

To: Councillor Stevens (Chairman)
Councillors Davies, Edwards, Emberson,
Gittings, McElroy, McEwan and Robinson

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17 January 2022

Your contact is: **Michael Popham - Democratic Services Manager**

NOTICE OF MEETING - AUDIT AND GOVERNANCE COMMITTEE 25 JANUARY 2022

A meeting of the Audit and Governance Committee will be held on Tuesday, 25 January 2022 at 6.30 pm in the Council Chamber, Civic Offices, Reading. The Agenda for the meeting is set out below.

	<u>WARDS AFFECTED</u>	<u>Page No</u>
1. DECLARATIONS OF INTEREST		
2. MINUTES		5 - 10
3. QUESTIONS		
4. INTERNAL AUDIT QUARTERLY PROGRESS REPORT	BOROUGH WIDE	11 - 60
This report provides an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report.		
5. EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT SERVICE	BOROUGH WIDE	61 - 64
This report provides Members of the Committee with an overview of the requirements set out in the Public Sector Internal Audit Standards in relation to an External Quality Assessment (EQA) of the Council's Internal Audit service and to inform Members of the planned approach to ensure an EQA is procured and completed.		
6. IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE	BOROUGH WIDE	65 - 72

CIVIC OFFICES EMERGENCY EVACUATION: If an alarm sounds, leave by the nearest fire exit quickly and calmly and assemble on the corner of Bridge Street and Fobney Street. You will be advised when it is safe to re-enter the building.

This report provides the latest update on progress of the Finance Improvement Programme workstreams and their deliverables against the Plan since the last meeting in September 2021.

7.	TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW 2021/22	BOROUGH WIDE	73 - 90
	To provide an update on the activity of the Treasury Management function during the first half of the year for the period 1 st April 2021 to 30 th September 2021.		
8.	2021/22 QUARTER 2 PERFORMANCE AND MONITORING REPORT	BOROUGH WIDE	91 - 136
	This report sets out the projected revenue and capital outturn positions for 2021/22 for both the General Fund and the Housing Revenue Accounts as at the end of September 2021 (Quarter 2). These forecasts include best estimates of the additional pressures arising as a result of Covid-19. The report also sets out performance against the measures of success published in the Council's Corporate Plan.		
9.	INFORMATION GOVERNANCE QUARTERLY UPDATE	BOROUGH WIDE	137 - 144
	This report outlines the actions in progress to improve the Council's policies, systems and processes for better Information Governance.		
10.	REDMOND REVIEW UPDATE	BOROUGH WIDE	145 - 152
	To update on the progress for the implementation of the recommendations contained in the Redmond Review and recommend the Council opts-in to the sector-led option for the appointment of external auditors from 1 April 2023.		
11.	IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER	BOROUGH WIDE	153 - 162
	This report sets out a summary of those high and medium risk Internal Audit recommendations which remain outstanding together with an updated management response.		
12.	CLOSING FINANCIAL ACCOUNTS UPDATE	BOROUGH WIDE	163 - 166
	This report updates the Committee on progress with the completion of the audit of the Council's Final Accounts for 2019/20 as at 5 th January 2022.		
13.	DRAFT AUDIT PLANNING REPORT 2019/20		167 - 214
	This Draft Audit Plan summarises EY's initial assessment of the key risks driving the development of an effective audit for the Council and outlines a planned audit strategy in response to those risks.		

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| 14. | HOUSING BENEFIT & COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2022/23 | BOROUGH WIDE | 215 - 218 |
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This report proposes the continued use of the Council's Risk Based Verification (RBV) process in 2022/23.

- 15. EXCLUSION OF PRESS AND PUBLIC**

At this point, if necessary, 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 item 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”

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|------------|---|---------------------|------------------|
| 16. | HOUSING BENEFIT & COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2022/23 - APPENDICES | BOROUGH WIDE | 219 - 226 |
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Members of the public seated in the public gallery will not ordinarily be filmed by the automated camera system. However, please be aware that by moving forward of the pillar, or in the unlikely event of a technical malfunction or other unforeseen circumstances, your image may be captured. **Therefore, by entering the meeting room, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.**

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.

Please speak to a member of staff if you have any queries or concerns.

AUDIT AND GOVERNANCE COMMITTEE MINUTES - 30 SEPTEMBER 2021

Present: Councillors Stevens (Chairman), Davies, Edwards, Emberson (via Microsoft Teams), Gittings, McElroy and McEwan;

In attendance Councillor Emberson was unable to attend in person, so attended and contributed remotely via Microsoft Teams, but did not vote on any of the items;

Apologies Councillor Robinson.

10. MINUTES

The Minutes of the meeting of 19 July 2021 were confirmed as a correct record and signed by the Chairman.

11. QUESTIONS

A question on the following matter was submitted, in accordance with Standing Order 36(2):

	Questioner	Subject	Answer
1.	Mr J Wellum	Openness and Transparency with Council Data	Cllr Stevens

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

12. INTERNAL AUDIT QUARTERLY UPDATE REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in July 2021.

The report set out a summary of the audit reports in respect of: Budgetary Control 2020/21; Adult Social Care - Contract Management; Business Payments (Post Payment) Assurance; Housing Benefits; Corporate Governance Review; and Facilities Management Corporate Repairs. As the Chief Auditor had given 'limited assurance' to Facilities Management Corporate Repairs and Adult Social Care - Contract Management, the full internal audit reports for these two audits were appended to the report.

In relation to Facilities Management Corporate Repairs, the report stated that although a limited assurance opinion had been given, internal audit was satisfied that there was a good understanding of the improvements required to ensure both planned and responsive repairs were completed on a timely basis.

In relation to Adult Social Care - Contract Management, the report stated that there was a commitment to review and re-evaluate contract management procedures in Adult Social Care in order to ensure that contracts were appropriately managed and monitored.

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The report also listed the audits that were currently in progress and gave a summary of investigations work between April 2021 and September 2021.

Resolved: That the audit findings in relation to Facilities Management Corporate Repairs and Adult Social Care - Contract Management be noted, and the recommendations set out in the full audit reports be endorsed.

13. STRATEGIC RISK REGISTER

Paul Harrington, Chief Auditor, submitted a schedule updating the Committee on the Q2 status of the Council's 2021/22 Strategic Risk Register (SRR), in line with the requirements of the Council's Risk Management Strategy. The SRR was attached to the report at Appendix 1.

The report explained that the SRR had been developed to provide a focused and high level overview of strategic risks for staff, councillors and other stakeholders, and was supplemented by more detailed directorate, service and project risk registers. The primary aim of the SRR was to identify those key vulnerabilities that needed to be closely monitored. In many cases this would be because the risk was relatively new and, whilst being effectively managed, the associated control framework was yet to be fully defined and embedded.

The SRR highlighted ten risks, three of which 'Not achieving the budget savings, controlling costs and achieving income targets', 'Failure to adapt to the impacts of climate change and deliver zero carbon commitments with negative impacts for residents and businesses, and for Council services, infrastructure and reputation and 'Cyber-attack resulting in service disruption, data loss or damage, financial loss and/or reputational damage' were currently rated as 'red'.

Resolved: That the Council's Strategic Risk Register, as at September 2021, be noted.

14. ANNUAL GOVERNANCE STATEMENT 2020/21

Michael Graham, Assistant Director of Legal & Democratic Services, submitted a report setting out the updated action plan for the 2020/21 Annual Governance Statement (AGS), which was attached to the report at Appendix 1. The Council was required to prepare and publish an AGS each year as an accompaniment to the authority's financial statements. The Council was responsible for ensuring that its financial management was adequate and effective and that it had a sound system of internal control, which facilitated the effective exercise of the Council's functions, including arrangements for the management of risk. The AGS was a record of the overall effectiveness of governance arrangements within the Authority; it reflected the latest guidance from CIPFA/SOLACE on a strategic approach to governance and demonstrated how the key governance requirements had been met.

Assistant Directors and Executive Directors had completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. The improvements to governance arrangements and internal control, which had been identified, were set out in the AGS. Having undertaken this review,

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the Council was satisfied that suitable and appropriate governance arrangements were in place but identified further improvements that were set out in the conclusion of the AGS.

Resolved:

- (1) That the Annual Governance Statement for 2020/21 be approved;**
- (2) That the Assistant Director of Legal & Democratic Services be authorised to make minor amendments to the Statement, prior to signature by the Leader and Chief Executive.**

15. INFORMATION GOVERNANCE QUARTERLY UPDATE

Michael Graham, Assistant Director of Legal & Democratic Services, submitted a report outlining the action underway to improve the Council's policies, systems and processes for Information Governance following several limited assurance reports in this area.

The report provided an update on: recruitment to key posts in the Information Governance Team and the interim arrangements in place to cover the backlog of Subject Access Requests; the Central Management of FOI requests through the Customer Relations Team; data transparency; the work of the Information Governance (IG) Board; the development of the Information Management Strategy, which would be informed by the technical review which had been undertaken by Leicester City Council and had produced draft recommendations for the Council to consider prior to the Strategy being approved by Policy Committee; and training being undertaken by staff and councillors on Cyber security and Information Governance. It was noted that Cyber Security was a key strategic 'red' risk for the authority yet only 49% of staff had completed the mandatory training. The Committee requested further detailed information to be included in the next report to demonstrate progress in ensuring all staff and councillors had completed the training and to uncover if there were any pockets of resistance to complying with this mandatory requirement.

Resolved:

- (1) That the progress being made to improve the Council's Information Governance be noted;**
- (2) That compliance with the mandatory requirement to complete the Cyber Security training, especially as it was a key strategic 'red' risk for the authority, be kept under review and progress be reported back to the Committee.**

16. FINANCIAL ACCOUNTS UPDATE

Darren Carter, Director of Finance, reported that the Council's Final Accounts for 2018/19 had formally been completed on 29 September 2021 and had been published on the website. The final checks on the 2019/20 Accounts were being undertaken and once completed would be passed over to the external auditors EY for review. There was also good progress being made on the parallel work being undertaken to prepare

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the Accounts for 2020/21. At this stage, the focus was on quality assurance assessment prior to handing over the Accounts to EY. It was anticipated that this would reduce ongoing risk to the Authority and assist aligning publication of the Statement of Accounts to the proper timetable in future years.

Resolved:

- (1) That the publication of the Final Accounts for 2018/19 be noted and the Finance Service and external auditors be thanked and congratulated for the work that they had done to achieve this outcome;**
- (2) That the good progress being made to close the Accounts for 2019/20 and 2020/21 be noted.**

17. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Jackie Yates, Deputy Chief Executive, presented a report setting out, at Appendix 1, the Implementation of Audit Recommendations tracker report.

The report explained that each recommendation was marked with a percentage complete which correlated to a red/amber/green rating (up to 25% complete: red, between 26% and 75%: amber, over 75% complete: green). Any recommendations that were less than 50% complete but had exceeded their agreed completion date were also marked red.

The Chief Internal Auditor had undertaken a detailed review of activity and recommendations, which had led to identifying that a significant number of tracker recommendations had been completed and therefore could be removed. As a result, the tracker report at Appendix 1 now only had 66 high and medium risk recommendations from Internal Audit, of which 14 (21%) were currently green, 34 (52%) were amber and 9 (14%) were red. Nine recommendations had now been completed and would be removed from the next report.

Resolved: That the high and medium risk Internal Audit recommendations and the responses to those risks be noted as set out in Appendix 1 to the report.

18. IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE

Chris Tidswell, CIPFA, presented a report providing an update on progress of the Finance Improvement Programme (FIP) against the plan for each workstream and their deliverables. The report explained that the FIP had two key phases: Phase I was responding to the historic and current issues identified to ensure a sound foundation and 'getting the basics' right. The second phase would concentrate on embedding Phase I delivery and developing the financial management culture and governance framework across the Council. The report stated that progress against the Phase I plan since the last Committee had continued with the transformation deliverables

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completed and just four remaining areas to be concluded from the Accounts Receivable workstream.

The financial system implementation stage had commenced and as the Phase I workstreams were coming to conclusion, the Board was undertaking a review of its composition and terms of reference to ensure they were aligned with delivering Phase II of the transformation programme, which encompassed implementation of the new finance system.

The audit tracker recommendations (see Minute 17 above) continued to be included within individual workstream deliverables where appropriate and were managed as part of the overall Plan. There were 7 (previously 34) recommendations within the tracker covered by the Finance Improvement Programme, none of which were now 'Red' rated.

Resolved: That the progress being made to implement the Finance Improvement Programme be noted.

19. EXTERNAL AUDITOR UPDATE

Maria Grindley and Adrian Balmer, EY, provided a brief update from the external auditors' perspective on the position in relation to the closure of the Final Accounts for 2018/19 and progress with the completion of the Council's Final Accounts for 2019/20 and 2020/21.

Resolved: That the position be noted.

(The meeting commenced at 6.30pm and closed at 8.21pm).

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**READING BOROUGH COUNCIL
DIRECTOR OF FINANCE**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	25 JANUARY 2022		
TITLE:	INTERNAL AUDIT QUARTERLY UPDATE REPORT		
LEAD COUNCILLOR:	COUNCILLOR RUTH MCEWAN	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	AUDIT & INVESTIGATIONS	WARDS:	N/A
LEAD OFFICER:	PAUL HARRINGTON	TEL:	9372695
JOB TITLE:	CHIEF AUDITOR	E-MAIL:	Paul.Harrington@reading.gov.uk

1. PURPOSE OF REPORT

- 1.1 This report summarises internal audit activity in respect of internal audit and investigations for the period 1 October to the 31 January 2022.
- 1.2 The following documents are appended:
 - Appendix 1 - Internal Audit & Investigations Update Report
 - Appendix 2 - MOSAIC Payments to Care Providers - Internal Audit Report
 - Appendix 3 - Payments to Voluntary Sector Organisations - Internal Audit Report

2. RECOMMENDATIONS

- 2.1 **The Audit & Governance Committee is requested to consider the report.**

3. SUMMARY

- 3.1 The primary objective of each audit is to arrive at an assurance opinion regarding the robustness of the internal controls within the financial or operational system under review. Where weaknesses are found Internal Audit will propose solutions to improve controls, thus reducing opportunities for error or fraud. In this respect, an audit is only effective if management agree audit recommendations and implement changes in a timely manner.
- 3.2 A total of four audit reviews were completed in the period between October and December 2021.
- 3.3 One audit review received a positive opinion and three have received a negative assurance opinion. In addition to the audit reviews, grant certifications were provided to the relevant government departments for the Local Transport Plan Capital Grant and the Culture Recovery Fund Grant.

3.4 Substantial Assurance Opinion Reviews

3.4.1 N/A

3.5 Reasonable Assurance Opinion Reviews

3.5.1 A review of the **Housing Allocation Scheme** concluded that the allocations policy was clear and comprehensive. We did however highlight that safeguarding concerns reported could have been identified sooner.

3.6 Limited Assurance Opinion Reviews

3.6.1 Our audit of **Staff (Grey Fleet) Vehicle Documentation** recognised that progress has been made since our last review in 2020, such as the development of a new policy for grey fleet. However, there was a lack of consistency of data between iTrent and Fleetwave in relation to grey fleet checks conducted and of driver designations, with a lack of timely updating of iTrent and issues relating to information contained within iTrent reports.

3.6.2 Following a request by the Deputy Chief Executive to investigate the delayed payment to a **Voluntary & Community Sector Provider**, we reported there was reliance on a number of key individuals and a high degree of manual intervention, with limited resilience or a shared understanding of the process between the services.

3.6.3 Paying invoices to suppliers on time is a high priority as it can have a significant impact on the financial viability of smaller organisations as well as a have a significant reputational impact on the Council. The Voluntary & Community Sector (VCS) are key partners in enabling the Council to address inequalities within the Borough and maintaining productive working relationships is important.

3.6.4 Whilst some of the issues have already been addressed, further action is required, and we are currently unable to give any assurance that this will not happen again.

3.7 No Assurance Opinion Reviews

3.7.1 Following a request by the Director of Finance, to review the circumstances leading to an **overpayment made to a social care provider** we concluded that the overpayment of circa £1m was triggered after inflationary increases were incorrectly applied. We found a lack of a common understanding of roles and responsibilities and ownership of processes.

- 3.7.2 There was no adequate control / workflow process around the treatment of inflationary uplifts, with no independent review to check for accuracy, with changes made manually and therefore subject to increased risk of error and potential fraud, albeit no evidence of fraud was uncovered. In addition, amendments within Mosaic were unable to be reviewed in real time, so issues could take several days to identify and then a further several days to ensure they were corrected.
- 3.7.3 It should be noted at this point that assurances have been provided by the Director of Finance that no financial loss has occurred, and that all monies have been fully recovered.
- 3.7.4 Our audit also covered payments made in advance during the Covid-19 pandemic and payments on hold/unprocessed invoices.
- 3.7.5 At the time of our audit there was still a significant balance of £2.1m on the prepayments made to providers, with 62 providers identified as having a difference between what had been paid to them and what was owed to them, in relation to services delivered during the period. This part of the review flagged ongoing issues with payment and remittance advice control weakness and the use of legacy Accounts Payable (AP) email inboxes left unmonitored.
- 3.7.6 As at the end of September 2021, the AP Team had a backlog of invoices that amounted to a delay of two weeks. Also, approximately a total of £2.3m and just over 1,000 invoices were on hold/rejected.
- 3.7.7 A common theme arising from the audit was the quality of data, how it was being monitored and reported. There had also been a loss of regular, communication between AP and the Personal Budget Support Team (PBST) in relation to mismatched and rejected invoices/invoice queries.

3.8 Investigations

- 3.8.1 The Investigations team have been continuing to conduct sample checks to provide post-payment assurance on risk of error and/or fraud and over payment. Since April 2021, the Investigations team have verified 345 applications, based on risk.
- 3.8.2 Officers have commenced investigation into several referrals of tenancy fraud, with 15 cases ongoing and since April 2021 10 properties having been returned to stock to date.

3.8.3 Since April 2021, we have received a total of 9 blue badge misuse referrals, all of which were investigated. One case was successfully prosecuted in November 2021, 2 Blue Badges were seized and removed from circulation and 3 cases have been sent a formal warning letter and the remaining cases are ongoing.

3.8.4 There is one ongoing direct payment investigation (Adults) currently in progress, which is linked to potential money laundering offences.

4. CONTRIBUTION TO STRATEGIC AIMS

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

5. COMMUNITY ENGAGEMENT AND INFORMATION

5.1 N/A

6. LEGAL IMPLICATIONS

6.1.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.

6.2 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.

6.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

7. FINANCIAL IMPLICATIONS

7.1 N/A

8. BACKGROUND PAPERS

8.1 N/A

Appendix 1

Internal Audit & Investigations

Quarterly Update Report

Appendix 1

1.0 OVERVIEW

1.1 Purpose & Scope of Report

1.1.1 The purpose of this report is to provide an update on the progress made against the delivery of the Internal Audit Plan. This report provides details of audits completed in quarter 3 of the 2021/2022 financial year.

1.2 Assurance Framework

1.2.1 Each Internal Audit report provides a clear audit assurance opinion. The opinion provides an objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the work undertaken in relation to the terms of reference agreed at the start of the audit; it is not a statement of fact. The audit assurance opinion framework is as follows:

Opinion	Explanation
No Assurance	“Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.”
Limited	“Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.”
Reasonable	“There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.”
Substantial	“A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.”

1.2.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make. It is management’s responsibility to ensure that effective controls operate within their service areas. Follow up work is undertaken on audits providing **limited** or ‘no’ assurance to ensure that agreed recommendations have been implemented in a timely manner.

2.0 HIGH LEVEL SUMMARY OF AUDIT FINDINGS

2.1	Payments to Care Providers	Recs			Assurance
		7	11	0	No Assurance

2.1.1 The Director of Finance requested Internal Audit to review the circumstances leading to an overpayment made to a social care provider. In addition to this, Internal Audit reviewed payments which had been made in advance to providers during the pandemic, including the reconciliation conducted between what had been paid and what was due in terms of services delivered. An analysis of payments on hold and unprocessed invoices was also included as part of the review.

Supplier overpayment

2.1.2 The overpayment was circa £1m and was triggered after inflationary increases were incorrectly applied. The rate entered in Mosaic for a week was the total owed to the service users over the period of backdating. This led to some significant payments for service users being generated, ranging from c£36k to c£245k, instead of being in the usual range of circa £2.7k to £11.2k, which in turn generated a total payment of £1,194,538 to the provider. It should be noted at this point that assurances have been provided by the Director of Finance that no financial loss has occurred, and the over payment has been recovered.

2.1.3 Our audit concluded that it was difficult to provide a complete picture of what occurred in the lead up to the overpayment, as there were often conflicting records, explanations and information surrounding how the overpayment arose to clearly support what had occurred.

2.1.4 At the time, there was no documented procedures of the end-to-end process for inflationary uplifts and a lack of a common understanding of roles and responsibilities and ownership of each step of the process and clarity over who could action requests for inflationary uplifts.

2.1.5 Rates were uplifted on Mosaic via a tool that although had limited access to it, had inadequate control / workflow process around it and hence, was not subject to independent review to check for accuracy, with changes made manually and therefore subject to increased risk of error. Whilst there is no evidence of fraud in this case, it has been flagged as a potential fraud risk. In addition, amendments were unable to be reviewed in real time, so issues could take several days to identify and then a further several days to correct.

- 2.1.6 The scheme of financial delegation for the service was out of date and no longer appropriate and the authorisation of percentage uplifts was not always clearly recorded or evidenced when uplifts were requested and actioned. Indeed, some uplifts had been actioned following a provider request. Information provided to action uplifts was not subject to proper or sufficient review/authorisation to ensure accuracy and was not always in a clear format, hence was open to misinterpretation.
- 2.1.7 Whilst it was recognised that this occurred at a time when services were under a significant amount of pressure due to Covid-19, numerous opportunities were missed to stop this payment.
- 2.1.8 No reasonableness check appeared to have been carried out to see whether the amounts were indeed within the magnitude of what would be expected. In fact, the over payment was only discovered when it was brought to the council's attention by the provider.

