## 2. Scope of Policy

2.1 This policy applies to all employees, whether permanent or temporary, and Members of the Council.

2.2 Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside work should contact the Police.

## 3. Definition of Money Laundering

3.1 Money-laundering is generally defined as the process by which the proceeds of crime, and the true ownership of those proceeds, are changed so that the proceeds appear to come from a legitimate source. Money-laundering can arise from small profits and savings from relatively minor crimes, such as regulatory breaches, minor tax evasion or benefit fraud. Because banks and financial institutions have developed procedures to alert them to potential money-laundering, criminals look for other ways of placing cash within the financial system (for example, by investing in property).

## 4. The Legislation

4.1 Money laundering offences are contained in the Proceeds of Crime Act 2002 (POCA)<sup>1</sup> and the Terrorism Act 2000/2006 (TACT)<sup>2</sup>. There are three main offences:

- **Concealing:** knowing or suspecting a case of money laundering, but concealing or disguising its existence.
- **Arranging:** becoming involved in an arrangement to launder money, or assisting in money laundering.
- **Acquisition, use or possession:** benefiting from money laundering by acquiring, using or possessing the property concerned.

4.2 There is also a 'third party' offence - failure to disclose one of the three main offences detailed above.

4.3 POCA creates an obligation on persons in the regulated sector (mainly the financial services sector) to report their suspicion or knowledge of another

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<sup>1</sup> POCA an Act that allows the confiscation or civil recovery of property which is or represents property obtained through unlawful conduct

<sup>2</sup> TACT allows the detention of suspected terrorists without charge for 28 days, includes financing and supporting terrorism

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person's money-laundering to the National Crime Agency (NCA)<sup>3</sup>, and failure to report is an offence. There are also offences of tipping off about a money-laundering disclosure, tipping off about a money-laundering investigation and prejudicing money-laundering investigations.

- 4.4 The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.
- 4.5 Although the term 'money laundering' is generally used to describe the activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.
- 4.6 The principal offences under POCA and TACT apply to local authorities although some of the other offences (failure to disclose, and tipping-off) do not apply provided the Council does not undertake activities regulated under the Financial Services and Markets Act 2000<sup>4</sup>.
- 4.7 The main requirements of the legislation are:
- To appoint a money laundering reporting officer (MLRO)
  - Maintain client identification procedures in certain circumstances
  - Implement a procedure to enable the reporting of suspicions of money laundering
  - Maintain record keeping procedures.

## 5 How the Council will embrace the Act

- Training of staff to recognise transactions that may indicate money-laundering.
- The mandatory requirement for staff to read the anti-money laundering policy through NETConsent
- The Appointment of a Money-laundering Reporting Officer who will receive staff disclosures on suspicions of money-laundering
- Verifying the identity of individuals involved in transactions where appropriate, and keeping records of evidence obtained
- Establishing internal procedures to help prevent money-laundering.
- Reporting any suspicious transactions to the NCA
- Threshold for cash payments

All personal data collected must be kept in compliance with the Data Protection Act.

## 6 Circumstances that may be susceptible to money-laundering

- Sale of Council land/buildings (as sale proceeds could be in cash)
- Sales of Council properties (under the right-to-buy scheme)

<sup>3</sup> NCA an National Crime Agency that aims to protect the public from the most serious threats of organised crime

<sup>4</sup> The FSA regulate services such as insurance, investment business and banking

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- Receipt of cash payments
- Investments - this would cover activities such as the issues of local bonds or transfers to or from non UK banks

Indicators that should raise suspicion include:

- Where the person you are dealing with is excessively secretive or obstructive
- Where a transaction seems unusual, such as an unusually large cash payment
- An overpayment or duplicate payment in cash where the refund is requested by cheque
- Where a customer pays funds to the Council but then ends the transaction for no apparent reason, or unexpectedly asks for money to be refunded or forwarded to a third party
- Where a customer tells you that funds are coming from one source and at the last minute the source changes
- Absence of an obvious legitimate source of funds e.g. where an individual is on a low income and is purchasing a property from the Council
- Movement of funds overseas, particularly to a high risk country
- Individuals and companies that are insolvent but have funds
- Purchase of property (e.g. a Council house) where no mortgage is involved

## 7 Identification, information about source of money, and record-keeping

- 7.1 In some circumstances you may wish to seek confirmation of the identity of an individual involved in a transaction with the Council (such as the purchase of a property from the Council). This could be, for instance, where the individual is not represented by a solicitor (who would be expected to have carried out the necessary checks). Evidence of identification and details of the transaction must be kept for at least 5 years.
- 7.2 Where there is no obvious source of funds, you may consider asking the individual to explain the source of the funds. Assess whether you think their explanation is valid - for example, the money may have been received from an inheritance or from the sale of another property.

## 8 Reporting Procedure for Suspicions of Money Laundering

- 8.1 The Council has appointed the Chief Auditor as the MLRO, who can be contacted via telephone: 0118 9372695 or email [Paul.Harrington@reading.gov.uk](mailto:Paul.Harrington@reading.gov.uk).
- 8.2 Where you know or suspect that money laundering activity is taking/has taken place, you must disclose this as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later.
- 8.3 Your disclosure should be made to the MLRO on the above contact details. The disclosure must include as much detail as possible including:



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- Full details of the people involved
- Full details of the nature of their/your involvement.
- The types of money laundering activity involved
- The dates of such activities
- Whether the transactions have happened, are ongoing or are imminent
- Where they took place
- How they were undertaken
- The (likely) amount of money/assets involved
- Why, exactly, you are suspicious.

- 8.4 Along with any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable the MLRO to prepare a report to the National Crime Agency (NCA), where appropriate. You should also provide copies of any relevant supporting documentation.
- 8.5 Once you have reported the matter to the MLRO you must follow any directions given to you. You must NOT make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the NCA. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 8.6 Do not, therefore, make any reference on a client file to a report having been made to the MLRO - should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made. The MLRO will keep the appropriate records in a confidential manner.

## 9. Disclosure by the Money Laundering Reporting Officer

- 9.1 Upon receipt of a disclosure of a suspicion, the MLRO must note the date of receipt and acknowledge receipt of it. He should also advise you of the timescale within which he expects to respond to you.
- 9.2 The MLRO will consider the report and any other available internal information he thinks relevant, for example:
- Reviewing other transaction patterns and volumes
  - The length of any business relationship involved
  - The number of any one-off transactions and linked one-off transactions
  - Any identification evidence held
- 9.3 The MLRO will undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required. The decision will be made in consultation with the Head of Legal and/or the Section 151 Officer. The MLRO may also need to discuss the report with you.
- 9.4 Once the MLRO has evaluated the disclosure report and any other relevant information, he must make a timely determination as to whether:

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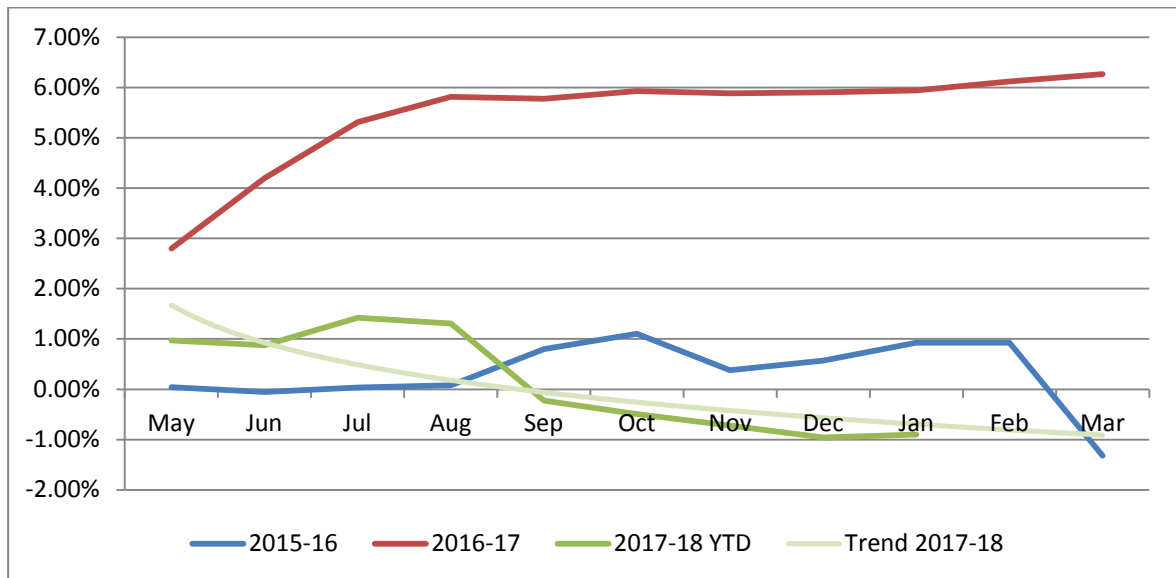
- There is actual or suspected money laundering taking place; or
  - There are reasonable grounds to know or suspect that is the case; and
  - Whether he needs to seek consent from the NCA for a particular transaction to proceed.
- 9.5 Where the decision verifies the suspicion the MLRO must report the matter as soon as practicable to the NCA on their standard report form.
- 9.6 Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure (for example, professional privilege), then he must note the report accordingly; he can then immediately give his consent for any ongoing or imminent transactions to proceed.
- 9.7 In cases where legal professional privilege may apply, the MLRO must liaise with the Council's Section 151 Officer to decide whether there is a reasonable excuse for not reporting the matter to the NCA.
- 9.8 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be completed until the NCA has given consent, or the relevant time limits have expired without objection from the NCA.
- 9.9 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then he shall mark the report accordingly and give his consent for any ongoing or imminent transaction(s) to be made.
- 9.10 All disclosure reports referred to the MLRO and reports made by him to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 9.11 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the NCA.