Payments made in advance

- 2.1.9 To assist Home Care, Extra Care and Supported Living providers during Covid-19, payments to providers were switched from payment in arrears to payment in advance between April - November 2020 inclusive, with the actual cost of services delivered in this period being offset against the prepayments made. This was following guidance from the Cabinet Office to put in place the most appropriate payment measures to support supplier cash flow, which could include payment in advance.
- 2.1.10 At the time of our audit there was still a significant balance of £2.1m on the prepayments made to providers, with 62 providers identified as having a difference between what had been paid to them and what was owed to them, in relation to services delivered during the period. We note that significant work has since been and is continuing to be carried out to resolve this and this may well change once payment/invoice issues have been resolved.
- 2.1.11 There was an initial lack of clear communication with providers regarding the need for them to continue to invoice for services provided during the period covered by the prepayment, although this was subsequently clarified with them.
- 2.1.12 Legacy Accounts Payable (AP) email inboxes remained active but were not monitored and some providers were subsequently not receiving responses to communications sent to AP or signposted to correct inboxes.

- 2.1.13 Significant payment and remittance advice control weaknesses added to the confusion with providers, with a lack of clarity as to what payments received related to what. Whilst there was ongoing contact with providers, responses from some were still being awaited.
- 2.1.14 The payment reconciliation process for some providers had been prioritised for resolution by management, although it was noted that it was often more difficult and time consuming to resolve in respect of providers with large balances remaining on the prepayment, as these were more complex to reconcile and agree.

Payments on hold and unprocessed invoices

- 2.1.15 As at the end of September, the AP Team had a backlog of invoices that amounted to a delay of two weeks. Also, approximately a total of £2.3m and just over 1,000 invoices were on hold/rejected. Although we understand that the situation is improving, capacity/workload and staffing issues in AP had contributed to being unable to keep on top of issues, including communications with providers, which had also impacted on other teams.
- 2.1.16 There had been a loss of regular, systemised communication between AP and the Personal Budget Support Team (PBST) in relation to mismatched and rejected invoices/invoice queries.
- 2.1.17 Common problems included differing invoice and commitment amounts or no commitment being on Mosaic, issues around the suspension and unsuspension of services and incorrect workflows. Some issues had arisen due to no or incorrect actions by social workers on Mosaic. This wasn't helped by the turnover of social workers and lack of appropriate training/support and documented procedures for new starters when working remotely.
- 2.1.18 The system was also unable to automatically generate remittance advices to suppliers for scheduled payments (these currently can only be generated manually).
- 2.1.19 A common theme arising from the audit was the quality of data, how it was being monitored and reported. Whilst it was noted that the service was looking to action improvements, including improving the quality of recording of information in Mosaic, there was currently no up to date performance framework in place to have oversight of this. Although the Performance Board was charged with oversight of quality, its purpose and function had changed, and it did not have an up to date Terms of Reference or a cycle of key agenda items. We experienced issues accessing and amending records on Mosaic and a general lack of clarity of knowledge within the service as to what information was available via reports.

		Recs			Assurance
2.2	Payments to Voluntary Sector Organisations	0	2	0	Limited

- 2.2.1 A situation arose where a provider of voluntary grant aided services was unable to get prompt payment for a number of invoices that had they submitted around July 2021. This left them with around £37k outstanding and considerable confusion as to why payment had not been made. The provider initially contacted the Deputy Chief Executive in July 2021 regarding the non-payment of March 2021 invoices, having previously contacted Adult Social Care (ASC) and the Accounts Payable (AP) team.
- 2.2.2 Those invoices were subsequently paid, and a request was made by the Deputy Chief Executive that processes be put in place to avoid any recurrence. In October, the provider contacted the Deputy Chief Executive again regarding a further bout of non-payment. Hence Internal Audit was asked to establish what had happened and what could be done to prevent a reoccurrence.
- 2.2.3 Paying invoices to suppliers on time is a high priority as it can have a significant impact on the financial viability of smaller organisations as well as a have a significant reputational impact on the Council. The Voluntary & Community Sector (VCS) are key partners in enabling the Council to address inequalities within the Borough and maintaining productive working relationships is important.
- 2.2.4 There were two distinct issues with the July delays. One related to the payment of grant monies against purchase orders originally raised by the Public Health Team but due to a reorganisation had been reassigned to ASC. These invoices, which made up a large part of the £37k, were on hold awaiting certification by ASC who had been given responsibility for payment following the change in structure. A second tranche of invoices were for day care payments, some of these invoices had been incorrectly submitted due to misunderstandings about where to submit them, and some were caught up in general delays in processing by the AP Team due to volumes of work and staff illness.
- 2.2.5 There was no one single factor that caused the situation with the late payments; rather there was a coming together of a number of factors that created confusion and delay for all parties involved. The matters identified ran through both Adult Social Care Commissioning and Accounts Payable teams. The issues with late payment of invoices has been faced by other similar voluntary organisations in the past, but not with the same financial impact as experienced by this provider.

- 2.2.6 The situation has now been resolved with respect of receipting invoices for the grant monies and for the invoices for day care. Going forward the AP Team and the Commissioning Team will monitor the situation regarding outstanding invoices to prevent a reoccurrence. The support team for adult commissioning has now assumed full responsibility for administering the grant payments for the Narrowing the Gap grant funding and has receipted and made payment where appropriate. Other voluntary body invoices have also been processed and are up to date.
- 2.2.7 There have been communications with the provider and other voluntary organisations to make sure they understand how invoices need to be submitted. The situation regarding the future of Covid-19 relief payments for day care is due to end but the final date is not available at the time of audit.
- 2.2.8 Although we recognise that some of the issues have now been addressed, we are unable to give any assurance that this will not happen again. The process is over reliant on a number of key individuals and in their absence, especially over a prolonged period, there is limited resilience or a shared understanding of the process. The process is also reliant on a high degree of manual intervention.
- 2.2.9 Whilst only two recommendations were made, it should be noted that the recommendations following from the 'Payments to Care Providers' summarised in section 2.1 are also relevant to this audit, hence the limited opinion

	Recs			Assurance	
2.3	Staff (Grey Fleet) Vehicle Documentation	2	6	1	Limited

- 2.3.1 Under health and safety law, employers have a duty for on-the-road work activities. The Health and Safety at Work Act 1974 details that, as far as reasonably practicable, employers must ensure the health and safety of employees whilst they are at work and that others are not put at risk by work-related driving activities.
- 2.3.2 The last audit undertaken in 2020 flagged a number of areas of concern that needed appropriate consideration and action to ensure that the Council adequately responded to and addressed various potential and significant risks in this area. Information on grey fleet use and individual driving licences was being stored on two different systems: iTrent, the Council's HR and Payroll system and Fleetwave, the council's Fleet Management system and there was confusion about what information should be stored on which system, as well as duplication in cases of information being held on both systems. We also reported that existing checking and monitoring process(es) were time consuming for managers, particularly where managers have a number of direct reports.

- 2.3.3 This review noted that whilst some progress had been made since the last audit, further improvements were still required. For example, there were delays in obtaining formal and final agreement to the grey fleet policy, which at the time of the audit had yet to be formally approved, launched and implemented.
- 2.3.4 There was still a lack of consistency of data between iTrent and Fleetwave in relation to grey fleet checks conducted and of driver designations, with a lack of timely updating of iTrent and issues relating to information contained within iTrent reports.
- 2.3.5 Alternative grey fleet checking options have been investigated but had not progressed due to cost and there not being a known standalone option. Therefore, iTrent will be utilised by managers to record grey fleet checks conducted going forward.
- 2.3.6 20% of mileage claims made since April 2021 at the time of audit review did not appear to have up to date checks in place. Human Resources have advised that in future there would be zero tolerance of non-compliance, leading to disciplinary action potentially being taken, which is reassuring to note.

	Recs			Assurance	
2.4	Housing Allocation Scheme	0	4	5	Reasonable

- 2.4.1 Local Authorities have a statutory duty under various legislation, including the 1996 Housing Act and 2011 Localism Act, to provide housing to those who are homeless, eligible for assistance and in priority need. Every Local Authority is required to have a set of rules for allocating housing, detailing their priorities and procedures and reflecting local needs. It also details who does and does not qualify for allocation of social housing, as well as having a right to have allocation decisions reviewed and be notified of the outcome of the review and reasons behind the decision.
- 2.4.2 The allocations policy was clear and comprehensive, and was based on appropriate sources, such as related legislation. However, it was proposed that changes be made to the existing allocation scheme, to simplify it and also to address changes brought about by the pandemic and Brexit. At the time of our audit, revised proposals were subject to a public consultation. Both full and summary Housing Allocation Scheme details were found to be available on the website, with various other documents, such as Statements of Practice saved on shared drives, although these could benefit from reviewing and updating to fully reflect current legislation and practice.

- 2.4.3 Whilst safeguarding concerns were being detected and reported, with appropriate action taken, instances were identified during our testing where potential safeguarding issues could, and possibly should, have been identified sooner.
- 2.4.4 Our testing also exposed some areas where there were incomplete audit trails to evidence that various checks had been undertaken and relevant information provided by applicants, although copies of application forms were subsequently located in nearly all instances.
- 2.4.5 Applications that failed qualification or did not provide the requested information within the required timeframe, were notified in writing of not being admitted onto the housing register, together with their right to request a review within 21 days.
- 2.4.6 The annual re-registration of applicants on the Housing Register did not appear to have taken place since 2019, or before, in the cases sampled. It was noted that this was a very time and labour-intensive process. A limited re-registration process had occurred within the last year for those applicants dating from pre-2018 where email addresses or mobile telephone numbers were known.
- 2.4.7 In the majority of cases sampled, where applicants had refused the offer of accommodation, they had been notified of this counting as a refusal. There was no evidence located of anyone having refused the maximum number of times to require their removal from the register.
- 2.4.8 Properties were advertised on the Council's website, with bids received, viewing arranged and offers made to those with the highest band in most cases. Change of circumstances had been actioned, an appropriate assessment of household made and appropriately-sized properties allocated.
- 2.4.9 It is recognised that 'case reviews' were conducted regularly, with outcomes considered at staff supervision meetings and the issues identified in these case reviews mirrored those found during the audit. This is good as it shows that the service is striving to improve and has a good grasp of matters.

2.5 Grant Signs offs

Local Transport Plan Capital Settlement (Grant Certification)

- 2.5.1 The Government provides capital funding towards local transport from several different grants. For Reading, the 2020-21 LTP grant allocation was for the Integrated Transport Block £1,580,000, Highways Maintenance Block - needs element £1,185,000 and Highways Maintenance Block - incentive element £247,000.
- 2.5.2 To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to Local Transport Capital Settlement had been complied with.

Culture Recovery Fund Grant

- 2.5.3 Reading Arts and Venues secured £989,374 of Culture Recovery Fund Grant which was made available by the Arts Council England to cultural organisations that were financially sustainable before Covid-19, with the intention for them to be either fully or partially reopened by March 2021 or operating on a sustainable, cost efficient basis, so they could reopen later in the year.
- 2.5.4 As part of the grant condition a statement of income and expenditure was required that had been certified by a qualified accountant. A qualified accountant from within the internal audit function could perform this certification for Local Authorities. The 'actuals' were verified against the standard income and expenditure statement and separate checks were undertaken to ensure there was no double accounting in terms of furlough grants. Once figures had been verified the statement was appropriately signed and submitted.

Key: Substantial Assurance Reasonable Assurance Limited Assurance No Assurance

Audit reviews carried over from 2020/2021

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Commercialisation	x				Mar-21	Jun-21	Jun-21	0	3	2	
MOSAIC payment controls (Finance Module)	x				Aug-20	May-21	Jun-21	3	5	1	
Budgetary Control	x				Jan-21	Jun-21	Aug-21	0	5	3	
NNDR and CTAX Administration	x				Mar-21	Jun-21	Jun-21	0	0	3	

Audit reviews for 2021/2022

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Emergency Active Travel Grant	x				Apr 21	May-21	Jun-21	0	3	0	N/A
Travel Demand Management Grant	x				Apr-21	Jun-21	Jun-21	0	2	0	N/A
Compliance & Enforcement Surge Grant	x				May-21	May-21	May-21	0	0	0	N/A
Facilities Management	x				Apr-21	Jun-21	Jul-21	2	6	1	
Housing Allocation Scheme	x				May-21	Aug-21	Nov-21	0	5	5	
Business Grants (Post Payment) Assurance	x				Jun-21	Jul-21	Aug-21	0	0	0	
NHS Test and Trace Grant Determination	x				Grant return now not due until 2022/2023						
Community Testing Funding Grant	x				May-21	Jun-21	Jun-21	1	4	0	N/A
Corporate Governance Review	x				Apr-21	Jun-21	Sep-21	0	0	0	
Housing Benefit		x			Jun-21	Aug-21	Sep-21	0	1	1	

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Local Transport Plan Capital Settlement (Grant Certification)		x			Sep-21	Oct-21	Oct-21	0	0	0	N/A
Bus Subsidy Grant		x			Sep-21	Oct-21	Oct-21	0	0	0	N/A
Freedom of Information (Follow up Review)		x									
Accounts Receivable		x			Dec-21						
Contract Management (Adults)		x			Jun-21	Aug-21	Sep-21	2	2	0	
Culture Recovery Fund Grant (NEW)		x			Jun-21	July-21	July-21	0	0	0	N/A
Payments to Adult Social Care Providers (NEW)			x		Sep-21	Dec-21	Jan-22	7	11	0	
Payments to voluntary sector providers (NEW)			x		Nov-21	Dec-21	Jan-22	0	2	0	
Parks & Grounds Maintenance			x		Dec-21						
Bank and feeder system reconciliation (NEW)			x		Nov-21	Dec-21		0	7	3	
Furlough Administration			x		Nov-21						
Client Contributions (Adult Care)			x		Dec-21						
Accounts Payable			x								
Climate Change Strategy			x		Aug-21	Dec-21		0	5	0	
Green Homes BEIS Grant			x		Oct-21	Oct-21	Oct-21	0	0	0	N/A
Staff (Grey Fleet) Vehicle Documentation - (Follow up Audit)				x	Aug-21	Sep-21	Nov-21	4	3	0	
Waste Operations				x							
Records Management & Document Retention Policy (Follow up)				x							
Treasury Management				x							
Transitions from children's social care to adults				x							
Transparency Code Compliance (Follow up)				x							
Green Homes BEIS Grant				x							

4.0 INVESTIGATIONS (APRIL 2021 - DECEMBER 2021)

4.1 Grant Funding Schemes Assurance work

4.1.1 The Investigations team have been continuing to conduct sample checks to provide post-payment assurance on risk of error and/or fraud and over payment. Using government fraud prevention tools, which interface with other departments and agencies, they validated claims and facts for various business grants paid out as a result of the pandemic. This work continued from April to July this year, with no suspicions of fraud identified during this period. Since April 2021, the Investigations team have verified 345 applications, based on risk.

4.2 Council Tax Support Investigations

4.2.1 The Investigations team have recovered a record total of £2,397.95 from Council Tax investigations completed, where a discount was removed from the current account.

4.3 Housing Tenancy Investigations

4.3.1 Since 1st April 2021, officers have commenced investigation into several referrals of tenancy fraud, with 15 cases ongoing and 10 properties having been returned to stock to date. All these cases were tenancy related investigations. There was 1 case under the Right to Buy (RTB) scheme. In addition to the notional savings, the RTB case secured a 12-month rental income, equivalent to £5,799.86, plus the RTB discount saving of £93,000.

4.3.2 The notional saving achieved on the properties returned to RBC stock is £842,000, adopting the notional savings multiplier used by the Cabinet Office in its National Fraud Initiative report.

4.3.3 The Investigations team have also undertaken joint working with one of Reading's Registered Social landlords (RSL). Investigators helped the RSL to recover one property following a lengthy investigation.

4.4 Social Care Fraud & Investigations

4.4.1 There is one ongoing direct payment investigation (Adults) currently in progress, which is linked to potential money laundering offences.

4.4.2 Officers also investigated a referral from the NHS regarding a possible overcharging for care at a large residential home in the area. Although we found no evidence of fraud, record keeping with respect to the care hours provided was poor.

4.5 Disabled Persons Parking Badges (Blue Badges)

4.5.1 Since April 2021, we have received a total of 9 misuse referrals, all of which were investigated. One case was successfully prosecuted in November 2021, 2 Blue Badges were seized and removed from circulation and 3 cases have been sent a formal warning letter and the remaining cases are ongoing.

Other Investigations

4.5.2 Over this period, we've also assisted a neighbouring Local Authority on two ongoing investigations linked to possible tenancy frauds, as well as tenancy checks on two school admissions.

Appendix 1

Appendix 2

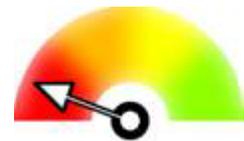
Final Internal Audit Report

ADULT SOCIAL CARE PROVIDER PAYMENTS

To: Darren Carter - Director of Finance
Jackie Yates - Deputy Chief Executive
Seona Douglas - Executive Director of Social Care and Health
Melissa Wise - Deputy Director of Commissioning and Transformation

From: Kirsty Hancock - Senior Auditor

Date: 13th January 2022



No Assurance

EXECUTIVE SUMMARY

1. BACKGROUND

1.1 Mosaic is the Council's workflow-based case management system used to record and process social care data. Service users assessed needs and services are recorded, together with cost, and authorised on Mosaic. Once a provider has been agreed to deliver the service, a purchase order is generated and invoices (where appropriate) matched against this. This then assists in the subsequent payment process. An audit of Mosaic payments conducted as part of the 2020/21 audit plan received limited assurance.

2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 The Director of Finance requested Audit to review a large payment made to a specific care provider to identify what happened. The review focused on the following areas:
- Review of the specific payment in question, including any inflationary uplifts process, checks conducted (including between input and authorisation), matching of invoices, supporting documentation for payment and authorisation of payment.
 - Review of advance payments made to care providers relating to Covid more generally including reconciliation conducted between what had been paid and what was due in terms of services delivered and resulting action planned/taken.
 - Review of payments on hold/unauthorised and unprocessed invoices and remittance advice.
 - Accuracy of information held on Mosaic.
- 2.2 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

3. CONCLUSIONS

3.1 A summary of key findings in relation to the specific significant payment of £1,194,358.33 to an adult social care provider were:

- There was often conflicting records, explanations and information surrounding how the overpayment arose to clearly support what had occurred in relation to the payment.
- Whilst it is understood that this occurred at a time when services were under a significant amount of pressure due to Covid, numerous opportunities were missed to stop this payment.
- Due to the rate inputted in Mosaic for a week being the total owed to the provider over the period of backdating, rather than a 2% increase, some significant payments for service users were generated, ranging from c£36k to c£245k, and generated a total payment of £1,194,538.33 to the provider. The value of the overpayment was approximately £1m; however, the Director of Finance has since given assurance that all monies have now been recovered and there has been no financial loss to the Council.
- At the time, there was no documented end-to-end process for inflationary uplifts and a lack of a common understanding of roles and responsibilities and ownership of each step of the process and who could action requests for inflationary uplifts and the appropriate contact for them.
- No evidence has been specifically found that the inflation increases for out of borough placements were agreed by DACHS DMT in April 2020 and there was a lack of supporting approval documentation and consistent, accurate information provided as part of the request to action the uplifts.
- No internal process could be found to identify that inflationary uplifts had not been actioned, and this issue only came to light in May 2021 when flagged by the provider. Uplifts were then actioned by Business Support based on a communication from the provider. No evidence was found that this had been specifically agreed by DACHS DMT. Not only could this be open to misinterpretation, but also the total amount owed for period was incorrectly used as weekly rate instead.
- Rates are uplifted on Mosaic via a tool that has limited access, however there is no adequate control / workflow process around it, and hence is not subject to independent review to check for accuracy on inputted information and changes to this are made manually and therefore subject to error (and potentially fraud). In addition, amendments are unable to be reviewed in real time, so issues can take several days to identify and then several days to correct.
- Whilst separate authorisation of the payment is required in Mosaic, there is no automatic notification of the requirement to authorise a payment and no details of the payment are provided unless these have been included in the free text box, so without additional and separate verification, approval is based to a degree on an assumption of accuracy/trust.

- The validity / accuracy of the payment was flagged or queried five separate times (by the Executive Director of Social Care & Health, the AP/Acting AP and AR Manager, the DACHS Finance Business Partner and the Chief Accountant) prior to payment; however, it appears that Commissioning had confirmed that the rate was correct. No reasonableness check appears to have been carried out to see whether the amounts were indeed within the magnitude of what would be expected and there was a lack of escalation of the issue.
- Payment was made and only brought to RBC's attention that it was a large overpayment by the provider. If this had not occurred, we may still not have been aware of this.
- All uplifts relating to this payment bar one has since been corrected.

3.2 Key findings in relation to the inflationary uplifts process were:

- There is a lack of documented policies and procedures for the end-to-end process and associated lack of understanding of roles and responsibilities in the inflationary uplift process, particularly between commissioning and DACHS Business Support.
- The process on Mosaic to input rate changes is via the Mosaic admin tool; it is not work flowed, not subject to review/authorisation and changes are not made in real time so that errors are difficult to identify and in a timely manner. This also results in a lack of a clear audit trail making it difficult to identify the process that has been followed, and importantly identifying actions and decisions made and taken.
- For the current workflow, once rates are input into Mosaic, there is no review/check of information other than relying on those detailed in the out of date scheme of delegation depending on the value of the payment generated. No automatic email/notification is received to inform the relevant officer/section that there is an adjustment etc. that needs review and no supporting paperwork/information is provided with the request to evidence what is being asked to be approved. Apart from enquiry as to the makeup of the request, this is simply accepted, with consequent increased risks of incorrect payments and fraud to occur.
- The DMT approval of percentage uplifts was not always clearly recorded or evidenced when uplifts were requested. Indeed, some uplifts had been actioned following a provider request in some instances.
- Information provided to action uplifts was not subject to proper or sufficient review/authorisation to ensure accuracy and was not always in a clear format and hence was open to interpretation/misinterpretation.
- Legacy AP email inboxes remain active but unmonitored and some providers were subsequently not receiving responses to communications sent to them or signposted to correct inboxes.
- Despite the size of the resultant payment being flagged by several Finance Officers, a reasonableness check was not adequately undertaken to sufficiently determine whether the magnitude of the payments was in line with normal expectations nor was the issue escalated. Were it not for the provider flagging the overpayment(s) this could have had a significantly different outcome for the Council.