## REPORT BY STRATEGIC DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	12 MARCH 2018	AGENDA ITEM:	11
TITLE:	BUDGET MONITORING 2017/18		
LEAD COUNCILLOR:	COUNCILLORS	PORTFOLIO:	FINANCE
SERVICE:	LOVELOCK/ PAGE FINANCIAL	WARDS:	BOROUGHWIDE
LEAD OFFICER:	PETER LEWIS	TEL:	01189372058 (x72058)
JOB TITLE:	STRATEGIC DIRECTOR OF FINANCE	E-MAIL:	Peter.Lewis@reading.gov.uk

### 1. EXECUTIVE SUMMARY

- 1.1 This report sets out the projected Council revenue budget outturn position for 2017/18 based on actual, committed and projected expenditure for the Council as at the end of January 2018. It also contains information on the capital programme, capital receipts and the Housing Revenue Account (HRA).
- 1.2 It is projected that the revenue budget will be underspent by £1.1m as at the year end. At this point in time there are no projected commitments against the remaining contingency of £1.6m; unexpected pressures or undelivered savings would be a first call on this contingency. The budget remains under pressure. In particular,
- 1.2.1 the total of negative variances is £10.1m, which includes some projection of further pressures on care places through to the year-end. If these projections prove underestimated then there would be more pressure on the budget within 2017/18. Ongoing strong management is required in order to prevent further overspending during the remainder of 2017/18.
- 1.2.2 many of the positive variances and mitigations are not ongoing, so will not provide relief for any of the negative variances that are ongoing into 2018/19 and beyond. This produces a pressure in 2018/19 of £7.245m at this stage; this pressure and a further projection is built into the budget for 2018/19;
- 1.3 The following graph shows the percentage variance to budget for the whole Council for the last two financial years and for the year-to-date with a trend line to the end of the year. It is noteworthy that the graphs illustrate improved financial projections and control in 2017/18 than in previous years, despite the pressures that are upon the budget.



## 2. RECOMMENDED ACTION

2.1. To note that based on the budget position at the end of January 2018, it is projected that the budget will be underspent by £1.1m, without using the remaining contingency of £1.6m.

### 3 BUDGET MONITORING

3.1 The results of the Directorate budget monitoring exercises are summarised below. The projected impact into 2018/19 is also illustrated (note: children's services have also projected an ongoing increase in demand into 2018/19)

	Negative Variances £'000s	Positive Variances £'000s	Jan Net Variation £'000s	% variance budget	Dec Net Variation £000	Movement since Dec £000
Environment & Neighbourhood Services	1,812	-3,678	-1,866	-6.42%	-1,883	17
Children's, Education & Early Help Services/	3,418	-692	2,726	6.93%	2,673	53
Adults Care and Health Services inc. Public Health	2,535	-2,149	386	1.06%	386	0
Corporate Support Services	1,924	-2,102	-178	-1.33%	-177	-1
Directorate Sub total	9,689	-8,621	1,068	0.90%	999	69
Treasury		-1,250	-1,250		-1,250	0
Corporate Budgets		-950	-950		-950	0
<b>Total</b>	<b>9,689</b>	<b>-10,821</b>	<b>-1,132</b>	<b>-0.90%</b>	<b>-1,201</b>	<b>69</b>

### 3.2 Environment & Neighbourhood Services

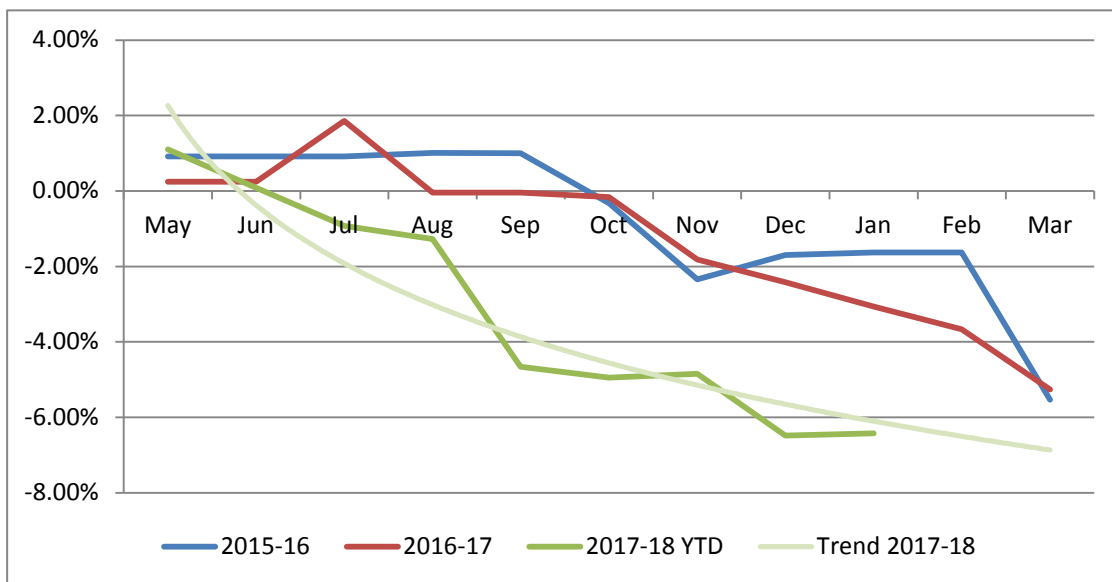
Based on the information currently available, the directorate is reporting a net positive variance against budget at year end of £1.9m. However, this is the consequence of a much more significant range of variances across a range of budgets including increased costs of £0.6m, reduced income of £0.5m and as yet unrealised savings of £0.7m, offset by an over-achievement of other income and under spend in homelessness.