3.3 Key findings in relation to advance payments to care providers were:

- There is still a significant balance on the prepayments made to providers, although this may well change once payment/invoice issues have been resolved. Significant work has been and is continuing to be carried out by Officers to resolve this.
- There was an initial lack of clear communication with providers regarding the need for them to continue to invoice for services provided during the period covered by the prepayment although this was clarified in subsequent communications.
- Significant payment and remittance advice control weakness issues have added to the confusion with providers, with a lack of clarity as to what payments received relate to.
- Whilst there is ongoing contact with providers, responses from some are still awaited.
- The payment reconciliation process for some providers has been prioritised for resolution; it is noted that it is often more difficult and time consuming to resolve providers with large balances remaining on the prepayment as these are more complex to reconcile and agree.

3.4 Key findings in relation to invoicing issues were:

- AP had a backlog of invoices with amounted to being about two weeks behind as at the end of September.
- Approximately £2.3m and just over 1,000 invoices were on hold/rejected at the end of September.
- There had been a loss of regular, systemised communication between AP and PBST in relation to mismatched and rejected invoices/invoice queries.
- Capacity/workload and staffing issues in AP had contributed to being unable to keep on top of issues, including communications with providers, which has also impacted on other teams.
- Issues identified in relation to rejected invoices were split between issues relating to the providers and RBC. Common issues included differing invoice and commitment amounts or no commitment on Mosaic, issues around the suspension and unsuspension of services and incorrect workflows.
- Some issues had arisen due to no or incorrect actions by social workers on Mosaic.
- Turnover of social workers and lack of appropriate training/support and documented policies and procedures for new starters when working remotely.
- Failure of the system to automatically generate remittance advices to suppliers for scheduled payments (which currently can only be generated manually).

3.5 Key findings in relation to data quality were:

- Data quality is not currently being adequately monitored/audited although the service is looking to action improvements, including considering appropriate recording of information in Mosaic.
- It is difficult to obtain an overall view of this, however, as there is a lack of formal senior management oversight and review as well as a lack of appropriate management reports being available.
- No scheme of delegation has been seen or provided to Internal Audit for DACHS. It is understood that the only one in existence is out of date.
- There is a weekly dashboard produced which includes details of APT and reviews started, completed and open, and these are received by managers but are not being consistently reviewed/actioned.
- There is no performance framework in place, including around APTs and reviews, that defines good performance and what performance should be measured against. Consequently, the directorate cannot accurately know or manage its performance framework with certainty.
- Although the Performance Board is charged with oversight of quality, its purpose and function have changed, and it does not have an up to date Terms of Reference or a cycle of key agenda items.
- There are ongoing issues accessing and amending records on Mosaic and a general lack of clarity of knowledge as to what information is available via reports.

3.6 More detailed findings in relation to the payment can be found in section 4.1. Detailed findings for the other areas can be found in the appendix at the end of the report.

3.7 Throughout the audit, officers generally have been helpful, and this cooperation has been welcome. However, due to the multiplicity of the records involved and the generally poor audit trails (including within Mosaic), as well as the need to speak to multiple officers during the course of the audit, it has not always been possible for Internal Audit to independently and separately verify records and accounts provided to us.

3.8 A total of 18 recommendations have been made in respect of this review, of which 7 are considered high priority. The recommendations and corresponding management action plan are attached below.

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
INFLATIONARY INCREASES FOR ASC PROVIDERS					
1	<p>There needs to be a full set of documented processes that address all control weaknesses which are reviewed by internal audit to determine their adequacy. This needs to include a clear, documented process for applying all agreed inflationary increases to providers in the future.</p> <p>Also clearly documented roles and responsibilities need to be included, as well as what information should be provided and appropriate checks/validations to ensure that the information is complete and accurate. Details should also include how inflationary increases are carried out and that there is suitable review/authorisation of key processes.</p>	Priority 2	<p>Recommendation Agreed. Processes will be documented and reviewed by the Head of Internal Audit. These will then be implemented in line with the deadline.</p>	<p>Director of Finance</p> <p>Deputy Director for Adult Social Care</p>	31/03/22
2	<p>Information provided to request uplifts to be actioned needs to be accurate and comprehensive, clearly detailing all relevant information. It needs to clearly detail the provider(s) and service users to whom the uplift should be applied, the date from which the uplift is to be applied (and end date if relevant), the current rate, the uplifted rate and the percentage increase. There also needs to be clearly documented evidence that any uplift has been appropriately approved (for example by DMT) and that the information provided has been reviewed by a second Officer to confirm accuracy. Lastly, evidence of the request to action uplifts and appropriate authorisation needs to be retained in a central location/on the relevant service users' record(s).</p>	Priority 1	<p>Recommendation Agreed. An interim process has been implemented which includes Senior Management oversight and approval.</p>	Head of Commissioning	Complete
			<p>A permanent process including automation to ensure robust oversight will be implemented once developed and approved by the Head of Internal Audit.</p>	<p>Director of Finance</p> <p>Deputy Director of Adult Social Care</p>	31/05/22

Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PAYMENTS IN ADVANCE TO PROVIDERS DURING COVID					
3	<p>Linked to clarification of roles and responsibilities in the uplift process, Officers also need to ensure that their knowledge of organisational structure is up to date and that queries/requests for action are addressed to the correct Officers.</p> <p>Legacy AP email inboxes need to be closed/made inactive and automatic messages added to them signposting to the relevant up to date/central inbox to ensure a (timely) response to queries.</p>	Priority 2	Recommendation Agreed: Organisational Structure issues will be addressed as part of the communications improvements outlined in the Provider Payments report Rec 2.	<p>Director of Finance</p> <p>Deputy Director for Adult Social Care</p>	31/03/22
4	A review should be made of the instance listed in 4.1.19 and then a wider review of all service users listed on Mosaic to ensure that current service provisions are at the correct rate.	Priority 1	Recommendation Agreed: A review of agreed inflationary uplifts for last financial year for this Provider has been completed. All provisions are at the correct rate.	Head of Commissioning	Complete
5	There needs to be a full review to determine whether the correct inflationary uplifts have been applied to current service provisions. This also needs to include review of client contributions to determine whether these have been impacted where rates have been incorrectly amended.	Priority 1	Recommendation Agreed: A sample check of 100 care home placements across different Providers (43% of service users in residential/nursing care) was undertaken, to determine the accuracy of inflationary uplifts. No further overpayments were identified.	Head of Commissioning	Complete
			A robust process is in place to ensure application of inflationary uplifts for people who fund their own care where we make arrangements on their behalf.	Head of Commissioning	Complete
			A review of the remaining Care Home placements will be completed to provide assurance of around incorrect payments/inaccuracies.	Head of Commissioning	31/03/22

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PAYMENTS IN ADVANCE TO PROVIDERS DURING COVID					
6	Communications with providers need to be clearer and detail all relevant information such as clarifying the need for continued invoicing of services delivered during the period of payment on plan.	Priority 2	Recommendation Agreed: Payments in advance to Providers have now ceased. However, this will be addressed as part of the communications improvements outlined in the Provider Payments report.	Deputy Director for Adult Social Care	31/03/22
7	Providers should be contacted in all cases where a balance remains on the prepayments, details of the overpayment provided, and a clear agreement reached as to how any overpayment will be recovered. This should be clearly documented.	Priority 2	Recommendation Agreed: To address this historic issue dialogue with Providers has continued throughout 2021 and as reconciliations are completed, final amounts are recovered or offset against Provider invoices.	Strategic Business Partner - Finance	28/2/22
8	Correct invoices should be attached in all cases to the relevant transactions in Oracle Fusion as supporting evidence.	Priority 2	Recommendation Agreed.	Accounts Payable Manager	31/03/22
9	There should be consistent and appropriate treatment of offsetting provider invoices against prepayments including coding to the appropriate accounts.	Priority 2	Recommendation Agreed: Recovery of outstanding prepayment amounts will be implemented. The approach will be approved by the Executive Director for Adult Social Care and Director of Finance. Once approved, the approach will be communicated to Officers and held on the intranet.	Strategic Business Partner - Finance	28/02/22

MANAGEMENT ACTION PLAN

Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PAYMENT ISSUES					
10	The communication / notification link between PBST and AP needs to be restored to include regular sharing of details of mismatched and rejected invoices.	Priority 2	Recommendation Agreed. Any queried invoices are now shared weekly by email.	Accounts Payable Manager & Principal Personal Budget Officer	Complete
	Wider issues identified during the review of on hold and rejected invoices also need to be addressed. Reestablishment of link between AP and PBST will help with some of these but issues such as suspension/unsuspension of care packages, timely setting up of services and actioning of hospital discharges on Mosaic need to be addressed as part of wider data quality/training issues. In addition, the backlog of invoices on hold/rejected/awaiting processing needs to be addressed, which should then help resolve associated issues with prepayment balances.		Immediate action has been put in place to review the backlog of invoices which have not been paid.	Head of Commissioning	31/03/22
11	Automatic, system-generated remittance advice slips need to be reinstated for all payments to providers to ensure clarity around payments made.	Priority 1	Recommendation Agreed: A technical solution to the generation and emailing of remittance advices to Providers is in development.	Director of Finance Strategic Business Partner - Finance	31/01/22
DATA QUALITY					
12	The ASC Scheme of Delegation needs to be formally updated, documented, approved and made available to those who require it and followed.	Priority 1	Recommendation Agreed. As an interim measure communication has been circulated to all Officers clarifying the Financial Controls in Adult Social Care and expectation around authorisations. An updated Scheme of Delegation is being developed and will be implemented.	Director of Finance Executive Director for Health & Social Care	30/04/22

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
13	An appropriate performance framework needs to be put in place to assist with identifying quality issues. This needs to define what good performance is and what performance should be measured against.	Priority 2	Recommendation Agreed: Work to strengthen the existing Performance Framework is underway to clarify expected standards and timeframes.	Assistant Director, Safeguarding, Quality, Performance & Practice	31/01/22
	Managers need to ensure that information on weekly dashboards (for example in relation to open APTs and reviews) is reviewed and actioned as appropriate by / with team workers.		Recommendation Noted: A weekly ASC Performance Report will continue to be sent to all Managers in ASC for review and action as appropriate. Performance against expected standards will be monitored at each Monthly Performance Board.	Assistant Director Operations and Safeguarding, Quality, Performance and Practice with Operational Team Managers/ Performance Board Chair	31/03/22
	There needs to be regular review/monitoring and reporting of data quality, for example of APTs completed within a required timeframe, care packages input/amended/closed on Mosaic in a timely manner and appropriate action taken for any issues identified, to ensure only relevant/appropriate information is being recorded on service users' records.		Recommendation Noted: Weekly data is provided to Operational Managers to enable them to review data quality and ensure management oversight. The Performance Board will be responsible for a monthly audit of data quality to ensure consistency of reviewing and monitoring.	Assistant Director of Safeguarding Quality Performance and Practice	31/03/22

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
14	The Performance Board needs to have clear Terms of Reference which define its role, including in relation to overseeing data quality, and attendees, as well as a cycle of agenda items. A clear record of discussions and decisions made also needs to be kept.	Priority 2	Recommendation Agreed: Terms of Reference to be developed and agreed by DMT, Existing agenda templates and action notes will be strengthened.	Assistant Director for Operations	31/01/22
15	APTs need to be completed in a timely manner, the service input onto Mosaic and a PO raised to ensure services and financial commitments are accurately reflected. There needs to be appropriate review of decisions approved at ERRG to ensure timely actioning of agreed services and input onto Mosaic.	Priority 1	Recommendation Agreed: Communications have been issued to Providers and Officers in relation to the expected authorisation and assessment requirements prior to implementing services.	Deputy Director for Adult Social Care	Complete
			As per recommendation 13, the Performance Board will ensure review.	Assistant Director of Safeguarding Quality Performance and Practice	31/03/22
			A regular independent audit of Eligibility Risk and Review Group decisions to be established to review consistency of decision making. To be reported to Care and Quality Board 3 monthly.	Assistant Director of Safeguarding, Quality, Performance and Practice	31/03/22
16	Reasonableness checks should be carried out by Commissioning when unusual payments are identified to determine and ensure whether the proposed payment amounts are within likely amounts to be paid. Amendments made to Mosaic which do not have an agreed workflow process (such as inflationary uplifts) need then to have additional independent checks in place/exception reporting to ensure that amendments made are appropriate.	Priority 1	Recommendation Agreed: As per the response to Recommendation 12, an interim process has been put in place for authorisation of payments.	Head of Commissioning	Complete

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
17	New starters need to be given appropriate training and provided with relevant policies and procedures for work on Mosaic and the need to follow these enforced. Consideration also needs to be given as to how working practices can be adopted to ensure adequate support for the workers when working remotely.	Priority 2	Recommendation Agreed: A training and support package for all staff will be developed and implemented. A schedule of Training together with guidance and process documents for various roles and responsibilities will be provided on the intranet.	Social Care Systems Manager	31/03/22
18	The reliability of access to and accuracy of information on Mosaic needs to be improved. Access to service users' records and relevant reports should be as and when needed to those who require it, and importantly the information provided should be both accurate and up to date. The service should be developing reports to provide an overview of key information in relation to data quality.	Priority 1	Recommendation Agreed: Mosaic access is largely permissions based according to the job role that the user has. This will be reviewed to ensure it is fit for purpose. Reports are generated manually on a daily basis however, work is underway to automate this.	Assistant Director of Operations Social Care Systems Manager	30/06/22
			In line with review of the existing performance framework, data quality reports will be developed.	Assistant Director Operations and Assistant Director of Safeguarding, Quality Performance and Practice supported by Performance & Data Team Manager	31/05/22

4. FINDINGS

4.1 REVIEW OF INFLATIONARY INCREASES/PAYMENT IN QUESTION

- 4.1.1 It has been difficult to ascertain/verify a complete picture of what occurred in the lead up to a significant payment being made incorrectly to an adult social provider in relation to inflationary increases for out of borough, residential placements. There was often conflicting information and a lack of supporting evidence in some cases. This was also compounded by problems with the Mosaic system, leading to access issues for both internal audit and other Officers to both service users' records and relevant reports. It is of significant concern that these access issues appear to be ongoing (Rec 18).
- 4.1.2 On 24/3/20, DACHS DMT approved a 2% inflationary increase for 2020/21 for residential and nursing homes and day care providers who had not requested an inflationary increase in 2020/21. In addition, outstanding inflationary requests for 2018/19, 2019/20 and 2020/21 were also approved based on the methodology provided at the meeting.
- 4.1.3 A project was carried out by Commissioning, which reported to DACHS DMT in April 2020, to review out of borough placements and their costs with a view to reducing those that were seen to be excessive. It appears that DACHS DMT approved a number of inflationary uplifts for providers of out of borough placements (either a 2% inflationary increase was agreed, the requested inflationary increase was agreed or requested increase was declined) at their meeting on 14/4/20 although no formal minute has been located to confirm this, nor does the agenda for the meeting show that this was due to be discussed. In particular, a 2% inflationary increase, backdated to 1/4/2019, appeared to be agreed for the provider in question.
- 4.1.4 Following the DACHS DMT, DACHS Business Support were advised by Commissioning via email on 14/4/20 that various out of borough inflationary uplifts had been agreed by DMT and were requested to action them on Mosaic, details of which were provided in a spreadsheet. Several queries were raised at the time by Business Support in relation to the increases to clarify information contained in the spreadsheet provided to support the uplifts which were clarified by Commissioning. These included discrepancies between the monetary values detailed for increases and the percentage increases, whether uplifts were to be implemented for all service users and the date from which uplifts were to be implemented (Rec 1). There did not appear to be a set format for this information, verification that the information contained in it was accurate or evidence of DMT approval. DACHS Business Support confirmed to Commissioning on 24/4/20 that these increases had been applied to Mosaic.

- 4.1.5 Audit review of the spreadsheet provided to DACHS Business Support to action the out of borough inflationary uplifts, identified that none of the residential properties that the service users later flagged by the provider as not having received inflationary increases resided in, were included (Rec 2). This therefore meant that inflationary uplifts were not applied to the 8 service users in question. However, the provider was notified via an emailed letter on 24/4/20 that they had been awarded a 2% inflationary increase, backdated to 1/4/19.
- 4.1.6 In May 2021, the provider contacted the Personal Budget Support Team (PBST) and H&CC Finance Processing Team to identify that the agreed 2% inflationary increase, backdated to 1/4/2019, had not been applied to seven service users that they supported and requesting that this be actioned. The email provided details of seven service users, the amount the provider had calculated was owed and the period covered. This email request from the provider was then passed to the Contracts and Commissioning Team for action with communication ongoing between the provider, PBST, Commissioning and DACHS Business Support (Rec 1, 2). Commissioning requested that the uplift be actioned via an email request to the H&CC Finance Processing Team inbox on 16/6/21. It was identified by audit that the finance email inbox used both by the provider and Commissioning was a legacy AP account and hence the lack of response (Rec 3). It is also noted that DACHS Business Support should action inflationary uplifts not Finance (Rec 1).
- 4.1.7 Commissioning confirmed via email on 18/6/21 that the 2% inflationary increase backdated to 2019/20 had not been applied to the 7 service users highlighted by the provider and it was identified by commissioning that DACHS Business Support could implement the uplift on Mosaic.
- 4.1.8 On 22/6/21, the provider contacted the Assistant Director for Procurement and Contracts detailing that no confirmation had been received that the inflationary uplifts in question backdated to 1/4/19 would be paid in that week's payment run. This was then queried with DACHS Finance and the Accounts Payable Team (AP), who identified that the uplifts had not been input onto Mosaic and therefore would not be included on that week's payment run. Commissioning were requested to action the uplift of the rates on Mosaic and there was an email detailing that there were issues saving the uplifted rates in Mosaic (Rec 1).
- 4.1.9 On 5/7/21 an email from DACHS Business Support indicated to Commissioning that there were delays in inputting the uplifts into Mosaic and queried what the rates should be for the service users after the end dates detailed by the provider.
- 4.1.10 Review of the successful uplifts report by audit identified that uplifts were made to 6 service users on either 28/6/21 or 2/7/21, although one was only backdated to 25/1/21 instead of 1/4/19. In addition, where the rates were amended, the revised rate inputted for a week was the total owed to the service user over the period of backdating, as calculated by the provider, rather than a 2% increase. This led to some significant payments for service users being generated ranging from c£36k to c£245k instead of in the range of c£2.7k to c£11.2k (Rec 16) and generated a total payment of £1,194,538.33 to the provider.

- 4.1.11 As a result of the size of the payment generated, authorisation was required from the Executive Director of Social Care and Health within Mosaic. Following discussion by the Executive Director with Business Support and the Deputy Director of Transformation, the payment was authorised. It is understood that no explanation was received as to the makeup of the payment, although it was detailed that the provider had been paid at the wrong rate and therefore had been underpaid. On this assurance it was accepted that the amount was correct.
- 4.1.12 It is noted that automatic notification of the request for authorisation is not routinely received and is reliant on the Officer checking in Mosaic as to whether there is a request requiring their review/authorisation or being alerted for example by telephone. In addition, no details are provided as to what the payment is for or any breakdown of payment in Mosaic, other than any additional information that might have been added in the free text box, for example, detailing what the request is for and why it is being requested - so approval is based on an assumption of accuracy / trust. There is no further / independent check after input into Mosaic that changes to dates/rates etc. are correct (Rec 16).
- 4.1.13 On 19/7/21, AP flagged to PBST and Contracts and Commissioning Team about a significant increase in potential payment to 5 service users from the previous payment run and requested that these be urgently checked and confirmation that they were correct. DACHS Business Support indicated that they were related to amendments that had been requested by Commissioning and that there were also two other service users - one of which had only been partially backdated and one of which had been unable to be backdated at that point. Commissioning confirmed that the rate was correct (Rec 1, 16). DACHS Business Finance certified the payment on this basis and highlighted the 5 back payments relating to inflationary uplifts made to Commissioning.
- 4.1.14 Discussion also identified that the Acting AP and AR Manager and Chief Accountant also separately queried the payment with AP but were told it had been checked and they had been informed that payment was ok.
- 4.1.15 The payment was then processed and a payment of £1,194,538.33 made to the provider on 21/7/21.
- 4.1.16 On 28/7/21, the provider contacted Commissioning, identifying that they had been paid significantly more than they were expecting and that they had received no response from Finance on 3 separate occasions when trying to obtain a breakdown of the payment (Rec 3). Commissioning contacted DACHS Business Support detailing that the provider had been significantly overpaid and that the rates on 6 service users needed to be amended to reflect the agreed 2% increase from 1/4/19.
- 4.1.17 Audit review of the successful uplifts report identified that rates were corrected to 2% backdated to 1/4/19 for 3 service users on 29/7/21 and for 2 further service users on 4/8/21.

- 4.1.18 On 3/8/21 a Commissioning email detailed that the provider had still not received the 2% backdated to 1/4/19 inflationary uplift for 3 service users. Audit review of the successful uplifts report identified that one uplift was then implemented on 9/8/21 and another on 11/8/21. However, the uplift done for the other service user on 11/8/21 was done at the wrong rate (4% rather than 2%) and had not been corrected (Rec 4).
- 4.1.19 Audit review identified that there was a lack of clarity as to the process for actioning inflationary uplifts. Discussion with various individuals and review of relevant documentation around the request identified a lack of consistent understanding of the roles and responsibilities of Commissioning, DACHS Business Support and Finance, with the end-to-end process not documented (Recs 1, 2). In particular, there was a lack of clear ownership of each step of the process and a lack of understanding about officers' roles in the process and relevant people to contact to facilitate the process. This also included a lack of understanding about what information was needed to be provided to support such payments, to whom and who should review it to ensure it was accurate. Information provided to DACHS Business Support to action inflationary increases was as detailed by the provider and was open to different interpretations as to what was needed to be updated. The information supplied to action updates needs to be accurate, reviewed/verified and clearly detail what the rate needs to be uplifted from and to, from when and for which service users. It also needs to be evidenced that appropriate authorisation has been given i.e. DMT approval for the uplifts to be implemented and then retained as part of the audit trail (Rec 2). Uplifts should not be actioned from external requests without appropriate authorisation and verification that uplifts have been approved (Rec 2). The lack of documented process has been addressed for Inflationary Uplifts for Care Homes by Commissioning, although the document does need further review to ensure accuracy, as well as formal approval and implementation (Rec 1). Approved processes are required for all inflationary uplifts which clearly define roles and responsibilities.
- 4.1.20 Inflationary uplifts can be actioned on Mosaic in 2 different ways. In the first instance, rates can be manually uplifted at supplier or provider level. These are both done via the Mosaic admin tool and are the default option for implementing inflationary increases. Access to this tool is limited (see 4.1.21 below); however, it is noted that changes are not work flowed and the initial authorisation of the uplift (i.e. DMT approval) is documented outside of Mosaic (i.e. via email) which means that there is not a clear audit trail to evidence approval to action. Evidence of the request to action a 2% inflationary uplift was only found on one service user's record on Mosaic out of the 8 queried. In all other cases, requests were documented in emails which were not saved on Mosaic (Rec 2). Changes are made by manually entering the rate change - either the new rate change or percentage change - and the start date for the change and including/excluding packages that commence after a specified date for providers/services.
- 4.1.21 Once these rates have been manually amended, they are applied in Mosaic without the requirement for separate review i.e. there is no work flowed review of this amendment, so there is no routine process to flag issues such as inputting errors, incorrect rates, suppliers and start and end dates (Rec 1).

- 4.1.22 Whilst separate authorisation is required in Mosaic (depending on the amount), no details/supporting documentation is provided of what makes up the payment and any review conducted at this stage is not at a sufficient level of detail to pick up possible inputting errors.
- 4.1.23 Whilst it is noted that there are a limited number of people who are able to access the Mosaic admin tool and make these changes (2 DACHS Business Support Officers and 3 Brighter Futures for Children Officers), they have the ability to make amendments without any workflow/request/authorisation or second person review/authorisation (Rec 1). It is also noted that any changes are unable to be viewed in real time - Mosaic updates overnight - so show in Mosaic the following day after they are made and then another 24 hours is required for a report to be run from the reporting system to check all the changes made are correct (if a number of changes have been made) and then to inform the Commissioning Team. If errors are then identified, it can then take another 2 days before any further amendments can be checked to ensure they are accurate.
- 4.1.24 The other option used to implement an uplift is for PBST to create a workflow to increase the rate which then requires authorisation depending on amount. This is only carried out on a few individual care packages and again changes are implemented overnight and then are checked by running a finance report.
- 4.1.25 It is a key finding that there needs to be appropriate training for regular Mosaic users, particularly for new starters/movers/re-joiners etc, to enable them to write and use Mosaic reports and to enable users to easily extract up to date, relevant information (Rec 18).
- 4.1.26 It was found that information was being sent by suppliers to redundant/legacy AP email inboxes with consequences around accuracy and timeliness of payments. These need to be closed/deactivated and people signposted to the relevant current inbox to ensure the relevant Officers are aware of issues and enable a timely response to queries (Rec 3).
- 4.1.27 Although different reviews at payment stage did identify and flag where there was a significant increase in the level of payment for a service user from the previous payment, some sort of reasonableness check was not required to determine whether the amount payable was of the right magnitude (Rec 16). Payments flagged at this stage were in excess of £200k for several service users instead of a few thousand pounds (Rec 1).
- 4.1.28 A further point of consideration is whether the incorrect changing of rates for some service users has impacted on the rate of client contributions and whether these need to be reviewed (Rec 5).
- 4.1.29 There is also potentially a query as to whether there are other providers who have either not had inflationary uplifts applied against all their service users due (i.e. they weren't included on the spreadsheet provided from which the uplifts were applied) or equally that others could have had an incorrect uplift applied (Rec 5)).

A1.1 REVIEW OF ADVANCE PAYMENTS TO CARE PROVIDERS IN RELATION TO COVID PAYMENT PERIOD

- A1.1.1 To assist Home Care, Extra Care and Supported Living providers during Covid, payments for services provided to service users were switched from payment in arrears to payment in advance between April - November 2020 inclusive, with the actual cost of services delivered in this period offset against the prepayments made. This was following guidance from the Cabinet Office to put in place the most appropriate payment measures to support supplier cash flow, which could include payment in advance.
- A1.1.2 An initial communication to providers detailing this change was sent on 13th April 2020 by the AD of Commissioning, Transformation and Performance. It provided details that the payments process was temporarily being altered so that social care providers were paid to plan and in advance, rather than retrospectively and per invoice. However, this communication did not make it clear that providers would still need to invoice in due course for the service actually provided during that period (Rec 6). However, a subsequent update was provided by the Contracts and Commissioning Team to suppliers on 27th April 2020, clarifying some queries that had arisen to date, including the need to invoice separately for care delivered in March and April 2020, the need to invoice for care delivered in April (although that could be at a later date), and that the process would continue from May 2020 onwards until advised otherwise.
- A1.1.3 Providers were then subsequently contacted in December 2020 by Commissioning, detailing that from the start of that month providers would no longer be paid in advance based on planned hours, but that invoicing should return to four weekly cycles as previous and requesting that they ensure that all invoices for period April-November 2020 inclusive for services delivered had been submitted by the end of December 2020.
- A1.1.4 Supplier reconciliations were conducted early in 2021 by the Trainee Accountant, with assistance from the DACHS Finance Business Partners, to identify the amount paid in advance to each provider, the invoices that had been offset against the prepayments and any remaining balance on the prepayment. 62 providers were identified as having a difference between what had been paid to them and what was owed to them in relation to services delivered during the period totalling £2.5m.
- A1.1.5 Providers were contacted in March 2021, supplied with details of the balance remaining on the prepayment and provided with a copy of the reconciliation showing how the balance had been reached, including how much had been prepaid and details of invoices offset against the prepayments. Where it was identified that providers had been overpaid (i.e. paid in excess of the cost of services they had delivered during that period), it was detailed that the overpayment would be offset against future invoices.

- A1.1.6 There had been a number of responses from providers as a result of this communication, detailing whether or not they agreed with the reconciliation and where they had either provided invoices that had not been paid or had not actually invoiced for services provided as they had already received payment. Responses received were being logged on a spreadsheet; however, it was noted that there were still a number of providers where a response to this or subsequent communication was still being awaited (Rec 7). A number of providers were still disputing the amount of overpayment and approximately a sixth of providers with such balances had agreed that the balance could be offset against future invoices. The balance on the prepayment as at 2/11/21 was £2.1m.
- A1.1.7 Discussion with the trainee accountant identified that where possible the focus had been to try to resolve issues with those providers with largest amounts outstanding. However, these tended to be more complex/time consuming to resolve and hence smaller ones had been resolved to a greater extent; it also tended to be that for smaller providers this was likely to make up a more significant part of their cashflow. Providers at highest risk of failure had been identified and actioned separately. As detailed in A2.1.11, there also seemed to be some confusion with providers as to what had been paid in terms of prepayment and invoices.
- A1.1.8 Meetings were held between Finance, PBST and Commissioning, initially on a weekly basis during August 2021, and then monthly which included reviewing progress on the prepayment balances paid to providers.
- A1.1.9 Audit review of one provider reconciliation identified that what had been prepaid to the provider agreed to what had been calculated by DACHS Finance. Review of the invoices offset against the prepayments identified a slight discrepancy between what had been calculated/detailed to the provider and audit review; this was identified to be as a result of additional invoices having then been offset against the prepayment since the time the provider had been contacted in March 2021.
- A1.1.10 A review of the invoices from this specific provider was carried out to determine if all relevant invoices had been offset against the prepayment, inappropriate invoices had not been offset and that the cut off at the start and end of the prepayment was correct. It was identified that for over half of the invoices (71/133) there was either no invoice or the incorrect invoice attached in Oracle Fusion. Hence it was not possible to determine which service user was being invoiced for, the period the invoice related to and whether the offset was appropriate. It was also not possible to determine if the provider had actually invoiced RBC for all clients/services in the prepayment period. (Rec 8).
- A1.1.11 It was noted that there was some inconsistent application of offsetting against the prepayment at start of period (Rec 9). There was also a significant backlog of invoices either awaiting processing, on hold or rejected, some of which might relate to services delivered in this period and thereby further affect the position (see section A2.2 for details). This, and a lack of remittance advices being provided to suppliers providing a breakdown of what payments made related to, had led to some confusion with providers as to which services had been paid for/offset against the prepayment and which were still outstanding.

- A1.1.12 Review of other payments made to the provider during the period of prepayment, but not offset against the prepayment, identified that where there were invoices attached in Oracle Fusion, they either related to services delivered before the prepayment period or were Brighter Futures for Children's invoices.
- A1.1.13 Audit review identified that what had been calculated as prepayments to providers by DACHS Finance agreed to what had been recorded on Oracle Fusion, and for a sample of eleven providers, also to what had been paid to providers. A check of a sample of eleven providers, identified that in three out of eleven cases, the balance on the prepayment agreed to what was originally communicated to providers in March 2021, in six out of eleven cases the difference related to invoices that had been processed since March 2021 and in one case there was still a discrepancy which appeared to be due to an incorrect balance transfer. One case was unable to be verified as the reconciliation provided was unable to be opened.
- A1.1.14 A full audit review of all providers was carried out, with verification of what was calculated as a prepayment by DACHS Finance against Oracle Fusion invoice reports and Oracle Fusion prepayments. Prepayment balance transfers were also verified (these had been moved to p&l code 5700). It was noted that the prepayments made in April 2020 had been treated differently to those for May to November 2020 inclusive (Rec 9). For April, the prepayments had been coded to a p&l code (purchased care 5309) and then the invoices offset against them. The balance was then transferred. It was noted that some invoices had been charged to the code after the balance had been transferred but only amounted to circa £12k and 31 invoices (Rec 9).
- A1.1.14 For the period from April to November 2020 inclusive, prepayments had been coded to a balance sheet code (payments in advance (9885)) and then invoices received offset against them. The balance was then transferred to a p&l code (5700). However, at the time of the audit a significant number and value of invoices appeared to have been posted to the payment in advance code after the prepayment balance had been transferred amounting to circa £0.5m and 807 invoices (Rec 9).

A1.2 PAYMENT ISSUES.

- A1.2.1 There was a backlog of invoices with Accounts Payable, who were approximately two weeks behind (as at end of September 2021), plus a number of invoices on hold and rejected (as at the end of September this totalled 1,044 invoices with a total value £2.3m of which £1m related to BFfC). As part of this, it was noted that there were a number of invoices that did not match purchase orders on Mosaic. Previously a mismatched invoice report had been provided to PBST by the AP Team, but this process had ceased; indeed, the communication link between PBST and AP had also ceased in respect of queries on invoices (Rec 10).

- A1.2.2 It was planned that there would be a new query spreadsheet used which would record rejected invoices and which would then be shared weekly with PBST for them to address issues and suppliers contacted about rejected invoices (Rec 10). It was identified that AP had been unable to keep on top of communications with providers due to workload and staffing issues as they had been trying to focus on paying suppliers, although the DACHS Strategic Finance Business Partner had identified that central inbox has now been set up to ensure all communications from providers were going to one inbox rather than split across a number of teams (Rec 3).
- A1.2.3 The PBST, Finance and Commissioning teams met initially weekly to agree how to address and identify priority providers where the impact of payment delays was likely to have the most significant impact and therefore were a higher priority to resolve/pay.
- A1.2.4 In relation to the backlog of invoices/invoices on hold/rejected, a list of rejected invoices had been reviewed by the trainee accountant and then provided to PBST to work through to identify issues. Common issues relating to these invoices identified by Finance were invoice and commitment amounts not agreeing, no commitment(s) on Mosaic, service provision ended or suspended, rate increases and invoice duplication. PBST have identified a range of issues, some of which related to providers responsibilities and some of which related to RBC. Common issues relating to providers includes incorrect rate(s) being used, invoices being submitted for incorrect dates, care suspended but for which the provider had still invoiced, and issues with the provider invoicing for too much with no evidence that the care package had increased. RBC issues included care packages not being suspended/unsuspended when they should have been, service not being set up on Mosaic as PBST had not been correctly informed, incorrect workflow and hospital discharges not being done/reflected in time/no commitment to pay (Rec 10).
- A1.2.5 It was noted that often issues arose where the workflow was not done or not done correctly on Mosaic, which then led to subsequent issues with payment. It was also noted that there had been a significant turnover of social workers and a potential issue relating to training and in particular correctly using Mosaic as there were no policies/procedures in relation to this. It was noted in particular that this was an issue during the pandemic when staff were working remotely and unable to sit with someone or have people easily available to ask unlike when working in office (Rec 17).
- A1.2.6 Issues related to invoices on hold/rejected/awaiting processing also had an impact on advance payments to providers and agreeing overpayment balance(s) as some have invoices caught up in this (see section A2.1).
- A1.2.7 There had also been an issue with providing remittance advices for scheduled payments to providers, since staff members were working from home, but previously remittance advices had been posted out. It had been planned to move to emailing out remittance advices, however, this had been delayed as result of a planned change with the email server which had been due to occur but had not happened and it is still unclear when the new date for this would be. This had meant that providers had identified a lack of clarity in some cases as to what payments related to (Rec 11).

A1.2.8 In some cases, some invoices that providers detailed as outstanding had been offset against the prepayment made to them when payments were switched to payment in advance (see section A1.1). However, suppliers did not seem to be aware of this and that hence they had been paid. There was a lack of clarity with some providers that the advance payments were then to be offset against invoices for services delivered during that period rather than being a payment to keep them afloat.

A1.3 DATA QUALITY

A1.3.1 Discussion with the Assistant Director for Operations and Safeguarding, Quality, Performance and Practice identified that there was currently a gap in checking Mosaic data quality. Issues identified during this audit review around prepayment/invoicing included that there were some problems with new packages being input onto Mosaic/POs being generated in a timely manner (see SA1.1 and A1.2.4). However, it was difficult to obtain an overall view of this as it was not possible to obtain an appropriate report to assist with this, meaning individual records needed to be reviewed, so was time consuming.

A1.3.2 Discussion with the Assistant Director for Operations and Safeguarding, Quality, Performance and Practice identified that:

- all agreed services should have an associated APT;
- Packages discussed at ERRG were reviewed and checked to ensure that they had a signed off APT; and
- quality was deemed to be good as ERRG would not agree a service without an APT being in place.

It was noted that those packages not going via ERRG e.g. emergency/hospital discharge were approved and then should have a retrospective APT completed so all packages should have an APT. However, the majority of packages should go via ERRG as it met three times a week. Packages were signed off and budgets authorised via a scheme of delegation although a copy of this has not been seen by audit, who have subsequently been informed that it was out of date and required updating (Rec 12).

A1.3.3 Discussion with various ASC Team and Service Managers identified that there was no regular audit/review of Mosaic to ensure data quality for example APTs completed within a required timeframe, care packages input/amended/closed on Mosaic in a timely manner (Rec 13). Subsequent discussion with the Assistant Director for Operations and Safeguarding, Quality, Performance and Practice identified that audits of data quality were looking to be instigated but at present there was nothing in place.

- A1.3.4 Initially staffing issues were looking to be resolved and appointments made to some senior roles (Principal Social Worker and Principal Occupational Therapist) which would then lead on practice development, developing a core governance strategy, including auditing, governance, monitoring risk and service user feedback, all with a likely six-month timeline. Practice forums were also looking to be set up to look at the structure for auditing and supervision to better monitor workflow. As part of this, careful consideration was also required as to what was recorded on Mosaic, as access to their records could be requested by service users and their families (Rec 13).
- A1.3.5 Discussion with the Manager of the Performance and Data Team identified that there was not a consistent picture of service managers reviewing and actioning associated issues in relation to APTs/reviews, particularly during Covid when other issues had been prioritised. It was noted that managers received a weekly dashboard which detailed, amongst other things, APTs and reviews that had been started, completed or were open, and that some managers were better than others at reviewing the report and actioning any issues (Rec 13). Managers should be reviewing long term open APTs and reviews at 1-2-1s. It was understood that the new Principal Social Worker would look at defining this and ensuring it was actioned.
- A1.3.6 It was noted that there was currently no performance framework in place which clearly defined good performance generally and what performance should be measured against (Rec 13). Managers should be aware of what was established as acceptable in terms of the time period that APTs could be open for i.e. up to 45 days, but this had not been formally defined (Rec 13). Work on data quality was being undertaken, with the lead for quality being the AD for Safeguarding, Quality, Performance and Practice, and performance data was being reviewed by FutureGov as part of the IT strategy work to allow managers to receive direct relevant information for their team, including spend v budget reports. It was also understood that as part of the DACHS restructure, performance management would be added to job descriptions.
- A1.3.7 It was also identified that the weekly dashboard (detailing amongst other things, APTs and reviews that had been started, completed or were open) was received at monthly Performance Board meetings, although it was not always discussed, and no notes or more detailed minutes were taken of what was discussed at these meetings, only an action list made of decisions taken/actions required. It was however noted that the Performance Board was still evolving and had started out as a Performance Surgery (a discussion forum for managers). However, no Terms of Reference had been established for the Board, or proforma agenda devised with an annual rolling cycle of issues/areas to discuss. There also appeared to be a need for a Finance representative to attend going forward (Rec 14).

- A1.3.8 Audit reviewed a selection of services approved by ERRG since April 2021 to determine subsequent action taken and timeliness. It was identified that in two cases where CHC funding had ceased and RBC had to fund all of the existing service, there had been a significant delay in completing the APT (which in both cases was retrospective after funding had ceased). In one of these cases, the APT had not been completed so the service was not reflected on Mosaic nor provision for the circa £76k currently owed to the provider (as funding ceased in June). In the other case, funding ceased in April and was not approved by ERRG until September. In four out of nine cases reviewed, the APT had not been completed after the ERRG decision, with five cases where the service had not yet been put onto Mosaic (Rec 15). Also, in the case where POs were raised, these were after the service had started.
- A1.3.9 Audit review of a report of APTs started, open or completed since April 2021 identified that for open APTs, 44% had been open for 0-2 months, 17% for 2-4 months and 39% for 4+ months. It was noted that on these reports "significant outliers" i.e. those where the APT had been open a significant amount of time (i.e. hundreds of days) were likely where the APT was not fit for purpose and the worker had not closed it; delays in completing APTs for agreed services were likely to be those just over 45 days. For reviews, 35% had been open 0-2 months, 27% 2-4 months and 38% 4+ months. There was currently there was no report specifically looking at the time period between ERRG approval, purchase of services and a PO being raised (Rec 15).
- A1.3.10 During the course of the audit, there were various access issues encountered, including being able to access relevant service users records and run/obtain appropriate reports. During discussions with Officers, it was noted that there had been various ongoing issues with Mosaic in terms of accessing and amending records, ensuring that records had been correctly updated in a timely manner and being able to access and run accurate and appropriate reports. There were also problems with being able to easily access/obtain an overview of some information; this was particularly problematic where it was recorded as free text/in case notes on Mosaic, reports were unable to be run to obtain an overview, and reliance had to be placed on reviewing individual records/knowing what reports were available/worked (Rec 18) .
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Appendix 3

Final Internal Audit Investigation

Late Invoice Payment for Social Care Invoices

To: Jackie Yates - Deputy Chief Executive
Darren Carter - Director of Finance
Seona Douglas - Executive Director of Social Care & Health
Melissa Wise - Deputy Director of Commissioning and Transformation
Lara Fromings - Head of Commissioning



From: Anthony Kearns, Principal Auditor

Date: 13th January 2022

EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 A situation arose where, a provider of voluntary grant aided services, were unable to get prompt payment for a number of invoices that they submitted around July 2021. This left them with around £37k outstanding and considerable confusion as to why payment had not been made. Previously there had been delays in day care as ASC decided to pay a portion of day care payments on account and had had to wait to reorganise from paying for actual services which in turn was linked to government advice on what payments could be made in respect of providers impacted by covid.
- 1.2 The Provider initially contacted the Deputy Chief Executive on the 19 July 2021 regarding the non-payment of March 2021 invoices, having previously contacted Adult Social Care (ASC) and the Accounts Payable (AP) team. Those invoices were subsequently paid, and a request was made to put in processes to avoid any recurrence. In October the Provider contacted the Deputy Chief Executive again regarding a further bout of none payment. Hence internal audit was asked to establish what had happened and what could be done to prevent a reoccurrence.

2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 Review the reasons for the delays in payment and get assurance that situation will not occur in the future.
- 2.2 This investigation (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

3. CONCLUSIONS

- 3.1 There were two distinct issues with the July delays. One related to the payment of grant monies against purchase orders originally raised by the Public Health Team but due to a reorganisation had been reassigned to the ASC Team. These invoices, which made up a large part of the £37k, were on hold awaiting certification by ASC who had been given responsibility for payment following the change in structure. A second tranche of invoices were for day care payments, some of these invoices had been incorrectly submitted due to misunderstandings about where to submit them, and some were caught up in general delays in processing by the AP Team due to volumes of work and staff illness. All of these issues came together at the same time.
- 3.2 There was no one single factor that caused the situation with the late payments rather there was a coming together of a number of factors that created confusion and delay for all parties involved. The matters identified in the findings run through both DACHS (Commissioning) and Accounts Payable and have been addressed in a separate audit report on Mosaic payments (payments to providers).
- 3.3 The issues with late payment of invoices has been faced by other similar voluntary organisations but with the same financial impact as experienced by the Provider.
- 3.2 The situation has now been resolved with respect of receipting invoices for the grant monies and for the invoices for day care (see above). Going forward the AP team and the Commissioning Team will monitor the situation regarding outstanding invoices to prevent a reoccurrence. The support team for adult commissioning has now assumed full responsibility for administering the grant payments for the Narrowing the Gap grant funding and has receipted and made payment where appropriate. Other voluntary body invoices have also been processed and are up to date.
- 3.3 Officers have communicated with the Provider and other voluntary organisations to make sure they understand how invoices need to be submitted. The situation regarding the future of Covid relief payments for day care is due to end but the final data is not available at this time.
- 3.4 The communications between the Provider and the Adult Commissioning Team need to be reset as any issues they have regarding outstanding payments in respect of invoices submitted should be dealt with by the Adult Commissioning Support Team in the first instance.
- 3.5 It should also be noted at this point, that many of the delays were caused by staff shortages in the Accounts Payable Team at the time, and it should be recognised that any prolonged absence in this area, could lead to a similar situation occurring in the future.

- 3.6 Paying invoices to suppliers on time is a high priority as it can have a significant impact on the financial viability of smaller organisations as well as a have a significant reputational impact on the Council. The Voluntary & Community Sector (VCS) are key partners in enabling the Council to address inequalities within the Borough and maintaining productive working relationships is important. Whilst some of the issues have now been addressed, we are unable to give any assurance that this will not happen again. The process is over reliant on a number of key individuals and in their absence, especially over a prolonged period, there is limited resilience or a shared understanding of the process. The process is also reliant on a high degree of manual intervention.
- 3.7 Rather than repeat recommendations, this report should be read in conjunction with the audit report on Mosaic payments which highlighted the lack of clear communications between providers and ASC (Rec7); the lack of clear communication between the AP Team and ASC (Rec11); the need for a performance framework (Rec15) is also applicable. In general recommendations around the performance uplift could have been applied to the earlier situation with regard to administering payments on account for day care services (rec 2 and 4 in the report on Mosaic payments).