The gross projected overspend, before mitigations; in DENS is £1.8m. £1.2m of this arises in Transport & Streetcare (T&S), where half the adverse variances arises from unrealised savings, notably the fleet management saving (£0.14m), and the off street car parking saving (£0.18m). T&S also has increased costs and in some areas reduced enforcement and other income in comparison to budget. Planning, Development & Regulatory Services (PDRS) are predicting an adverse variance of £0.30m with the majority of this pressure being due to external legal costs in relation to a noise nuisance case and increased staffing costs. A one-off pressure of £0.1m relating to recent office moves has been identified but will be funded through the change fund as part of the transformation programme; therefore this has not been included as a pressure for the purpose of this report.

Economic & Cultural Development (ECD) are also predicting an adverse variance, relating to reduced income in comparison to budget across a range of service areas.

These overspends are compensated by £3.7m of positive variances. Of this, £2m is increased income, most of which arises in T&SC and include £0.4m additional on street car parking income and £0.5m additional income from green waste. PDRS has also achieved additional income, including £0.3m relating to rental income from an investment property purchased at the end of 2017 and additional planning income of £0.1m

£1.6m arises from reduced costs in T&SC, ECD, PDRS & Housing & Neighbourhood Services (H&NS), notably for T&SC £0.4m across the park & ride contract & concessionary fares and £0.5 for H&NS due to a continuing trend of effective prevention of homelessness



### 3.3 Children, Education & Early Help Services

The Directorate is currently reporting a net negative variance of £2.726m for the year which represents 6.9% of the annual budget. This is an adverse movement of £54k from the position reported in December.

The gross variance before remedial action is £3.418m which is largely attributable to the increased complexity of the looked after children (LAC) population amounting to £3.159m variance. The use of higher cost residential placements has increased significantly during 2017/18.

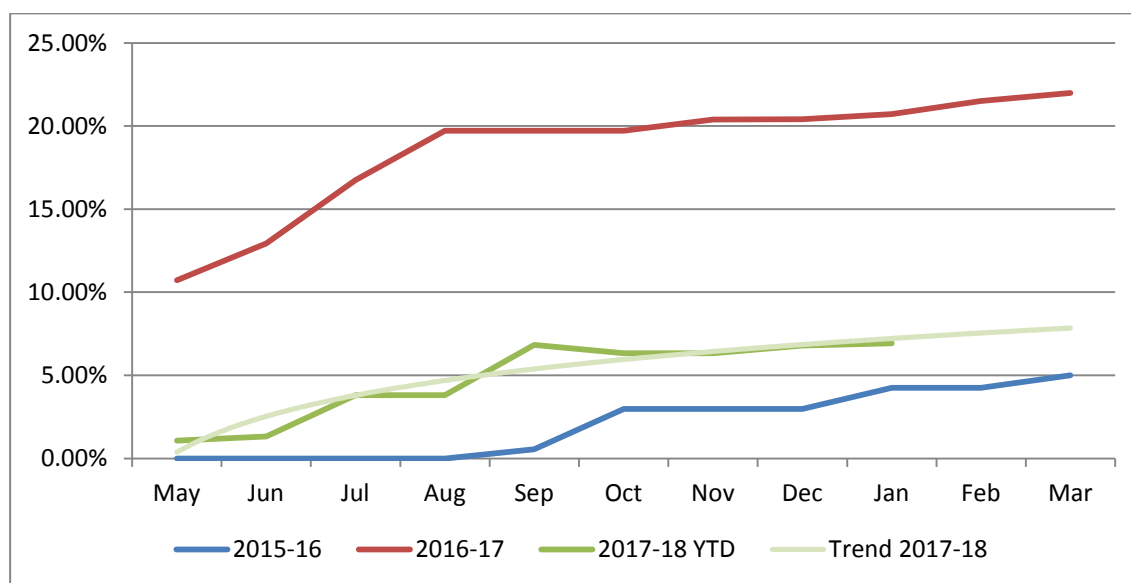
The projection for LAC reflects a further complex Residential placement, a new mother and baby placement and placement of a sibling group; this has resulted in the adverse movement. The mother and baby placement will be a cost of £3,358 per week, increasing to £3,850 per week when the father will be involved in the assessment. This was a court advised placement, which will be a maximum of 12 weeks at this high cost.