Appendix 5

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
HEADING/CONTROL OBJECTIVE - NEEDS TO BE LINKED TO THE HEADINGS IN THE FINDINGS					
<i>RISK: Invoices remain unpaid and there is reputational damage to the Council.</i>					
1	There needs to be a clear communication pathway to prevent enquiries about non-payment of invoices being escalated in the first instance to Director level without the teams involved being aware of it. It is suggested that all enquiries should in the first instance be dealt with through Adult Social Care Commissioning. To ensure that issues are identified it is suggested that the AP team ensure that any issues with invoices being rejected are notified to the Commissioning Team when they occur. This process needs to be documented.	Priority 2	Recommendation Noted: There is agreement that communications need to be clear and documented and Providers notified of the communication pathways, this will be done within the timescale. However, we don't consider that the Adult Social Care Commissioning Team is the most appropriate point of contact in all instances as this has the potential to create unnecessary delay.	Deputy Director - Adult Social Care Director of Finance	31/03/22
Page 56	There needs to be prompt communication between the AP and Adult Commissioning Teams to ensure that anything that impacts the ability to effect prompt payment is highlighted and communicated to organisations awaiting payment. This process should be documented and clearly understood by both teams.	Priority 2	Recommendation Agreed: Arrangements will be put in place to ensure regular, communication between the Teams. This will supplement the work on Communication Pathways noted in Recommendation 1.	Deputy Director - Adult Social Care Director of Finance	31/03/22

4. FINDINGS

4.1 ISSUES AROUND ACCOUNTS PAYABLE (AP) TEAM

- 4.1.1 There were backlogs in the AP processing due to staff shortages as a result illness and annual leave.
 - 4.1.2 The processing backlogs were also impacted by the incorrect submission of some invoices directly to the Fusion mailbox by the Provider which resulted in them being put on hold as there was no purchase order (PO) to allocate them. Each invoice submitted had to be manually removed (including the image of the invoice) and correctly resubmitted.
 - 4.1.3 There had previously been delays (March) due to the Covid pandemic necessitating new payment arrangements for voluntary day care payments being put in place, as the existing orders had to be replaced with orders that allowed for a percentage of the day care allowance to be paid despite the fact the service itself was not being provided.
 - 4.1.4 Additionally, there was a change in AP processing arrangements for the payment of invoices which resulted in the closure of an existing email inbox and the creation of a new email address for the submission of Oracle Fusion invoices for direct scanning and payment through Oracle Fusion. The arrangement for payment of Mosaic invoices and other invoices that could not directly be paid was also renamed. Unfortunately, this change was not immediately reflected in the remittance advice which was issued with the payments which still carried the old address for invoice submission to the AP team. This issue has subsequently been resolved. It was an issue as the Provider administrator and a couple of the other providers could not get a clear message on payment so followed the instructions on the existing remittances which was out of date.
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4.2 ISSUES AROUND ADULTS COMMISSIONING TEAM

- 4.2.1 The issues identified in 4.1.3 had a minor impact and was reflected in the need to raise a new PO and communicate the changes in payments (as well as adjustments around uplifts and inflation allowances) to external organisations who were not cognisant of internal RBC processes and procedures and were therefore more likely to become confused by the changes being made.
- 4.2.2 The Adult Commissioning Team and its support team were initially unaware of the impact of the confusion the remittance issue (4.1.4) was having on the Provider and potentially other suppliers. The Provider have invoices in respect of both Oracle Fusion POs (grant related monies) and Mosaic (day care client payments) which lead to confusion as to where invoices were to be submitted. Because there was no clear communication route and a lack of clarity of processes by officers advice offered by ASC and AP created confusion. AP and ASC were also not on the same page regarding advice.

- 4.2.3 The issue with the transfer from Public Health to ASC involved changing Fusion information on POs already created and changing financial responsibilities for processing so that ASC were able to receipt work commissioned by the PH Team.
- 4.2.4 The Provider had submitted invoices against POs raised in respect of grant monies and this process should have resulted in those invoices being paid through the Oracle Fusion route and not the Mosaic route. A significant number of those invoices had not been promptly receipted to allow for payment to be made. The problem for the Adult Commissioning Team and its support team was that the POs were raised as part of a 'Narrowing the Gap' programme that had originally been commissioned by the Public Health Team who had also raised the original POs. The support team had to arrange for the originators of the POs to be changed on the Oracle Fusion database so that a member of their team could then receipt the invoices for payment. The same team had also to acquire the evidence of what the grant monies were for and how performance was evidenced before they could be in a position to receipt and therefore approve payment. This process took a considerable time as it became part of a transition process that saw the restructure of the Public Health Team which included the departure of original creator of the POs and the transfer of the grant data and monies to the Adult Commissioning Team.
- 4.2.5 Communications between The Provider and the Adults Commissioning Team were problematic with a tendency for the Provider to focus their questions on when payment was to be expected and send those queries to the AP Team and then escalate them to the Finance Director and beyond if they did not get an answer. There are provisions for complaint and escalation routes for enquiries within the contracts that the Provider has with the Council but the delays they were experiencing led them to escalate outside the agreed routes leaving the Adults Commissioning Team unaware of their immediate issues.
- 4.2.6 The Provider had three levels of interaction with RBC. Their administrator who prepared and submitted the invoices; the bookkeeper who monitored what payments they had or had not received; and the CEO. Each tried in their own way to work out what was going on. Because the administrator was not clear on submission of invoices a number were submitted incorrectly and had to be reversed out and resubmitted (because they are Mosaic payments) at a time when the AP Team were short of staff due to illness. The Provider themselves were then confused as to where they were financially and what had or hadn't been paid. As there was no one point within RBC that had full information they got conflicting advice on how to resolve the issue. AP Team trying to resolve invoices, ASC trying to understand why invoices were being rejected. No clear explanation of the Public Health transfer was offered by ASC as ASC themselves weren't fully sure what they were doing.
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4.3 PROVIDER PERCEPTION

- 4.3.1 The Provider had difficulty in understanding the Council's processes for processing and paying invoices, especially given the issues around Covid payment for services and payment for grant monies (see 4.1.3 & 4.2.4). As a result, they seemed to perceive the problem to be a financial one that could be resolved by the AP team and if not by them then by someone more senior on the financial operation in the Council. The ASC team were not fully aware of the invoice issue and felt it could be resolved by the AP Team as the invoices had been submitted. The Public Health transfer which left invoices unpaid was not acknowledged as an issue by ASC as they themselves were trying to resolve how to deal with it.
 - 4.3.2 The Provider themselves incorrectly invoiced a small number of payments in respect of clients. This resulted from following out of date information on previous remittances that had not been changed after the AP Team had changed their processing instructions and closed the previously used inbox.
 - 4.3.3 The Provider escalated outside the contractual protocol for resolution of these issues before a proper resolution could be attempted by the ASC Team. There is a protocol within the contract with the Provider and other voluntary organisations that issues with service and payment should in the first instance be resolved with the ASC Team. The ASC Team felt that the Provider were too quick to escalate to the Deputy Chief Executive, but it is not easy to establish if the Provider and the ASC Team were clear on how that process would be triggered as The Provider were trying to get answers from the AP and ASC Teams. The lack of a single point for information resulted in a lack of clear instruction, as no one person in RBC had the full picture of what was going on and what was needed to resolve issues.
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4.4 CURRENT SITUATION

- 4.4.1 The day care invoices are pretty much up to date. There may be one or two minor enquiries, but the bulk of invoices have been paid.
- 4.4.2 The grant invoices have now been receipted and the majority are in line to be paid or have been paid according to the Business Support Officer (Adults).
- 4.4.3 The termination of the current arrangement for day care Covid payments is still being clarified.
- 4.4.4 There is a better understanding of how unpaid or queried invoices will be dealt with between the AP and Adult Commissioning Team although there is still a need for formal process to ensure queries are prioritised and dealt with promptly (see Rec 1&2).
- 4.4.5 The situation regarding incorrect information on remittance advice has been corrected.

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READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	25 JANUARY 2022		
TITLE:	EXTERNAL QUALITY ASSESSMENT (EQA) OF INTERNAL AUDIT SERVICE		
LEAD COUNCILLOR:	COUNCILLOR MCEWAN	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	AUDIT, INVESTIGATIONS, & INSURANCE	WARDS:	N/A
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 This report provides Members of the Committee with an overview of the requirements set out in the Public Sector Internal Audit Standards in relation to an External Quality Assessment (EQA) of the Council’s Internal Audit service and to inform Members of the planned approach to ensure an EQA is procured and completed.

2. RECOMMENDED ACTION

- 2.1 **The Audit and Governance Committee is asked to:**
Endorse the approach for the External Quality Assessment of the Council’s Internal Audit function

3. BACKGROUND

- 3.1 The Public Sector Internal Audit Standards (Standards) require that the Chief Audit Executive (Chief Auditor) develop and maintain a quality assurance and improvement programme (QAIP). The Standards demand that this programme includes a process whereby the Internal Audit function is the subject of regular internal and external assessments. The purpose of these assessments is to confirm compliance with the Standards and to provide assurance to all stakeholders that the Internal Audit function is operating efficiently and effectively.
- 3.2 The Standards stipulate that an internal assessment must be completed periodically, and an external assessment, by an independent body, must be completed (as a minimum requirement) at least every five years.

- 3.3 Reading Borough Council's internal audit service had its first EQA in July 2017, the findings reported to Audit & Governance Committee (A&G) in September 2017. Therefore, it is proposed the next external quality assessment is commenced in April 2022, the results of which to be presented to the A&G Committee in July 2022.
- 3.4 Failure of not having an EQA completed at least every 5 years, by a qualified, competent and independent person will mean the Internal Audit function is no longer operating in compliance with the Standards and stakeholders may no longer have assurance that the function is operating efficiently and effectively.
- 3.5 The Standards cover 14 components which Internal Audit functions must adhere to in order to be assessed as operating in compliance with the Public Sector Internal Audit Standards. The sections covered in the Standards are as follows:
- Code of Ethics
 - Attribute Standards - purpose, authority & responsibility, independence & objectivity and quality assurance and improvement programme
 - Performance Standards - managing the audit activity, audit planning, performing audit engagements, audit reporting and monitoring implementation of agreed actions.
- 3.6 The Standards require that the Chief Auditor must discuss the format of the external assessments with the Audit Committee / Audit Board.
- 3.7 The Standards require that an independent and competent person must be sourced to avoid any conflict of interest and impairment to objectivity. The assessor should also be appropriately qualified to carry out the assessment.
- 3.8 The Standards also require that an appropriate sponsor must be sourced for the EQA.

4. THE PROPOSAL

- 4.1 Following discussions with the Director of Finance, (S.151 Officer), it is proposed to engage CIPFA to perform a full external quality assessment of Reading Borough Council's Internal Audit Service's conformance to the PSIAS and the CIPFA LGAN, to be carried out week commencing 25th April 2022.
- 4.2 CIPFA are well placed to carry out this assessment, being a champion in public services, one of the professional bodies who sets and provides guidance on the standards required of public body internal audit services and are therefore very familiar in both policy and practice.
- 4.3 The assignment will be carried out by a Lead Consultant, who not only is well qualified, but competent in practice and has carried out more than 40 EQA's since 2013. The lead consultant is wholly independent of Reading Borough Council and enabling the review to be independent of any conflicts of interest and impairment of objectivity.

- 4.4 Due to the on-going COVID pandemic it is proposed the assessment will be undertaken remotely using Microsoft TEAMS for conducting online meetings and interviews with the Chief Auditor, and other key stakeholders in Reading Borough Council and Brighter Futures for Children such as the Chair and members of the Audit Committee, statutory officers and a selection of Executive Directors and Assistant Directors.
- 4.5 The views of a sample of senior managers will also be sought via a questionnaire in advance of the fieldwork stage. A minimum selection of eight audit files and records will be reviewed along with key documents such as the Audit Charter, results of the self-assessment, the A&G committee terms of reference, and all documents and evidence will be provided either electronically or through a secure sharing platform (SharePoint).
- 4.6 On conclusion CIPFA will produce and issue a detailed report to the Director of Finance setting out how well the internal audit service conforms to the standards, and where applicable the report will contain recommendations and suggestions to further enhance the Service's conformance to the PSIAS and/or LGAN.
- 4.7 When this report is finalised, it will then be presented to the Governance and Audit Committee together with an action plan prepared to address any areas for improvement identified.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The Internal Audit Team aims to assist in the achievement of the strategic aims of the Council, set out in the Corporate Plan, by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The external quality assessment will provide assurance to the Council on the effectiveness and professionalism of the audit service, identify where improvements may be made, which in turn provides confidence as to the level of assurance that can be placed on the findings made by the audit service.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 There are no environmental or climate implications associated with this report or to the decisions being sought.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 N/A

8. EQUALITY IMPACT ASSESSMENT

- 8.1 N/A

9. LEGAL IMPLICATIONS

- 9.1 There is no legislative requirement to fully conform to the professional standards, although CIPFA, the Chartered Institute of Internal Auditors (CMIIA) and the Internal Audit Standards Board's judgement is that conformance with the standards will promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit services across public sector.

10. FINANCIAL IMPLICATIONS

- 10.1 There are no key financial risks identified, with the costs of the assessment met within existing budgets.

11. BACKGROUND PAPERS

- 11.1 Public Sector Internal Audit Standards:
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	25TH JANUARY 2022		
TITLE:	IMPLEMENTATION OF THE FINANCE IMPROVEMENT PROGRAMME - PROGRESS UPDATE		
LEAD COUNCILLOR:	CLLR McEWAN	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	CHRIS TIDSWELL	TEL:	07825190321
JOB TITLE:	PROGRAMME LEAD	E-MAIL:	chris.tidswell@cipfa.org

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Audit and Governance Committee agreed at its meeting in October 2020 that progress against the Finance Improvement Programme should be reported on a regular basis to the Committee.
- 1.2 This report provides the latest update on progress of the Programme workstreams and their deliverables against the Plan since the last meeting in September 2021.

2. RECOMMENDED ACTION

- 2.1 To note progress of the Finance Improvement Programme.

3. INTRODUCTION AND BACKGROUND

- 3.1 The Finance Improvement Programme has two key phases: Phase I responds to the historic and current issues identified to ensure a sound foundation and 'get the basics' right. The second phase, (Phase II), will concentrate on embedding Phase I delivery and developing the financial management culture and governance framework across the Council.
- 3.2 The Programme is led and overseen by the Finance Transformation Board chaired by the Deputy Chief Executive and meets monthly. The Board receives updates and reports ensuring appropriate challenge and stewardship, the Board monitors progress of delivery against the Project Plan and signs off key deliverables.
- 3.3 The Phase 1 workstreams are:
 - Accounts Payable
 - Accounts Receivable
 - Chart of Accounts
 - Reconciliations and Final Accounts
 - New Finance System

- 3.4 Each workstream has a number of deliverables which also includes relevant 'Audit Tracker' recommendations to help ensure progress on implementation.

4. PROGRAMME UPDATE - PLAN AND DELIVERABLES

- 4.1 As reported at the last Committee in September the accounts payable, accounts receivable and chart of accounts workstreams are now essentially concluded with ongoing improvements incorporated into the new finance system workstream. The Board will continue to review the monitoring and compliance process to ensure the improvements introduced become embedded.

The final accounts and reconciliations workstream continues, activity and progress is reported separately to the Committee on this agenda.

The finance system replacement workstream is in the system implementation stage. Project governance arrangements are in place and a finance system project board has been established, chaired by the Director of Finance, to manage the implementation of the new system. The project group reports through to the Finance Transformation Board. Updates on implementation progress will continue to be reported to the Committee.

- 4.2 Phase II of the transformation programme (developing corporate financial management governance and the overarching financial management environment) is to be aligned to the implementation of the new finance system.

The Board continues its monitoring role where activity relating to compliance has moved into business as usual and has set out a series of performance metrics and KPIs which it requires to ensure that the improvements introduced continue to be delivered. These are in the process of development and review. Phase II of the programme and plan will be designed to both ensure that the opportunities and benefits of the new system are realised and that the necessary development of the organisational approach to financial management and governance takes place and is embedded.

- 4.3 Audit tracker recommendations continue to be included within individual workstream deliverables where appropriate and are managed as part of the plan. There are now a total of 10 (previously 7) recommendations within the tracker covered by the Finance Improvement Programme. These are rated as; Red 2 (0), Amber 6 (6), and Green 2 (1).

5. WORKSTREAM UPDATES

The following section highlights each workstream's terms of reference and progress against the Plan. Each workstream has a table indicating a RAG rating for its deliverables and Audit Tracker recommendations. For reference the previously reported numbers are shown in brackets.

5.1 Accounts Payable

Terms of reference

To review and modernise the Accounts Payable process from start to finish using the technology available to the full ensuring it is fit for purpose and addresses historic issues. To improve the Supplier Database and increase efficiency within AP with the increased use of the Supplier Portal and access to the web centre.

Deliverables completed, Monitoring - Ongoing

The accounts payable workstream had 10 specific deliverables.

Completed	In progress	Not Started
10 (10)	0 (0)	0 (0)
Commentary		
<ul style="list-style-type: none"> Monitoring of KPIs is now undertaken on a monthly basis by the Board 		

- The Audit Recommendations Tracker has 3 (17) recommendations relating to Accounts Payable.
- Of the 3 recommendations included in the tracker ratings are: **1(1) Green, 2 (2) Amber and 0(0) Red.**

5.2 Account Receivable (AR)

Terms of reference

To review, develop and implement actions to ensure an efficient and effective debt management service that ensures compliance and is delivered using the most appropriate technology.

Final delivery date: (revised): 31 July 2022

The Accounts Receivable workstream has 12 specific deliverables.

Completed	In progress	Not Started
8(8)	4(3)	0(1)
Commentary		
<p>In progress deliverables are:</p> <ol style="list-style-type: none"> 1) addressing historic debt and reporting arrangements, the current financial system reporting weaknesses will be addressed as part of the implementation programme 2) developing an SLA 3) delivery of user guides and training 4) commencing since the last Committee is the development of a new team structure 		

- The Audit Recommendations Tracker has 0 recommendations relating to Accounts Receivable.

5.3 Chart of Accounts

Terms of reference

To review and rationalise the Chart of Accounts in line with best practice to aid financial information reporting for all users and to develop a governance process to manage amendments moving forwards, with the involvement of all key stakeholders.

Deliverables completed

The Chart of accounts workstream had 13 specific deliverables.

Completed	In progress	Not Started
13(13)	0(0)	0 (0)
Commentary		
<ul style="list-style-type: none"> All deliverables have been completed. 		

- The Audit Recommendations Tracker has 0 (2) recommendations relating to the Chart of Accounts.

5.4 Reconciliations and final accounts

As previously reported to the Committee a revised approach was developed to bring together the reconciliation and final accounts workstreams.

The plan covered the closedown of 2018/19, 2019/20 and 2020/21 and as a consequence all reconciliation processes and issues will be addressed simultaneously.

An update on the closure of accounts is the subject of a separate paper to this Committee.

- The Audit Recommendations Tracker now has 7(4) recommendations relating to reconciliations and final accounts. The change in tracker recommendations follows 3 additions since the last Committee relating to bank and cash reconciliations. As a consequence, increased scrutiny will be put on reconciliations at the next Board meeting to ensure issues are being actively addressed.
- Of the 7 recommendations included in the tracker ratings are: **Amber 4(4), Green 1(0) and 2(0) Red.**

5.5. New Finance System

Terms of reference

To determine the required finance system outcomes from stakeholders and produce an options-based business case. To lead the re-procurement of the finance system and subsequent implementation within the required governance framework.

The new financial system will support the Council's vision for financial management and governance, enabling the adoption of best practice and realisation of opportunities of product and technology innovation as they develop to optimize performance and outcomes.

The Council's current financial system is provided by Oracle Fusion under a contract that expires on 2nd of December 2022. The contract for the Council's new financial system has been awarded to Advanced Business Solutions under an initial 4-year contract that will provide overall service design, integration, implementation, licences, and hosting.

The system implementation commenced in September 2021 and the design phase is due to complete in early February 2022. Below is a summary of key finance system design requirements approved by the Finance Transformation Board.

Finance Area	Recommendation
Budget Monitoring and Reporting	<p>The new system will enable Budget Managers to self-service through the provision of easy to access comprehensive budget monitoring reports, which will include the ability to drilldown to source documents (invoices, purchase orders etc.).</p> <p>Budget Managers will have a dashboard of real-time information on financial performance including purchasing, debt management and approval requests. This will allow budget managers to quickly assess financial performance and take timely business decisions to optimise financial performance.</p> <p>Within certain parameters Budget Managers will also be able to undertake journals for transactions within their own areas.</p>
General Ledger	<p>The new finance system will facilitate quicker, smoother closedown of accounts through the adoption of a simplified chart of accounts and standardised, accessible reporting functionality . This will in turn accelerate and simplify the audit of accounts.</p>
Forecasting and Budget Virements	<p>Budget Managers will have the ability to review and update forecasts which will provide greater visibility and ownership of financial performance. The Corporate Finance Team will retain responsibility for processing budget virements.</p>
Procure to Pay	<p>The new system will provide a simplified and standardised process for the raising of purchase orders, goods and service receipting and invoice payment including improved reporting on spend analysis and key performance indicators.</p> <p>Purchase Orders to be approved online by cost centre owner</p> <p>3-way matching of order, goods receipt and invoice</p> <p>New Supplier set ups will require online approval by Procurement. The system will also allow improved spend analysis from a procurement perspective.</p>
Income to Cash	<p>The new system will provide a simplified and standardised process for raising customer invoices and collecting cash with improved reporting on key performance indicators.</p> <p>New Customers require online approval by Finance</p> <p>Dunning processes will be controlled by Finance</p>

The Finance System Board comprising stakeholders from each Directorate (DEGNS, DACHS, Resources) and BFfC, meets on a fortnightly basis and are responsible for delivering the effective implementation of the new system. Highlight reports setting out progress, issues and next steps are reported into the Finance Transformation Programme.

The project is currently in the design phase and reporting behind plan. The Transformation Board have asked the project team to review the timeline to understand what activity can be undertaken concurrently in order to pull the timeline back to facilitate go live on the 1st October 2022. It has further requested that managers ensure key staff identified for specific tasks are appropriately focused.

Following completion of the design stage system configuration and interface building will commence, before comprehensive system testing and user training. A more detailed update on the format and focus of the training programme will be brought to the next meeting.

The finance system workstream has 4 specific deliverables. These deliverables are key milestones in the system re-procurement.

Completed	In Progress	Not Started
2(2)	1(1)	1(1)
Commentary		
<p>The completed deliverables relate the procurement sign off and the procurement of the new system</p> <p>The in progress deliverable relates to implementation with a more detailed update below:</p> <ul style="list-style-type: none"> • The implementation is at the Design phase which will complete in February 2022 • The build phase will commence in February 2022 and complete in May 2022 • System testing by the project team will be performed in May and June 2022 • System testing by users across all Directorates and BFfC will be performed in July and August 2022 • Training for all service users of the new finance system will be delivered through September and into October 2022 • Final preparations for go-live including business readiness assessments and data migration will be completed in September 2022 <p>The deliverable not started relates to the 'go live' which is scheduled for 1st October 2022.</p>		

- There are no recommendations in the Audit Tracker.

6. CONTRIBUTION TO STRATEGIC AIMS

- 6.1 The Finance Improvement Programme has been designed and developed to build a strong financial management and governance foundation, with the aspiring direction of a fit for the future, exemplar financial management and governance environment in Reading.

7. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 7.1 None arising from this report.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 Not applicable to this report.

9. EQUALITY IMPACT ASSESSMENT

- 9.1 Not applicable to this report.

10. LEGAL IMPLICATIONS

10.1 Not applicable to this report

11. FINANCIAL IMPLICATIONS

11.1 There are no direct financial implications arising from this report. However, the implementation of the Finance Improvement Programme will streamline processes, reduce closure of accounts timelines and costs, and increase the capacity and value added by the Finance Team. In line with the approved business case for replacing the finance system, provision for funding has been made within the Capital Programme.

12. BACKGROUND PAPERS

12.1 Not applicable to this report.

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TO: AUDIT & GOVERNANCE

DATE: 25th JANUARY 2022

AGENDA ITEM:

TITLE TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW 2021/22

LEAD COUNCILLOR: COUNCILLOR BROCK

PORTFOLIO: ALL

SERVICE: FINANCE

WARDS: BOROUGHWIDE

LEAD OFFICER: STUART DONNELLY

**JOB TITLE: FINANCIAL PLANNING &
STRATEGY MANAGER**

E-MAIL:

stuart.donnelly@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Council adopted a Treasury Management Strategy and an Annual Investment Strategy for 2021/22 at its meeting on 23rd February 2021.
- 1.2 The purpose of this report is to update Members on the activity of the Treasury Management function during the first half of the year for the period 1st April 2021 to 30th September 2021.
- 1.3 The Council has not taken out any new external long-term borrowing (loans) during 2021/22 as of 30th September 2021.
- 1.4 The Council has complied with all elements of its Treasury Management Strategy Statement (TMSS) as agreed by Full Council on 23rd February 2021.
- 1.5 Changes and proposed changes to the Treasury Management Code, Prudential Code, Public Works Loan Board (PWLB) Lending Terms and regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year are set out in within section 11 of the main body of this report.

2. RECOMMENDED ACTION

That the Committee note:

- 2.1 The Treasury Management Mid-Year Report for 2021/22.

APPENDICES

Appendix 1 - Economics Update

Appendix 2 - Investment Criteria & Limits

3. INTRODUCTION

3.1 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An Interest Rates Forecast
- A review of the Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- A review of any debt rescheduling undertaken during 2021/22;
- A review of compliance with Treasury and Prudential Limits for 2021/22;
- An economic update for the first half of the 2021/22 financial year (Appendix 1).

4 INTEREST RATES FORECAST

4.1 The coronavirus outbreak has had a significant economic impact on both the UK and global economies. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could have happened prior to more recent months when strong recovery started kicking in. However, the minutes of the Monetary Policy Committee in February 2021 made it clear that commercial banks could not implement negative rates within six months; by that time the economy would be expected to be recovering strongly and so there would be no requirement for negative rates.

4.2 The Bank of England raised Bank Rate from 0.10% to 0.25% in December 2021. An updated forecast, provided by the Council's treasury management advisors (Link Group), is set out in Table 1 below.

PWLB Rates

4.3 Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates below (Table 1) shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to December 2023, though there will doubtless be a lot of unpredictable volatility during this forecast period.

4.4 While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant upward risk exposure to the forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

4.5 The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially

between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

- 4.6 Current UK interest rate forecasts (including the 20-basis point certainty rate reduction) are outlined in the following table:

Table 1. Interest Rate Forecasts

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
	%	%	%	%	%	%	%	%
Bank Rate	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75
5-year PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80
10-year PWLB	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00
25-year PWLB	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30
50-year PWLB	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10

The Balance of Risks to the UK

- 4.7 The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide. There is a balance of upside risks to forecasts for medium to long-term PWLB rates
- 4.8 Significant risks to current forecasts include the impact of:
- **Mutations of the virus** render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option;
 - **Labour and supply shortages** prove more enduring and disruptive and depress economic activity;
 - **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate;
 - **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures;
 - **The Government** acts too quickly to cut expenditure to balance the national budget;
 - **UK / EU trade arrangements** - if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues;
 - **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast;

- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy;
- **Geopolitical risks**, for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

5 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

- 5.1 The Treasury Management Strategy Statement, (TMSS), for 2021/22 was approved by Full Council on 23rd February 2021.
- 5.2 There are no policy changes required to the TMSS. This report sets out the Council’s position compared to the TMSS in the light of the updated economic position, budgetary changes already approved and revised in-year forecasts of capital expenditure.

6 THE COUNCIL’S CAPITAL POSITION (PRUDENTIAL INDICATORS)

Prudential Indicators for Capital Expenditure

- 6.1 The Council is required to ensure that all of its Capital Expenditure, investments and borrowing decisions are prudent and sustainable. The prudential indicators for capital expenditure set out whether or not the Council is delivering within its approved budgets.
- 6.2 Tables 2 and 3 below show the Council’s forecast capital expenditure compared to the Capital Programme agreed in February 2021 (Original Budget) and the Capital Programme as at Quarter 2 (Revised Budget) which includes roll-forwards of budget from 2020/21 which were approved by Policy Committee as part of the Quarter 4 Performance Report (2020/21) in July 2021.

The indicators show that the Council is forecasting to underspend against the approved Capital Programme budget by £30.716m (General Fund) and £9.873m (HRA) as at the of Quarter 2. Further details on significant variances on individual capital schemes are reported to Policy Committee as part of the Quarterly Performance and Monitoring Reports.

Table 2. General Fund Capital Programme

General Fund	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Forecast (30 th September 2021)	Variance
	£m	£m	£m	£m
Adult Social Care & Health Services	0.279	1.272	1.272	0.000
Economic Growth & Neighbourhood Services	50.584	76.268	63.073	(13.195)
Economic Growth & Neighbourhood Services - Education Schemes	20.889	24.969	15.280	(9.689)
Resources	4.559	7.409	7.482	0.073
Corporate	11.832	15.006	7.641	(7.365)
Total General Fund	88.153	124.924	94.748	(30.176)

Table 3. HRA Capital Programme

Housing Revenue Account	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Forecast (30 th September 2021)	Variance
	£m	£m	£m	£m
Housing Revenue Account	39.675	45.494	35.621	(9.873)
Total Housing Revenue Account	39.675	45.494	35.621	(9.873)

Changes to the Financing of the Capital Programme

- 6.3 Tables 4 and 5 below identify the expected financing arrangements of the Council's capital expenditure plans. The Borrowing Requirement increases the underlying indebtedness of the Council by increasing the Capital Financing Requirement (CFR), although this will be reduced in part by revenue contributions for the repayment of debt (the Minimum Revenue Provision).

Table 4. Financing of the General Fund Capital Programme

General Fund	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Forecast (30 th September 2021)
	£m	£m	£m
Total Capital Expenditure	88.153	124.924	94.748
Financed by:			
Capital Receipts	2.362	2.532	2.532
Capital Grants and other Contributions	44.850	73.343	56.126
Total Financing (excluding Borrowing)	47.212	75.875	58.658
Net Borrowing Requirement	40.941	49.049	36.090

Table 5. Financing of the HRA Capital Programme

Housing Revenue Account	2021/22 Original Budget	2021/22 Revised Budget	2021/22 Forecast (30 th September 2021)
	£m	£m	£m
Total Capital Expenditure	39.675	45.494	35.621
Financed by:			
Capital Receipts	0.000	0.000	0.857
Capital Grants and other Contributions	6.145	5.576	13.783
Capital Reserves	10.710	10.700	8.783
Revenue	0.000	0.355	0.257
Total Financing (excluding Borrowing)	16.855	16.631	23.680
Net Borrowing Requirement	22.820	28.863	11.941

Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

- 6.4 Table 6 shows the Council's CFR, which is its total underlying indebtedness. It also shows the maximum expected debt position (the Operational Boundary) over the period as at 23rd February 2021, which was £680.960m. The revised Operational Boundary is £646.173m which has reduced due to the revised expenditure and financing forecasts.

Table 6. Capital Financing Requirement and Operational Boundary

	2021/22 Original Estimate	2021/22 Forecast (30 th September 2021)
	£m	£m
Prudential Indicator - Capital Financing Requirement		
CFR - General Fund	442.444	426.341
CFR - HRA	218.516	199.832
Total CFR	660.960	626.173
Prudential Indicator - Operational Boundary for External Debt		
Borrowing	660.960	626.173
Headroom	20.000	20.000
Operational Boundary	680.960	646.173

- 6.5 The Council's current level of external debt (as at 30th September 2021) is £417.431m, as set out in Table 7 below. The Council is therefore operating significantly within its Operational Boundary.

Limits to Borrowing Activity

- 6.6 Over the medium term, net borrowing (borrowings less investments) should only be for capital purposes. Gross external borrowing should not, except in the short term, exceed the total of the Council's CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. However, the Council's Capital Programme has been scaled back as the purchase of commercial property scheme

was removed in 2020/21 and other capital schemes have had delivery impacted by Covid-19, so it is unlikely in the current year.

Table 7. Capital Financing Requirement and Actual Borrowing

	2021/22 Original Estimate	2021/22 Forecast (30 th September 2021)
	£m	£m
Borrowing	479.149	393.171
Other Long-Term Liabilities	24.261	24.260
Total Debt	503.410	417.431
CFR (year end position)	660.960	626.173
Over/(under) Borrowing		(208.742)

- 6.7 The Authorised Borrowing Limit is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit determined under section 3 (1) of the Local Government Act 2003 and sets the limit beyond which borrowing is prohibited without Member approval. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. Table 8 below sets out Authorised Limit. The current level of external debt of £417.431m (as at 30th September 2021) is significantly within the Authorised Limit.

Table 8. Authorised Limit

	2021/22 Original Indicator	2021/22 Forecast (30 th September 2021)
	£m	£m
Operational Boundary	680.960	646.173
Headroom	40.000	40.000
Total Authorised Limit	720.960	686.173

7 BORROWING

- 7.1 The Council's estimated capital financing requirement (CFR) for 2021/22 as at 30th September 2021 is £626.173m. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing) to fund capital expenditure. The balance of external and internal borrowing is generally driven by market conditions.
- 7.2 Table 7 above shows that the Council has external borrowing (including prior year borrowing) of £417.431m and has utilised £208.742m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring in respect of the Council's cashflow requirements, long-term borrowing requirement and interest rate increases.
- 7.3 Due to a reduction in capital expenditure and additional grant income due to Covid-19, the Council has not needed to undertake any new long-term PWLB borrowing during 2021/22.

- 7.4 It is possible that the Council may need to borrow during Quarter 4 of 2021/22 as cash balances are forecast to reduce during this quarter, primarily as £30m of s31 grant repayments to Central Government in respect of cashflow support given in respect of 2020/21 additional business rate reliefs, as part of the Business Rate Retention Scheme, fall due during this period. However, the current expectation is that this would be met by temporary or short-term borrowing. The Council's Borrowing Strategy will be reviewed and revised as part of the Treasury Management Strategy Statement 2022/23 in order to achieve optimum value and risk exposure in the long-term.

8 DEBT RESCHEDULING

- 8.1 Debt rescheduling is currently not attractive due to the associated high cost premiums of rescheduling PWLB loans outweighing any potential savings. No debt rescheduling has therefore been undertaken to date in the current financial year.

9 COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

- 9.1 During the half year ended 30th September 2021, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2021/22.
- 9.2 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

10 ANNUAL INVESTMENT STRATEGY

- 10.1 The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by the Council on 23rd February 2021. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity;
- Yield.

- 10.2 The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep treasury investments short term to cover cash flow needs, but also to seek out value available in periods up to twelve months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including minimum sovereign credit rating and Credit Default Swap (CDS) overlay information. As shown by the interest rate forecasts in section 4, it is now impossible to achieve the level of returns on investments commonly seen in previous decades as all investment rates have only risen weakly since Bank Rate was cut to 0.10% in March 2020. Given this environment and the fact that Bank Rate may only rise marginally, or not at all, before the second half of 2023, investment returns are expected to remain low.

Creditworthiness

- 10.3 Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

Investment Balances

- 10.4 The average level of funds available for investment purposes during the year to 30th September 2021 was £24.990m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and Capital Programme expenditure.

Table 9. Investment Performance Year to Date as at 30th September 2021

Period	LIBID Benchmark Return	Council Performance	Investment Interest Earned
	%	%	£m
7 Day	(0.08)	0.03	0.01

- 10.5 The Council also has £15.000m invested in the CCLA Property Fund which is a long-term investment and has received an income of £0.328m over the six-month period to September 2021. The total return on the fund is 4.37%.
- 10.6 Officers can confirm that the approved limits within the Annual Investment Strategy (attached as Appendix 2) were not breached during the quarter ended 30th September 2021.

11 2021/22 CONSULTATIONS & GUIDANCE CHANGES

Treasury Management and Prudential Codes

- 11.1 CIPFA published the updated Treasury Management and Prudential Codes on 20th December 2021 following consultation processes. These codes have introduced restrictions to discourage further capital expenditure on commercial investments for yield due to it being a risk to prudent investment. The Council removed its scheme to purchase new commercial properties from its Capital Programme during 2020/21.
- 11.2 CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their current draft Treasury Management Strategy Statement/Annual Investment Strategy reports for 2022/23 unless they wish to; full implementation is required from 1st April 2023 (2023/24).
- 11.3 The Council is currently in the process of drafting the 2022/23 Treasury Management Strategy.

Public Works Loan Board (PWLB)

- 11.4 On 12th August 2021 the DMO issued updated guidance on lending arrangements. The updates largely clarify points raised by some local authorities regarding the previous guidance issued in November 2020. This includes defining activity to allow authorities to distinguish between expenditure on service delivery, housing, regeneration etc vs investment assets bought primarily for yield. There was also an update on the list of

responses the government may take if a local authority does not follow PWLB lending policy and examples of different scenarios which would/would not be supported by the PWLB.

- 11.5 Circular 163 was subsequently released on 8th September 2021 updating the terms and conditions applied to PWLB lending. The changes made are as follows;
- The turnaround time for a PWLB loan increases from two to five working days
 - The minimum interest rate for PWLB loans is set a 1bps
 - The minimum late repayment fee is set at 10bps.

Minimum Revenue Policy (MRP)

- 11.6 The Department for Levelling Up, housing and Communities launched a consultation on 30th November 2021 until 8th February 2022, seeking views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.
- 11.7 One of these proposals would, if implemented, require Council's to provide MRP on any capital loans given to third parties and wholly owned companies. The Council's current MRP Policy would therefore need to be reviewed and additional budgetary provision made within the Council's revenue budget in order to comply with this change should it materialise.
- 11.8 The proposal is that the changes will first come into force for the financial year beginning 1st April 2023 therefore there will be no impact on 2022/23; it is not the government's intention that these changes are applied retrospectively.

12 CONTRIBUTION TO STRATEGIC AIMS

- 12.1 The Council's vision to ensure that Reading realises its potential - and to ensure that everyone who lives and works in Reading can share the benefits of its success. The Council has three inter-connected themes which contribute to delivering this vision. The themes are:
- Healthy environment;
 - Thriving communities;
 - Inclusive economy.
- 12.2 Delivery of the Council's revenue and capital budgets is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward. The treasury management functions are crucial in ensuring that the Council has access to funds when required and in investing surplus funds in secure investments.

13 ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 13.1 None have been identified as arising directly from this report.

14 COMMUNITY ENGAGEMENT AND INFORMATION

14.1 Budget-related communications and consultations will continue to be a priority over the next three years as we work to identify savings.

15 EQUALITY IMPACT ASSESSMENT

15.1 None have been identified as arising directly from this report.

16 LEGAL IMPLICATIONS

16.1 The Council is required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:

- **Prudential and treasury indicators and treasury strategy** - The first, and most important report is forward looking and covers:
 - the capital plans, (including prudential indicators);
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
 - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).
- **A mid-year treasury management report** (this report) - This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
- **An annual treasury report** - This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

16.2 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

17 FINANCIAL IMPLICATIONS

17.1 The financial implications are set out in the body of the report.

18 BACKGROUND PAPERS

- Treasury Management Strategy 2021/22
- Quarter 2 Performance Report 2021/22

Appendix 1 - Economics Update**COVID-19 Vaccines**

1. These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the “pingdemic” in July 2021.
2. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A Summary Overview of the Future Path of Bank Rate

3. In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020. The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron. If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
4. With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report. The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term. Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
5. However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates

under 2% are providing stimulus to economic growth. We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.

6. Covid remains a major potential downside threat in all three years as we are likely to get further mutations. How quickly can science come up with a mutation proof vaccine, or other treatment, - and for them to be widely administered around the world? Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC Meeting 16th December 2021

7. The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
8. The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
9. On 10th December we learnt of the disappointing 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
10. On 14th December, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.
11. These figures by themselves would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
12. On 15th December we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply.

However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

13. Other elements of inflation are also transitory e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
14. Although it is possible that the Government could step in with some fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth - but at a time when the threat posed by rising inflation is near to peaking.
15. This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a surprise increase in Bank Rate from 0.10% to 0.25%. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".
16. On the other hand, it did also comment that "the Omicron variant is likely to weigh on near-term activity". But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation from Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
17. On top of that, there were no references this month to inflation being expected to be below the 2% target in two years' time, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
18. These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a "modest tightening" in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

19. In as much as a considerable part of the inflationary pressures at the current time are indeed transitory, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
20. As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
21. The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows:
 - Raising Bank Rate as "the active instrument in most circumstances";
 - Raising Bank Rate to 0.50% before starting on reducing its holdings;
 - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts;
 - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

Appendix 2 - Investment Criteria & Limits

	Credit Rating	Cash Limit	Time Limit
Banks and organisations and securities whose lowest long-term credit rating published by Fitch, Moody's or Standard & Poor is:	AAA	£20m each	5 Years
	AA+		3 Years
	AA		
	AA-		2 Year
	A+		
	A		
	A-		1 Year
The Council's current account, Lloyds Bank Plc should circumstances arise when it does not meet above criteria	N/A	£1m (total)	Next Day
UK Building Societies without credit rating	N/A	£10m each	1 Year
UK Government (irrespective of credit rating)	N/A	Unlimited	50 Years
UK Local Authorities (irrespective of credit rating)	N/A	£20m each	50 Years
UK Registered Providers of Social Housing whose published long-term credit rating is A- or higher	A-	£5m each	2 Years
UK Registered Providers of Social Housing whose published long-term credit rating is lower than A- or without a long-term credit rating	N/A	£2m each	1 Year
	Fund rating	Cash Limit	Time
Money Market Funds	AAA	£20m each	liquid
Pooled Funds (including pooled property funds)	AAA	£30m total	liquid

Other Limits

- a) **Non-specified investment limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments at £30m maximum.
- b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch or equivalent.
- c) **Other limits.** In addition:
 - no more than £20m will be placed with any non-UK country at any time;
 - limits in place above will apply to a group of companies;
 - sector limits will be monitored regularly for appropriateness.

Upper limit for principal sums invested for longer than 365 days

	2021/22	2022/23	2023/24
Principal sums invested for longer than 365 days	£30m	£30m	£30m

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REPORT BY DIRECTOR OF FINANCE

TO: AUDIT & GOVERNANCE COMMITTEE

DATE: 25th JANUARY 2022

TITLE: 2021/22 QUARTER 2 PERFORMANCE AND MONITORING REPORT

LEAD COUNCILLOR: COUNCILLOR MCEWAN

**PORTFOLIO: CORPORATE &
CONSUMER SERVICES**

SERVICE: FINANCE

WARDS: BOROUGHWIDE

LEAD OFFICER: STUART DONNELLY

TEL: 01189 373468

**JOB TITLE: FINANCIAL PLANNING & STRATEGY
MANAGER**

**E-MAIL:
stuart.donnelly@reading.gov.uk**

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The 2021/22 Quarter 2 Performance and Monitoring Report was presented to Policy Committee on 13th December 2022. This report sets out the projected revenue and capital outturn positions for 2021/22 for both the General Fund and the Housing Revenue Accounts as at the end of September 2021 (Quarter 2). These forecasts include best estimates of the additional pressures arising as a result of Covid-19.
- 1.2 The report also sets out performance against the measures of success published in the Council's Corporate Plan.

2. RECOMMENDED ACTION

That Audit & Governance Committee note:

- 2.1 The 2021/22 Quarter 2 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 13th December 2022.