In addition to this negative variance, the Directorate is facing a £0.259m pressure for home to school transport for SEN pupils. This is due to the increase in pupils being placed at The Avenue, increasing the demand for transport for SEN pupils.

The position reflects the positive variance of £0.1m from the early implementation of the Business Admin restructure required by 1<sup>st</sup> April 2018 to achieve the proposed savings for 2018/19.

In year savings totalling £0.603m identified are focused on further measures are on track to be achieved.

The paragraphs above describe the impact for the General Fund Services. The Directorate is also currently anticipating as in year deficit of £2.3m relating to the Dedicated Schools Grant (DSG). This will increase the deficit of the DSG to £3.7m which will be carried forward into 2018/19. The implementation of a new SEN strategy is intended to reduce the burden on the SEN budget when the new school funding formula is introduced in 2018/19. The local flexibility for the DSG will be restricted to 0.5% of the total DSG in 2018/19, which is estimated at £0.4m.



### 3.4 Adult Care & Health Services

The forecast overspend for the year after remedial action, and in year savings is £0.386m, which is in line with the overspend forecast in December.

In terms of the overall position, the gross overspend before remedial action is £2.535m, after taking account of savings still to be delivered from the original programme of £0.040m. The gross overspend is largely due to pressures on care placements in Learning Disabilities and Mental Health, across all types of service provision, although particularly in residential and community services. After

remedial actions and in year savings, the remaining overspend on Learning Disabilities is £1.250m and on Mental Health £0.525m.

For the Learning Disabilities Service, the overspend is due to an additional pressure on residential placements and an overspend on Community Services which is related to increased clients and demography. This equates to 12 additional packages in Learning Disabilities and 49 additional packages in Mental Health in comparison to budget assumptions at the start of the year. The forecast includes a contingency for transition and sleep in costs of £0.250m still to come through before the end of the year.

The adverse variance on Mental Health Services is due mainly to additional client costs in residential and nursing placements, though there is also an overspend on Community and other services.

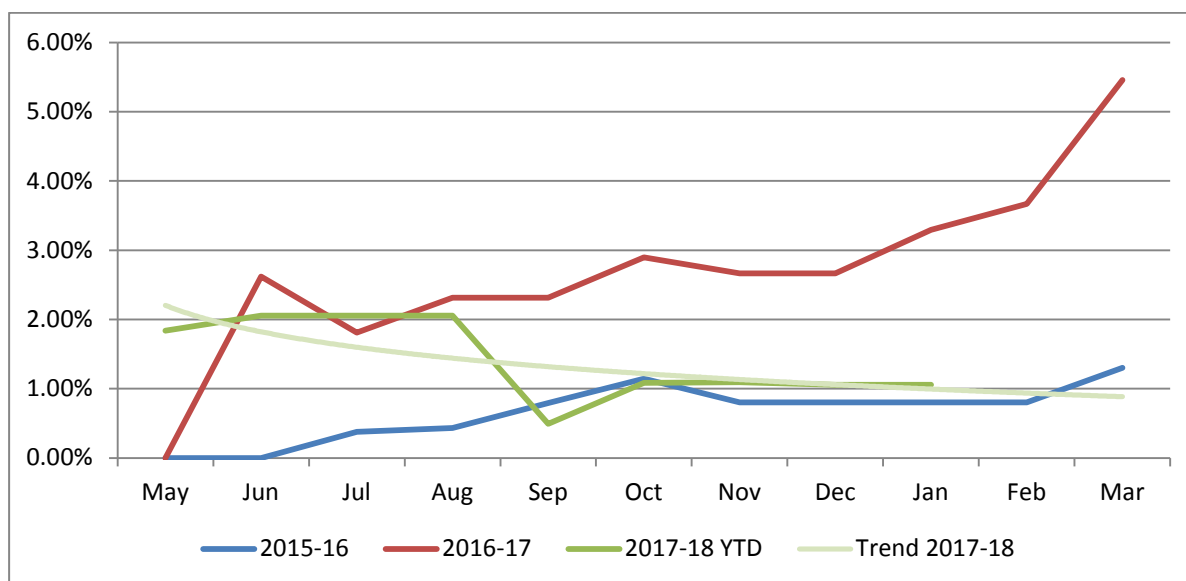
The original DACHS savings programme for 2017-18, targeted savings in total of £4.067m. The forecast as presented assumes savings delivered will be £3.834m, representing a shortfall of £0.233m, which is 94% achievement of the original programme.

The Directorate has also identified £2.149m of positive variances and remedial action to reduce the gross overspend. This comprises £0.682m of underspends on budgets which are to be maintained until year end, specific remedial actions of £0.985m and new in-year savings of £0.482m. The main remedial actions identified to reduce the deficit have included reworking the use of elements of the Public Health grant, keeping inflation awards to a minimum with providers, and trying to find savings from either reworking service delivery or holding vacancies. Better contract management should yield additional Continuing Health Care (CHC) funding, although most of this is expected to be historical and will be one-off. The Directorate has also retained housing benefit funding to reduce pressure on extra care and is capitalising costs of implementing new computer systems and software.

In year savings totalling £0.482m, are focussed on further measures, which includes, restrictions on agency spend, increasing Funded Nursing Care (FNC) and Continuing Health Care (CHC) funding, Public Health spend reductions on contracts, savings from reduced voids, Telecare spend reductions and other smaller reductions.

A 'sense check' has been undertaken as part of the January monitoring to cross check the care cost and income forecast from the Mosaic system to the actuals on the Fusion systems. The review has identified some potential additional cost pressure on Older People and Physical Disabilities, though offset by a potential reduction in cost pressures on Learning Disabilities and Mental Health. This will be analysed further between now and year end, though is expected to be cost neutral. The information will be used to inform budget setting for 2018-19. The 'sense check' has also identified an issue with NHS income, where there is a significant backlog of NHS invoicing, caused partly by changes in the way in which NHS required to be invoiced for Funded Nursing Care. The impact of the delay poses some financial risk, which could affect the income accrued for 2016-17 and NHS income assumptions on income for 2017-18. This is still under investigation and there is some risk, though the assumption for this forecast, is that income is in line with the December forecast.





### 3.5 Corporate Support Services

The Directorate is currently reporting a £178K underspend for the end of January which is a £1K change on last month. Within this there are several positive and negative changes across services which are detailed below.

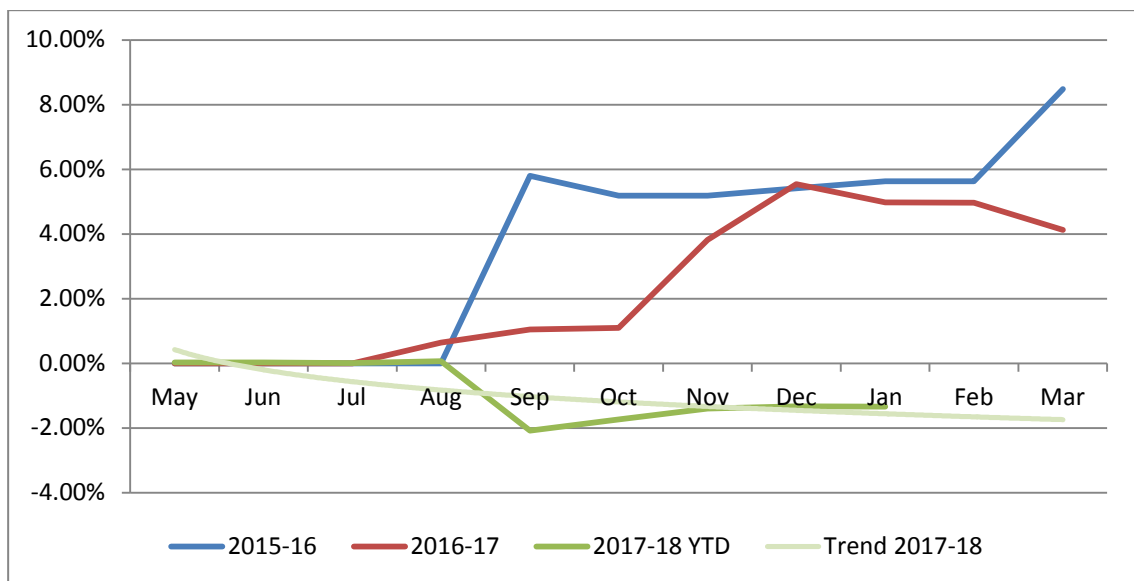
The most significant variance continues to be within the Childcare Lawyers service; this is a Berkshire wide joint arrangement operated by Reading Borough Council. Increased caseloads and duration of cases due to their complexity means the team is employing interims and agency staff over and above establishment at an additional cost of £966K. These costs are recharged to the other five Berkshire LA's, including administration fees, causing a positive variance on income, which offsets the negative variance on costs. The RBC element of the Joint Arrangement is currently expected to underspend by £10K.

The Finance & Accountancy Team is continuing to make progress towards the new structure which is expected to be in place by April 2018, although some posts will need to be recruited externally and may take longer to fill. A new Chief Accountant started at the beginning of January to provide technical accounting leadership and the new Head of Finance starts at the beginning of March. Recruitment costs for the new structure are estimated to be £32K.

During this period of transformation for Finance & Accountancy, additional interim staff have been brought in to cover vacant posts and provide stability to the team at an additional cost of £415K. It is also anticipated that there will be additional external audit fees of around £100K arising from the extra work that EY have carried out on the audit of 2016/17 accounts. Some of these additional costs will lead to long term improvements in Finance and the ability to support organisational change and savings, so are being considered for funding from the change fund.

The digitisation saving that is currently held within the Corporate budget is being shown as a pressure of £154K whilst more detailed work is ongoing to identify how this saving will be achieved. In order to deliver this saving the Corporate Management Team have recently agreed to give targets to each directorate to work towards digitisation and some savings around reduced printing and postage have been identified for 2018-19.