REPORT BY DIRECTOR OF FINANCE

TO: POLICY COMMITTEE

DATE: 13th DECEMBER 2021

TITLE: 2021/22 QUARTER 2 PERFORMANCE AND MONITORING REPORT

LEAD COUNCILLOR: COUNCILLOR MCEWAN

**PORTFOLIO: CORPORATE &
CONSUMER SERVICES**

SERVICE: FINANCE

WARDS: BOROUGHWIDE

LEAD OFFICER: STUART DONNELLY

TEL: 01189 373468

**JOB TITLE: FINANCIAL PLANNING &
STRATEGY MANAGER**

E-MAIL:

stuart.donnelly@reading.gov.uk

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report sets out the projected revenue and capital outturn positions for 2021/22 for both the General Fund and the Housing Revenue Accounts as at the end of September 2021 (Quarter 2). These forecasts include best estimates of the additional pressures arising as a result of Covid-19.
- 1.2 The forecast General Fund revenue outturn position as at the end of Quarter 2 is an overspend on service expenditure of £8.176m. This includes a structural overspend of £4.201m on DACHS that will need to be addressed as part of the updating of the Medium-Term Financial Strategy. There is also an overspend on DEGENS of £3.567m, including £4.470m of costs that are attributable to Covid-19.
- 1.3 It is proposed to fund this £8.176m overspend on services through the use of the Covid-19 support grant that is available for 2021/22 but was previously unallocated. It is also proposed to utilise £3.844m of corporate contingencies and to use £1.838m of the £2.776m of earmarked reserves that was agreed in the 2021/22 budget.
- 1.4 The use of this combination of contingencies and one-off resources means that a break-even position is now projected for 2021/22 but such an approach is not sustainable in the medium to longer term and will need to be addressed in future budget planning.
- 1.5 The Housing Revenue Account (HRA) is projecting an underspend of £0.874m as at the end of Quarter 2.
- 1.6 The General Fund Capital Programme is forecast to underspend by £30.176m in 2021/22.
- 1.7 The HRA Capital Programme is forecast to underspend by £9.873m in 2021/22.
- 1.8 £4.145m of savings have been delivered (blue) to date in this financial year, with a further £8.126m of savings on track to be delivered (green) by March 2022. £4.700m of savings are currently categorised as non-deliverable (red) with a further £3.237m categorised as at risk of delivery (amber).

- 1.9 The report also sets out performance against the measures of success published in the Council's Corporate Plan.
- 1.10 The detail supporting this report is included in:
- Appendix 1 - Financial Monitoring for Quarter 2
 - Appendix 2 - Corporate Plan Measures for Quarter 2
 - Appendix 3 - Corporate Plan Measures for Quarter 2 (Charts)

2 RECOMMENDED ACTION

That Policy Committee notes:

- 2.2 The forecast General Fund revenue outturn position as at the end of Quarter 2 is a net break-even position after use of Covid-19 support funding, corporate contingencies and use of £1.838m of the £2.776m of earmarked reserves that was agreed in the 2021/22 budget.
- 2.3 The Housing Revenue Account is forecast to underspend by £0.874m as at the end of September 2021;
- 2.4 The General Fund Capital Programme is forecast to underspend by £30.176m;
- 2.5 The HRA Capital Programme is forecast to underspend by £9.873m;
- 2.6 £4.145m of 2021/22 savings have been delivered (blue) with a further £8.126m of savings on track to be delivered (green) by March 2022. £4.700m of savings are currently categorised as non-deliverable (red) with a further £3.237m categorised as at risk of delivery (amber);
- 2.7 The performance achieved against the Corporate Plan success measures as set out in Section 10 of this report and Appendix 2.

That Policy Committee approve:

- 2.8 To fund this £8.176m overspend on services through the use of the Covid-19 support grant that is available for 2021/22 but was previously unallocated. It is also proposed to utilise £3.844m of corporate contingencies and to use £1.838m of the £2.776m of earmarked reserves that was agreed in the 2021/22 budget;
- 2.9 The addition of the Open Spaces Improvement scheme into the Capital Programme as set out in paragraph 9.2.

3 POLICY CONTEXT

- 3.1 The Council approved the 2021/22 Budget and Medium-Term Financial Strategy 2021/22 - 2023/24 in February 2021.

4 GENERAL FUND REVENUE

- 4.1 The forecast outturn as of Quarter 2 is a balanced budget and is broken down in the following table:

Table 1. General Fund Forecast 2021/22

2020/21 Outturn £m		Budget £m	Forecast Outturn £m	Variance £m
38.966	Adult Care and Health Services	37.947	42.148	4.201
29.040	Economic Growth and Neighbourhood Services	18.492	22.059	3.567
14.883	Resources	16.336	16.711	0.375
1.484	Chief Executive	1.549	1.582	0.033
0.710	Children's Services retained by Council	0.724	0.724	0.000
50.064	Children's Services delivered by BFFC	47.392	47.392	0.000
135.147	Total Service Expenditure	122.440	130.616	8.176
14.703	Capital Financing Costs	15.495	15.495	0.000
0.000	Contingency	3.844	0.000	(3.844)
(11.692)	Other Corporate Budgets	4.387	0.055	(4.332)
(23.951)	Total Corporate Budgets	23.726	15.550	(8.176)
(12.762)	Net Budget Requirement	146.166	146.166	0.000
	Financed by:			
(96.014)	Council Tax Income	(99.220)	(99.220)	0.000
(34.357)	NNDR Local Share	(32.095)	(32.095)	0.000
(3.988)	New Homes Bonus	(2.108)	(2.108)	0.000
(3.994)	Section 31 Grant	(3.549)	(3.549)	0.000
(2.030)	Revenue Support Grant	(2.040)	(2.040)	0.000
0.000	Other Government Grants	(6.739)	(6.739)	0.000
(10.537)	One-off Collection Fund Surplus	(0.415)	(0.415)	0.000
(150.920)	Total Funding	(146.166)	(146.166)	0.000
(12.762)	Over / (under) Budget	0.000	0.000	0.000

- 4.2 The following table reconciles Covid-19 and other pressures to the forecast outturn position:

Table 2. Covid-19 Revenue Pressures Impact on the 2021/22 Outturn Forecast

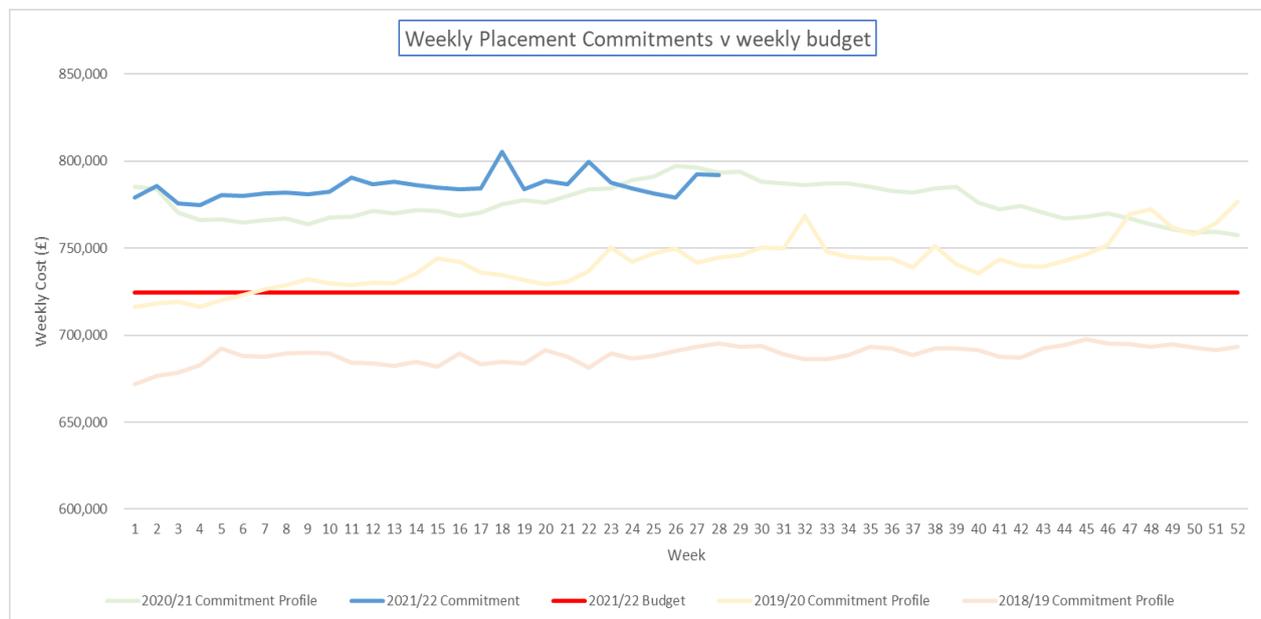
	Covid-19 Pressures £m	Other Net Pressures/ (Savings) £m	Forecast Outturn £m
Adult Care & Health Services	0.000	4.201	4.201
Economic Growth & Neighbourhood Services	4.170	(0.603)	3.567
Resources	0.140	0.235	0.375
Chief Executive	0.000	0.033	0.033
Children's Services retained by Council	0.000	0.000	0.000
Children's Services delivered by BFFC	0.000	0.000	0.000
Total Service Budgets	4.310	3.866	8.176
Capital Financing Costs	0.000	0.000	0.000
Contingency	0.000	(3.844)	(3.844)
Other Corporate Budgets	(4.523)	0.191	(4.332)
Total Corporate Budgets	(4.523)	(3.653)	(8.176)
Over / (under) Budget	(0.213)	0.213	0.000

Adult Care and Health Services

4.3 Adult Care and Health Services is forecasting a net overspend of £4.201m at Quarter 2, an increase of £0.510m since Quarter 1. There are no direct additional pressures forecast arising from Covid-19 but it is likely there is a degree of residual impact included within the forecast position.

4.4 The forecast overspend is due to pressures comprising of:

- £3.766m pressures on placement budgets, an increase of £1.075m since Quarter 1. This is due to increases during the quarter in the forecast for Physical Disabilities and Learning Disabilities. The increase in the forecast for Physical Disabilities primarily relates to hospital discharges where the duration of funding from health as part of Hospital Discharge Scheme 2 has increased. This has led to an increase in income but there is also a risk around the cost of long-term placements when funding ends and the placement continues, resulting in a cost pressure. Placement spend and activity continues to be monitored on a weekly basis though remains relatively stable as set out in the graph below:



- £0.132m forecast overachievement of income. This is due to improvements relating to service user charges and a significant increase in recovery from the CCG in respect of the Hospital Discharge Scheme 2.
 - £1.172m of other net non-placement pressures primarily due to the forecast for staff costs, where staff savings will not be delivered in the financial year.
 - £0.605m underspend due to unused funding for PPE equipment.
- 4.5 Savings of £1.769m are forecast to be delivered against the target of £5.537m. The remaining £3.769m of forecast non-deliverable savings is included within the pressures outlined above.
- 4.6 A review is currently being undertaken to identify what mitigating actions can be taken to reduce the forecast overspend within Adult Care and Health

Services. The outcome and impact of this work will be reported in the Quarter 3 Performance and Monitoring Report.

Economic Growth and Neighbourhood Services

- 4.7 The Directorate of Economic Growth and Neighbourhood Services is forecasting a net overspend of £3.567m at Quarter 2, an increase of £0.403m since Quarter 1. The main variances remain due to reduced levels of income in parking, and in planning and regulatory services where the recovery from the pandemic is happening more slowly than it was anticipated when the budget was set. In total the forecast adverse variance arising from the Covid-19 pandemic and its after-effects is £4.470m.

Transportation - £2.006m overspend

- 4.8 Transportation is forecasting a £2.006m overspend at Quarter 2. The total overspend arises mostly from an anticipated income shortfall of £1.843m in the aftermath of Covid-19. Based on year-to-date activity levels in parking and traffic enforcement, a cautious approach to the forecast is being adopted as the current numbers do not support a quick V-shaped bounce back in the first three quarters of the financial year. While Income levels as at Quarter 2 are above those in the same period last year, the recovery is still very gradual, particularly for Off-Street Car Parking - the most material Parking income stream by budget. It is assumed that normal levels will be reached in Quarter 4. These adverse variances are occurring despite the reduction in income budgets approved by the Council to recognise the impact of Covid-19 on income.
- 4.9 The other main elements of the projected overspend relate to a £0.070m overspend against Fleet Services and Strategic Transport. The former relates to a recent increase in vehicle insurance rates, while the latter relates to an income shortfall arising now that Greenwave Bus Services have transferred from the Council to Reading Buses Ltd, which is being addressed in the Medium Term Financial Strategy.
- 4.10 There are £0.021m of pressures linked to pension liability payments for several ex-RBC employees that transferred to Reading Buses around the start of the financial year.
- 4.11 There are further net pressures totalling £0.072m across the service
Planning and Regulatory Services - £1.197m overspend
- 4.12 The service is forecasting a £1.197m overspend.
- 4.13 There is a forecast income shortfall of £0.938m across building control, license fees, planning applications and planning fees and charges as a result of ongoing Covid-19 recovery uncertainty and recruitment challenges.
- 4.14 There are two significant legal cases and a public enquiry arising within the service which are currently being disputed; the one-off costs of which are estimated at £0.625m for 2021/22 which, if necessary, will be funded from earmarked reserves at year-end.
- 4.15 These pressures are partially mitigated by a staffing underspend due to vacancies within the service of £0.191m and £0.175m from the Contain Outbreak Management Fund (COMF) relief grant.

Housing and Communities - balanced budget

- 4.16 Housing and Neighbourhood Services is forecast to be on budget.
- 4.17 At the end of September, the number of statutory homeless cases (those that meet the criteria of priority need) in bed and breakfast accommodation was 18, whilst the number of homeless cases that relate to Covid-19 was 25. This is being closely monitored, and forecasts will be updated as required.

Culture - £0.027m overspend

- 4.18 Culture is forecasting a net overspend of £0.027m at Quarter 2.
- 4.19 Many of the buildings, including the four leisure centres, Reading Museum, theatres and the Town Hall, were closed to the public during the pandemic have now reopened. The forecast for Arts and Theatres assumes recovery in the theatres and also Arts Council England funding of £0.487m for the period April to June to support the reopening of The Hexagon, South Street and Reading Museum. The theatres have now resumed full trading.
- 4.20 The forecast variance is comprised of the following pressures:
- £0.066m of pressures relating to the Town Hall and Concert Hall due to forecast income being less than anticipated. Bookings for function rooms are significantly lower than expected, equating to an underachievement in income of £0.066m.
 - £0.154m under-achievement of income relating to Reading Play within Leisure Services which have been operating a limited service supporting SEND and key worker children. The services are now running, however with limited take up.
 - £0.052m of non-delivered savings. Due to the delay in the in-house management restructure of Cultural services, there will be a lag in realising the full savings and £0.052m which has been amber rated.
 - £0.007m of other net pressures across the service.

- 4.21 These pressures are partially offset by a £0.252m saving on the new leisure contract. The impact of the new leisure contract has been assessed and is expected to deliver a forecast underspend of £0.252m, as it started three months later than was assumed when the budget was set.

Environmental and Commercial Services - balanced budget

- 4.22 Environmental and Commercial Services is forecasting a balanced budget position at Quarter 2.
- 4.23 Waste Disposal is currently expected to underspend by £1.100m. This relates to the reduced landfill cost from increasing the food waste collections £0.500m, an increase in the market for recycled materials £0.200m and £0.400m relating to the Waste Re3 contract.

- 4.24 Highways and Drainage are forecast to overspend by £0.260m, predominantly relating to the cost of direct materials. In previous years this budget has tended to be insufficient but has been offset in part by income generation.
- 4.25 Business Development is expected to overspend by £0.165m due to continuing problems in achieving planning permission for new sites for advertising billboards & placeholders, which makes it difficult to achieve the increased income target set for this initiative.
- 4.26 Refuse Collection is forecast to overspend by £0.700m, comprising:
- a £0.400m pressure due to 16 additional staff being agreed to provide extra capacity for increased waste collection due to more people working from home as a result of Covid-19 and to support the delivery of existing savings targets relating to the increased food waste tonnage generated by its diversion from landfill;
 - a £0.200m pressure is linked to the suspension of Green Waste collection services earlier on in the year due to Covid-19;
 - a £0.100m increase in overtime as a result of insufficient staffing due to Covid-19.
- 4.27 Grounds Maintenance is showing an overspend of £0.175m. This is made up of anticipated income shortfall of £0.375m due to trees and landscape work not recovering to pre-Covid levels along with capital projects delays. This is partly offset by underspends on salaries and running costs of £0.200m.
- 4.28 Street Cleansing is forecasting an underspend of £0.200m due to staffing vacancies.

Property & Asset Management - £0.337m overspend

- 4.29 Property & Asset Management is forecasting an overspend of £0.337m at Quarter 2.
- 4.30 Assets Development, commercial tenants' income is £0.045m lower than budgeted due to approximately 70% under occupancy of the Acre park site. For the remainder of the service there is a drop in expected income from sundry properties of £0.048m due to vacancies.
- 4.31 Savings arising from the closure of Darwin Close, Hamilton Centre and the more efficient use of Bennet Road are partly red rated due to delay and a forecast overspend of £0.150m is included in the financial position. For Non-Housing Projects, there is a forecast overspend of £0.200m due to under recovery of income from recharges for time spent on projects.
- 4.32 In Facilities Management office buildings are operational, and staff have returned to certain sites, however there is a risk there may be an impact on recharges such as printing as there are fixed costs that may not be recovered in recharges, due to lower usage. For the post room there is an estimated under recovery of recharges of £0.094m, which is offset by savings in other services across the Council.

- 4.33 The above pressures are partially offset by a forecast underspend of £0.200m in supplies and services costs within Shops and garages.
- 4.34 In the Corporate Property Service, it is expected that tenants in community properties will be able to return to the buildings now pandemic restrictions have been lifted, however the impact on lettings income will not be known until further on into the financial year.
- 4.35 There is a risk of a service charge liability materialising this year, which dates back over twelve years and relates to the Broad Street Mall. This is treated as a risk in this report and is not included in the forecast while the Assets Development service seek to mitigate the impact as part of the negotiation about a potential capital receipt for the site.

Management & Sustainability - balanced budget

- 4.36 Management & Sustainability is currently forecasting to deliver on budget. There are pressures arising from a red Digitisation saving carried forward from 2020/21 of £0.064m and Senior Management recharges to Capital and the HRA totalling £0.168m which are forecast not to be achieved due to unfilled posts prior to the Work Force Review being implemented. These pressures are mitigated by a staffing underspend due to vacancies within service of £0.232m.

Resources

- 4.37 The Directorate of Resources is currently reporting a net overspend of £0.375m at Quarter 2, an increase of £0.203m from Quarter 1. This relates to identified pressures within Corporate Improvement & Customer Services and Human Resources & Organisational Development.
- 4.38 All other services are currently forecasting to deliver on budget.

Corporate Improvement & Customer Services - £0.169m overspend

- 4.39 Corporate Improvement & Customer Services are forecasting an overspend of £0.169m due to the non-deliverability of the majority of Customer Experience savings in the current year, though this is due to be reprofiled as part of the 2022/23 budget setting process.

Human Resources & Organisational Development - £0.206m overspend

- 4.40 A pressure of £0.150m relates to Kennet Day Nursery of which £0.140m is due to the ongoing impact of Covid-19, specifically £0.110m due to loss of income and £0.030m due to additional staffing requirements. There is an additional pressure of £0.010m due to increased catering costs based on a new contract.
- 4.41 There is a further pressure of £0.056m arising from non-deliverable savings relating to executive recruitment; the turnover at senior level has not warranted the level of support that was anticipated

Chief Executive

- 4.42 Chief Executive is currently forecasting to deliver on budget.

Communications - £0.033m overspend

- 4.43 Communications is currently reporting a net overspend of £0.033m consisting of expenditure pressures of £0.018m and £0.015m of income pressures.

Children's Services Retained by the Council

- 4.44 Children's Services retained by the Council are forecast to be on budget for 2021/22.

Children's Services Delivered by BFfC

- 4.45 BFfC currently expect to deliver services within the contract sum as at the end of September 2021. The significant risks to BFfC are the pressures in social care which includes demand led services totalling £1.015m. A number of mitigating actions are being taken by BFfC including a savings tracker to monitor progress, grant maximisation and management vacancy.
- 4.46 As at the end of Quarter 2, BFfC are reporting that £2.239m of savings have been delivered and are on track to deliver a further £2.266m by the end of the financial year.

Corporate Budgets

- 4.47 Corporate Budgets are forecasting a net underspend of £8.176m as at the end of Quarter 2. A key component of this variance relates to the unallocated corporate contingency of £3.844m.
- 4.48 Other Corporate Budgets is forecast to underspend by £4.332m. This variance consists of:
- a £4.523m underspend arising from the 2021/22 un-ringfenced Covid-19 support grant that has not been allocated across services;
 - a £0.938m overspend due to the current forecast only requiring use of £1.838m of the budgeted £2.776m transfer from earmarked reserves in order to balance the budget;
 - £0.747m of other net pressures across corporate budgets.

5 SAVINGS PROGRAMME

- 5.1 Delivery of the Council's budget is predicated on achieving savings and additional income as agreed as part of the budget setting process in February 2021. Detailed monitoring of agreed savings is tracked on a monthly basis.
- 5.2 The projected financial impact of any non-delivery of savings have been included in the projected outturn position reported above.
- 5.3 The following table summarises the current forecast savings delivery for 2021/22 (a further detailed breakdown by saving is provided in Appendix 1):

Table 4. Delivery of 2021/22 Savings Programme

Service	Savings At Risk £000	Savings Delayed or at Risk £000	Savings on Track £000	Savings Achieved £000	Directorate Total £000
Adult Care and Health Services	2,971	1,595	971	0	5,537
Economic Growth and Neighbourhood Services	565	1,642	3,972	1,444	7,623
Resources	225	0	840	0	1,065
Corporate	326	0	77	462	865
Children's Services delivered by BFFC	613	0	2,266	2,239	5,118
Total	4,700	3,237	8,126	4,145	20,208
Increase/(Decrease) from Quarter 1	403	(306)	(2,805)	2,708	0

5.4 £4.145m of savings have been delivered (blue) to date in this financial year, with a further £8.126m of savings on track to be delivered (green) by March 2022. £4.700m of savings are currently categorised as non-deliverable (red) with a further £3.237m categorised as at risk of delivery (amber).

5.5 Any savings not delivered in 2021/22 will cause an immediate pressure on 2022/23 unless mitigated with alternative ongoing savings. The most recent savings review meetings took place in the week commencing 27th September 2021 to scrutinise savings delivery in more detail and to establish what mitigating actions can be taken to facilitate savings delivery. Delivery of existing savings within the Medium-Term Financial Strategy are also currently being reviewed as part of the 2022/23 Budget and 2022/23-2024/25 Medium-Term Financial Strategy processes.