The overspends in the Directorate are mitigated by vacancies being held in the Policy and Voluntary Sector Team, Learning and Workforce Development Team and Customer Services (£153K). There is also a non-recurrent saving (£180K) on the elections budget for 2017/18 as it is a fallow year. In-year savings have been made on the ICT budget by deferring some projects to 2018-19 and also due to reduced numbers of assets (£329K). Additionally contingencies in the Learning and Workforce Development (£100K) and Housing Benefit Subsidy (£47K) have been released in-year.



### 3.6 Contingency

A contingency of £7.7m was built into the 2017/18 budget of which it was agreed at Policy Committee in July 2017 that £5.378m would be used to remove undeliverable savings leaving a contingency of £2.3m for this financial year. A further £695K has been used in since July to reprofile savings to future years.

	£'000s
Opening Position 1/4/2017	7,700
Savings removed July Policy Committee	(5,378)
Savings reprofiled July CMT	(121)
Savings reprofiled Aug CMT	(40)
Savings reprofiled Sep CMT	(534)
Remaining Balance at 30/11/2017	<u>1,627</u>

## 4. TREASURY MANAGEMENT & CORPORATE BUDGETS

- 4.1 We have further reviewed the capital financing budget position, to take account of the current cash flow and a projection to 31 March, and a review of the apportionment of interest costs and finalised the detailed MRP calculation. We now expect the overall budget to be under spent by £1.05m in 2017/18, though as always there remains some uncertainty, given the larger cash flows expected in the final quarter. In addition, a further projection of capital receipts and their uses will enable £200k to be used to repay debt and hence reduce the MRP payment in line with the agreed MRP policy, by the same amount.
- 4.2 The Committee may recall from the Annual Treasury Management Strategy Statement that the Council has borrowed £30m on LOBO Terms (where the lender has an option to increase the interest rate, whereupon the Council has an option to repay). Last year one lender of £5m indicated, and provided a deed of variation stating that it would not exercise the options, thus turning the loan into a “vanilla” one.

Recently the Council has been contacted by another lender of £10m setting out outline terms to repay the loan. The Director & Head of Finance are currently considering this proposal which appears to have some merit, and subject to appropriate due diligence and advice may proceed with a repayment during 2018. There will be a substantial premium, but this can be accounted for over the remaining period of the original loans and on initial inspection appears to offer some long term, and possibly shorter term, advantages to the Council.

- 4.3 Other Corporate budgets have also been reviewed, notably the contingency budgets to help fund the Council’s share of the Berkshire Pension Fund deficit, most of which is financed by the pensions on-cost on pay across the Council. The latest forecast is that very little of the budget should be needed this year with an expected £400k underspend. Furthermore £100K of the Living Wage “top up” contingency budget is not needed in 2017/18, as the costs are otherwise in the budget. However, currently there are no clear and firm plans to complete the delivery of the £350k across the Council procurement savings (other than those procurement savings already built into directorate savings proposals).
- 4.4 Additionally, across the Council £100K can be released from budgets this year due to the Christmas leave offer being made to staff and transformation costs are currently forecast to be underspent by £200K this year. Finally, of the £1m set aside in the budget to support the future improvement of Children’s Services, which has now been agreed to be through the set-up of the Children’s Company, only £500K will be needed this year, so £500k will not be spent in 2017/18. Therefore in total other corporate budgets are forecast to underspend by £950k.

## 5. FORECAST GENERAL FUND BALANCE

- 5.1 Based upon the draft accounts for 2016/17, the General Fund Balance at the end of 2016/17 was £5.2m. As indicated in the table above, assuming remedial action highlighted is carried out, there is a forecast overspend on

service revenue budgets of £1.1m. The pressure on service directorate budgets is offset by a favourable position on treasury and other corporate budgets (see para 4.1), so there is an overall underspend of £1.1m forecast. Officers however need to continue to manage tightly spending throughout the remainder of the year to avoid any overspend at the year end.

## 6. CAPITAL PROGRAMME 2017/18

- 6.1 To the end of January £50.689m of the c.£79m programme had been spent and it should be noted that capital spending is usually weighted to the latter part of the year. (The amount spent includes the purchase of a £20m investment property.)

### Capital Receipts

- 7.1 The financial strategy depends on successfully obtaining capital receipts to fund the transformation programme and the equal pay settlements. In summary, an estimated £14m is required in 2017/18 for equal pay; £3.2m for the change fund; £1m for redundancy costs and £2m for debt reduction / an MRP contribution. This implies a requirement of £20.2m capital receipts.
- 7.2 HRA property at 10 Sun Street was sold at auction - £220k received in January. Weldale Street (£0.25m) is expected to be completed within this financial year. Negotiations are ongoing on Amethyst Lane (£4.0m) and likely to be completed in 2018/19.

### 7.3

	<b>Non-HRA 17/18</b>	<b>HRA (not 1-1) 17/18</b>	<b>Total 17-18</b>	<b>18/19</b>
<b>Planned</b>	£12.3m	N/A	£12.3m	£2.5m
16/17 b/f	£6.6m	£5.5m	£12.1m	N/A
Of which delivered	£8.2m	£0.4m	£8.6m	£0.0m
Expected shortly	£0.2m	£0.0m	£0.2m	£0.0m
<b>Total Available</b>			<b>£20.9m</b>	
Additional Required	£ 0.0m	N/A	£0.0m	£0.0m

## 8. HRA

- 8.1 An analysis of the current expected outturn of operational budgets (for repairs and management costs) projects an under spend of £300k. This includes £200k underspend relating to the revenue repairs budgets and a number of minor variances across the HRA supplies and services budgets as well as a small number of vacant posts.
- 8.2 The latest review of the HRA capital financing position for 2017/18 has identified those costs should be around £10.5m, which represents a £100k underspend. The current projection for rent income suggests that actual income should be at least £350k better than budget, amongst other reasons because of continuing good control of rent arrears.

8.3 An analysis of the MRA funded capital expenditure is shown below. The majority of the expected underspend in 2017/18 relates to work the water mains at Coley High Rises which is likely to slip into 2018/19:

	Budget	Actual spend at 31/01/2018	Projected Outturn
	£'000	£'000	£'000
<b>HRA-Major Repairs</b>	7,248	3,653	6,090
HRA-Hexham Road Project	1,200	898	1,400
Disabled Facilities Grants (Local Authority Tenants)	390	268	501
<b>Total</b>	<b>8,838</b>	<b>3,114</b>	<b>7,979</b>

## 9. RISK ASSESSMENT

9.1 There are risks associated with delivering the Council's budget and this was subject to an overall budget risk assessment. At the current time those risks are being reviewed as part of budget monitoring and can be classed as follows:

- High use of agency staffing & consultants;
- Pressures on pay costs in some areas to recruit staff or maintain services;
- In year reductions in grant;
- Demand for adult social care;
- Significant additional demand (and change in caseload mix) for children's social care;
- Increased requirement for childcare solicitors linked to activity on the above;
- Homelessness, and the risk of a need for additional bed & breakfast accommodation;
- Demand for special education needs services;
- Housing Benefit Subsidy does not fully meet the cost of benefit paid

## 10. COUNCIL TAX & BUSINESS RATE INCOME

10.1 We have set targets for tax collection, and the end of January 2018 position is:

Council Tax	2017/18 £000	Previous Year's Arrears £000	Total £000
Target	85,514	1,490	87,004
Actual	85,571	1,607	87,178
Variance	57 over	117 over	174 over

10.2 For 2017/18 as a whole the minimum target for Council Tax is 96.5%, (2016/17 collection rate 96.8%). At the end of January 2018, collection for the year to date was 92.00% compared to a target of 91.94%, and collection is slightly ahead 2016/17 (91.97% by end of January 2017).

10.3 Business Rates Income to the end of January 2018

Business Rates	2017/18 £000	2017/18 %
Target	114,756	89.50
Actual	114,772	89.51
Variance	16 over	0.01

The target for 2017/18 as a whole is 98.50%. By comparison, at the end of January 2017, 92.35% of rates had been collected.

## 11. OUTSTANDING GENERAL DEBTS

11.1 The Council's outstanding debt total as at 31 January 2018 stands at £4.289m in comparison to the 31 December 2017 figure of £4.773m and the 31<sup>st</sup> March figure of £4.280m. This shows a decrease of £0.484m since December, and we note that £2.679m of the balance as at 31 January 2018 is greater than 151 days old, compared to £2.807m at the end of December.

11.2 With regards to debt that is greater than 151 days old, there has been a 5% reduction in this debt since April 2017. The central team has recently taken on responsibility for the collection of NHS debts. This has led to a significant improvement in the value owing by them following intervention, resulting in the old debt reducing. The team is also looking at alternative approaches to how other older debt is tackled following this success.

**12. CONTRIBUTION TO STRATEGIC AIMS**

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

**13. COMMUNITY ENGAGEMENT AND INFORMATION**

13.1 None arising directly from this report.

**14. LEGAL IMPLICATIONS**

14.1 The Local Government Act 2003 places a duty on the Council's Section 151 Officer to advise on the robustness of the proposed budget and the adequacy of balances and reserves.

14.2 With regard to Budget Monitoring, the Act requires that the Authority must review its Budget "from time to time during the year", and also to take any action it deems necessary to deal with the situation arising from monitoring. Currently Budget Monitoring reports are submitted to Policy Committee regularly throughout the year and therefore we comply with this requirement.

**15. FINANCIAL IMPLICATIONS**

15.1 The main financial implications are included in the report. The Council's constitution envisages remedial action is implemented when there are adverse budget variances.

**16. EQUALITY IMPACT ASSESSMENT**

16.1 None arising directly from the report. An Equality Impact Assessments was undertaken for the 2017/18 budget as a whole.

**17. BACKGROUND PAPERS**

17.1 Budget Working & monitoring papers, save confidential/protected items.