6 SUNDRY DEBT

6.1 Total General Fund sundry debt, over 30 days old, as at the end of Quarter 2 is £9.391m, compared to £10.245m as at the end of Quarter 1. The following table shows the outstanding debt over 30 days old as at the end of September 2021:

Table 5. Outstanding Debt Over 30 Days Old

	1 to 2 months £000	2 to 3 months £000	3 to 6 months £000	6 months to 1 year £000	1 to 2 years £000	Over 2 years £000	Total Outstanding Debt £000
Adult Care & Health Services	205	222	586	825	1,157	2,616	5,611
Economic Growth and Neighbourhood Services	98	973	173	261	257	681	2,443
Resources	34	17	126	33	11	122	343
Former Children's Services	-	736	1	109	16	27	889
Corporate	-	-	-	-	-	105	105
Total General Fund	337	1,948	886	1,228	1,441	3,551	9,391
Housing Revenue Account	2	9	2	-	-	18	31

Intercompany Debt	-	6	11	3	33	1,310	1,362
Total Including HRA and Intercompany	339	1,963	899	1,231	1,474	4,879	10,784

- 6.2 A review of the Council's debt management arrangements to harmonise and streamline collection processes and ensure associated bad debt provisions are at the appropriate level is being undertaken as part of the work to mitigate against the current in-year financial gap resulting from Covid-19.

7 STAFFING

- 7.1 The Council currently has 96 agency contracts across the directorates. £0.191m has been spent on overtime during Quarter 2 in 2021/22, compared to £0.144m spent on overtime in Quarter 1. The total for the year is £0.335m
- 7.2 There have been three redundancies to date during 2021/22 at a total cost of £0.026m, there have also been additional severance costs incurred to date of £0.101m. Redundancy expenditure will either be funded through the capitalisation directive if the redundancy relates to transformation or through use of the redundancy revenue reserve.

8 HOUSING REVENUE ACCOUNT (HRA)

- 8.1 At Quarter 2 the forecast revenue outturn position on the HRA is an underspend to budget of £0.874m, an increased underspend of £0.541m since Quarter 1. Therefore, the transfer from the HRA Reserve is forecast to be £1.015m. The breakdown of the net variance is set out in the following table and explained below.

Table 8. Housing Revenue Account Forecast 2021/22

	Budget	Forecast	Variance
	£m	Outturn	£m
		£m	
Management & Supervision	8.650	8.562	(0.088)
Special Services	3.090	3.073	(0.017)
Provision for Bad Debts	0.929	0.929	0.000
Responsive Repairs	2.413	2.241	(0.172)
Planned Maintenance	3.049	2.909	(0.140)
Major Repairs/Depreciation	10.710	10.710	0.000
Debt Costs	7.488	7.488	0.000
PFI Costs	7.318	6.861	(0.457)
HRA Income	(41.758)	(41.758)	0.000
Over/(Under) Budget	1.889	1.015	(0.874)
Movement to/(from) HRA Reserve	(1.889)	(1.015)	0.874

- 8.2 There is an £0.088m underspend on Management & Supervision due to staff vacancies.
- 8.3 There is a £0.017m underspend on Special Services due to a part year vacancy in the Sheltered Housing Team.

- 8.4 Responsive Repairs is forecasting an underspend of £0.172m which relates to major voids works.
- 8.5 Planned Maintenance is forecasting an underspend of £0.140m relating to planned external decoration works that could not be carried out due to lack of resources.
- 8.6 The forecast at Quarter 2 includes an underspend on the projection for the PFI costs of £0.457m. This will need to be realigned to the HRA business plan.
- 8.7 HRA total income is forecast to be on budget, HRA collection rates over the last few of months have been the best since April 2020:
- September 97.80%
 - August 97.91%
 - July 97.62%

9 CAPITAL PROGRAMME

- 9.1 The General Fund Capital Programme is currently forecast to underspend by a net £30.176m set out in the table below.
- 9.2 The Capital Programme includes an additional scheme totalling £0.153m, which is fully funded by s106 monies, in respect of Open Space Improvements. This scheme was agreed via Decision Book (Issue 625), and Policy Committee is requested, via this report, to formally provide scheme approval for inclusion into the Capital Programme.

Table 9. Capital Programme Forecast 2021/22

	Budget £m	Forecast Spend £m	Forecast Variance £m
Adult Care and Health Services	1.272	1.272	0.000
Economic Growth and Neighbourhood Services	76.268	63.073	(13.195)
Resources	7.409	7.482	0.073
Children's Services	24.969	15.280	(9.689)
Corporate	15.006	7.641	(7.365)
Total General Fund	124.924	94.748	(30.176)
Total HRA	45.494	35.621	(9.873)

- 9.3 Economic Growth and Neighbourhood Services schemes are currently forecasting to underspend by a net £11.654m, comprising:
- £2.803m overspend on the Construction of Green Park Station that is forecast due to issues arising from the course of construction. Officers are working closely with the Department for Transport, Great Western Rail and Northern Rail Industry Leaders to mitigate the overspend and are currently awaiting formal responses.
 - £2.000m underspend on South Reading MRT (Phases 5 & 6) due to external funding yet to be secured.

- £1.667m underspend on Renewable Energy as a result of delays in recruiting/establishing project management resource, realigning the programme in light of feasibility studies commissioned and more detailed and accurate mapping of the Project pipeline around planning approval & operational constraints. This particularly affects Smallmead Solar Farm and The Hexagon with the main spend now anticipated in 2022/23;
 - £1.611m underspend on Replacement Vehicles due to the programme being on hold whilst being re-visited to include assessment of different fuel type options e.g. electric alternatives;
 - £1.534m underspend on Reading Football Club Social Inclusion Unit which is currently delayed as the s106 monies to fund the scheme have not yet been received;
 - £1.250m underspend on Reading West Station due to a 50% carry forward of the GWR element into the next year;
 - £0.950m underspend on Central Library Reconfiguration/Refurbishment due to delayed commencement of the works;
 - £5.445m of net underspends across other schemes.
- 9.4 Corporate schemes are currently forecasting to underspend by a net £7.365m. This is primarily due to the £5.000m budget relating to Minster Quarter no longer being expected to be utilised in year.
- 9.5 Children's Services schemes are currently forecasting to underspend by £9.689m, comprising:
- £3.552m underspend on Dee Park Regeneration, the scheme is progressing, and a planning application is being submitted but the main expenditure is now not expected to be incurred until 2022/23;
 - £1.218m underspend on Additional School Places - Contingency, places are being delivered but current low demand on this budget;
 - £1.127m underspend on SEN Provision - Avenue Centre, Policy Committee approved that the Council could tender and enter into contracts for the refurbishment and new building works in July. The majority of the expenditure is now expected to be incurred in 2022/23;
 - £3.792m of other net underspends across multiple capital schemes.
- 9.6 The HRA Capital Programme is currently forecast to underspend by £9.873m. This is due to a £6.156m underspend in New Build & Acquisitions - Phase 2, a £2.950m underspend in Major Repairs and £0.767m net underspends across other schemes.

10 CORPORATE PLAN PERFORMANCE

- 10.1 A new one-year Corporate Plan for 2021/22 was published in March 2021, and a revised set of 35 (monthly/quarterly) performance measures have been

developed for monitoring from April 2021, along with a set of 75 key projects and initiatives which will help to deliver the Council’s mission and priorities.

- 10.2 These measures and projects have been identified by directorates as those that best demonstrate progress in achieving key outcomes. This report is therefore intended to provide an overview of the contribution that the Council makes across all its activities to improving Reading as a place to live, work and visit.
- 10.3 The performance measures and projects are set against each of themes of the Corporate Plan for 2021/22:
 - Healthy environment;
 - Thriving communities;
 - Inclusive economy.
- 10.4 As well as these themes, performance information is also structured according to ‘Foundations’ and ‘Covid response and recovery’.
- 10.5 The Council’s performance management software system (InPhase) is used as the source for recording and monitoring progress against our performance objectives. Accessing the system online allows for further analysis and interaction with the data and a richer experience than when information is extracted and presented in a document format.
- 10.6 This report includes performance for monthly and quarterly measures only; annual measures will be reported on at the end of the year.
- 10.7 The tables below present a summary of the direction of travel for the Corporate Plan measures, along with a summary of performance against the target (red/amber/ green), where this has been provided. The full set of Quarter 2 data for all measures is attached at Appendix 2.
- 10.8 Appendix 3 shows charts for measures where there has been a significant shift in performance between Quarter 1 and Quarter 2, either an increase or decrease. CMT is asked to consider whether this information is useful and should form part for the report to go on to Policy Committee.
- 10.9 For the Corporate Plan projects, a summary of the RAG status is provided below. The full list of projects is also available.

Corporate Plan Measures

- 10.10 The tables and charts below display an overview of the shifts in performance for the Corporate Plan measures between Quarter 1 and Quarter 2 this year, as well as performance against the target (red/amber/green).
 - Green = target achieved;
 - Amber = up to 10% below target;
 - Red = more than 10% below target.

Table 10. Summary of Direction of Travel

	No. Measures	%
Getting better	10	28.6%
Getting worse	15	42.9%

Unchanged	6	17.1%
N/A	4	11.4%
Total	35	100.0

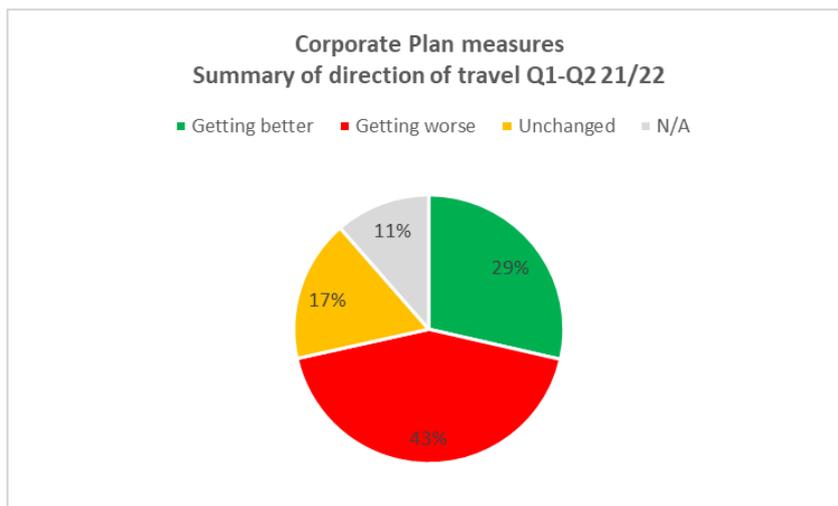
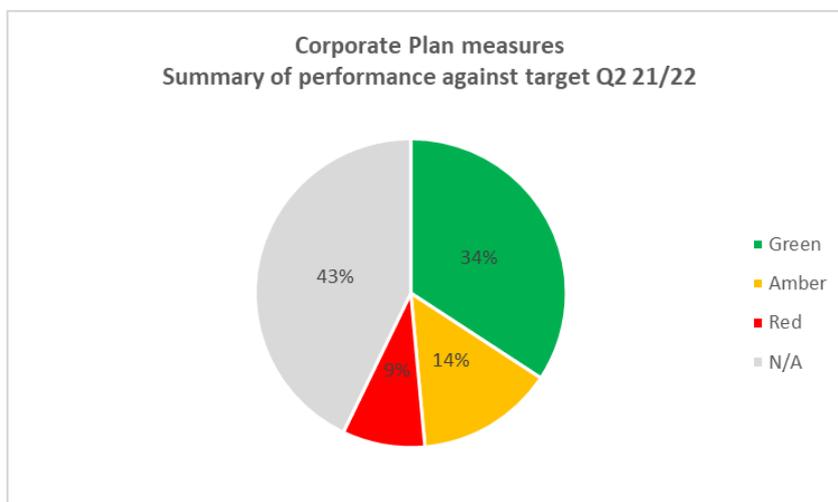


Table 11. Summary of Performance Against Target

	Quarter 1		Quarter 2	
	No. Measures	%	No. Measures	%
Green	15	42.9%	12	34.3%
Amber	4	11.4%	5	14.3%
Red	2	5.7%	3	8.6%
N/A	14	40.0%	15	42.8%
Total	35	100.0	35	100.0



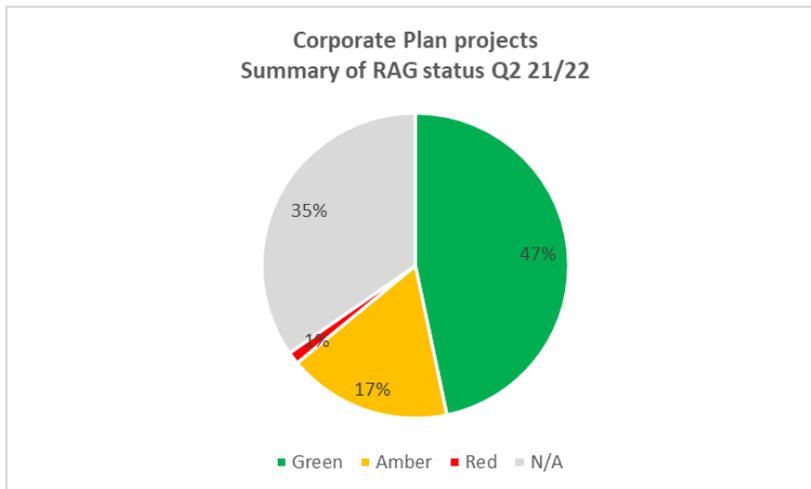
Corporate Plan Projects

10.11 The RAG status for the Corporate Plan projects is shown below:

Table 12. Summary of RAG Status

RAG Status	No. Measures	%
Green	35	46.7%
Amber	13	17.3%
Red	1	1.3%
N/A	26	34.7%

Total	75	100.0
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11 CONTRIBUTION TO STRATEGIC AIMS

- 11.1 The Council’s vision is to ensure that Reading realises its potential - and to ensure that everyone who lives and works in Reading can share the benefits of its success. The Council has three inter-connected themes which contribute to delivering this vision. The themes are:
- Healthy environment;
 - Thriving communities;
 - Inclusive economy.
- 11.2 Delivery of the Council’s budget is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward.

12 ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 12.1 The Council declared a Climate Emergency at its meeting on 26 February 2019. Whilst the Covid-19 situation has put significant pressure on the Council's finances, the work to tackle the Climate Change Emergency is continuing and has not yet been impacted by the financial position.
- 12.2 The Covid-19 pandemic has had a positive impact on air quality as a result of the initial lockdown and changes to the town centre that encourage increased walking and cycling.

13 COMMUNITY ENGAGEMENT AND INFORMATION

- 13.1 Budget-related communications and consultations will continue to be a priority over the next three years as we work to identify savings.

14 EQUALITY IMPACT ASSESSMENT

- 14.1 The equality duty is relevant to the development of the Budget and Corporate Plan. The specific savings and income proposals included in the budget are subject to consultation and equality impact assessments where required and these are being progressed as appropriate.

15 LEGAL IMPLICATIONS

- 15.1 The Local Government Act 2003 requires that the Authority reviews its Budget throughout the year and takes any action it deems necessary to deal with the situation arising from monitoring. Currently monitoring reports are submitted to Policy Committee quarterly throughout the year.

16 FINANCIAL IMPLICATIONS

- 16.1 The financial implications are set out in the body of the report and Appendix 1 attached.

17 BACKGROUND PAPERS

- 2021/22 Budget and Medium-Term Financial Strategy 2021/22-2023/24 Report - Full Council - February 2021

MONTHLY FINANCIAL REPORT

End of September 2021

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For further information regarding this report, please contact:

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Total General Fund - Period 6

Latest Revenue Position and Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<u>Objective Analysis</u>						
Adults Care and Health Services	18,973	15,460	(3,514)	37,947	42,148	4,201
Economic Growth & Neighbourhood Services Resources	9,246	12,028	2,782	18,492	22,059	3,567
Chief Executive	8,168	12,562	4,394	16,336	16,711	375
Children's Services retained by the Council	775	814	39	1,549	1,582	33
Children's Services delivered by BFFC *	138	138	(0)	724	724	-
	23,696	23,696	(0)	47,392	47,392	-
TOTAL SERVICE BUDGETS	60,996	64,698	3,702	122,440	130,616	8,176
Capital Financing Costs	7,748	7,745	(3)	15,495	15,495	-
Contingency	1,922	-	(1,922)	3,844	-	(3,844)
Other Corporate Budgets	2,194	(112,411)	(114,604)	4,387	55	(4,332)
TOTAL CORPORATE BUDGETS	11,863	(104,666)	(116,529)	23,726	15,550	(8,176)
TOTAL BUDGET	72,859	(39,968)	(112,827)	146,166	146,166	0
Funding:						
Council Tax Income	(49,610)	-	49,610	(99,220)	(99,220)	-
NNDR Local Share	(16,048)	-	16,048	(32,095)	(32,095)	-
New Homes Bonus	(1,054)	(1,054)	0	(2,108)	(2,108)	-
Section 31 Grant	(1,775)	(9,988)	(8,213)	(3,549)	(3,549)	-
Revenue Support Grant	(1,020)	-	1,020	(2,040)	(2,040)	-
Other Government Grants	(3,370)	(22,110)	(18,740)	(6,739)	(6,739)	-
One-off Collection Fund Surplus	(208)	-	208	(415)	(415)	-
TOTAL FUNDING	(73,083)	(33,151)	39,932	(146,166)	(146,166)	-
NET CONTROLLABLE COST	(224)	(73,120)	(72,895)	-	0	0
<u>Subjective Analysis</u>						
Employee Costs	63,195	62,303	(892)	126,357	122,894	(3,462)
Premises Costs	9,921	7,925	(1,997)	19,771	19,704	(67)
Transport-Related Costs	1,176	1,003	(173)	2,352	2,463	111
Supplies and Services	30,237	(19,363)	(49,599)	60,415	56,411	(4,004)
Contracted Costs	104,233	87,647	(16,586)	208,466	211,682	3,216
Transfer Payments	9,080	8,815	(265)	18,163	18,331	168
CONTROLLABLE COST	217,842	148,330	(69,512)	435,524	431,485	(4,038)
Fees & Charges	(41,657)	(34,746)	6,912	(83,001)	(82,595)	406
Traded Services Income	(30,486)	(83,408)	(52,922)	(60,896)	(57,030)	3,866
Grants & Contributions	(145,923)	(103,296)	42,627	(291,626)	(291,860)	(234)
CONTROLLABLE INCOME	(218,067)	(221,450)	(3,383)	(435,524)	(431,485)	4,039
NET CONTROLLABLE COST	(224)	(73,120)	(72,896)	-	0	0

Adult Care and Health Services [DACHS] - Period 6

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<u>Objective Analysis</u>						
Commissioning & Improvement	438	465	26	877	941	64
Adult Services Operations	17,760	19,737	1,977	35,520	39,582	4,062
Public Health	(150)	(6,130)	(5,980)	(300)	(300)	-
Preventative Services	312	611	299	623	608	(15)
Directorate & Other	614	777	164	1,227	1,317	90
Suspense	-	(0)	(0)	-	-	-
Inactive Codes	-	(0)	(0)	-	-	-
NET TOTAL COST	18,973	15,460	(3,514)	37,947	42,148	4,201

Subjective Analysis

Employee Costs	6,326	7,059	732	12,653	13,677	1,024
Premises Costs	139	116	(23)	278	278	-
Transport-Related Costs	31	29	(1)	62	62	-
Supplies and Services	3,794	3,395	(399)	7,588	7,588	-
Contracted Costs	22,592	24,227	1,636	45,183	48,359	3,176
Transfer Payments	520	1	(519)	1,040	1,040	-
TOTAL EXPENDITURE	33,402	34,827	1,425	66,804	71,004	4,200
Fees & Charges	(163)	(5)	157	(325)	(325)	-
Traded Services Income	(4,366)	(3,748)	618	(8,732)	(8,732)	-
Grants & Contributions	(9,900)	(15,614)	(5,714)	(19,800)	(19,799)	1
TOTAL INCOME	(14,429)	(19,367)	(4,939)	(28,857)	(28,856)	1
NET TOTAL COST	18,973	15,460	(3,514)	37,947	42,148	4,201

There is significant uncertainty in respect of the assumed levels of forecast income throughout the directorate arising from the impact of Covid-19. These forecasts are closely monitored and are updated monthly.

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<u>Objective Analysis</u>						
Transportation	388	732	344	777	2,783	2,006
Planning & Regulatory Services	1,201	1,397	196	2,401	3,598	1,197
Housing and Communities	729	1,292	563	1,457	1,457	-
Culture	2,541	1,366	(1,175)	5,082	5,109	27
Environmental and Commercial Services	6,782	8,010	1,228	13,564	13,564	-
Property and Asset Management	(2,767)	(1,167)	1,599	(5,533)	(5,196)	337
Management and Sustainability	372	398	26	744	744	-
Suspense	-	-	-	-	-	-
Inactive Codes	-	(0)	(0)	-	-	-
NET TOTAL COST	9,246	12,028	2,782	18,492	22,059	3,567

Subjective Analysis

Employee Costs	19,213	17,254	(1,959)	38,426	38,241	(185)
Premises Costs	7,223	5,824	(1,400)	14,447	14,379	(68)
Transport-Related Costs	1,129	956	(172)	2,257	2,350	93
Supplies and Services	12,799	13,054	255	25,598	25,427	(171)
Contracted Costs	5,191	4,113	(1,078)	10,381	10,422	41
Transfer Payments	(976)	(20)	956	(1,953)	(1,953)	-
TOTAL EXPENDITURE	44,578	41,181	(3,397)	89,156	88,866	(290)
Fees & Charges	(9,862)	(4,820)	5,042	(19,724)	(19,428)	296
Traded Services Income	(20,887)	(18,951)	1,937	(41,774)	(37,979)	3,795
Grants & Contributions	(4,583)	(5,382)	(799)	(9,166)	(9,400)	(234)
TOTAL INCOME	(35,332)	(29,153)	6,179	(70,664)	(66,807)	3,857
NET TOTAL COST	9,246	12,028	2,782	18,492	22,059	3,567

There is significant uncertainty in respect of the assumed levels of forecast income throughout the directorate arising from the impact of Covid-19. These forecasts are closely monitored and are updated monthly.

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<u>Objective Analysis</u>						
Corporate Improvement & Customer Services	819	1,488	669	1,638	1,807	169
HR & Organisational Development	838	679	(158)	1,675	1,881	206
Audit & Investigations	704	1,180	476	1,408	1,408	-
Procurement & Contracts	280	247	(33)	559	559	-
Finance	1,434	2,005	571	2,868	2,868	-
Legal & Democratic	1,213	3,719	2,506	2,426	2,426	-
IT & Digital	2,881	3,244	363	5,762	5,762	-
Suspense	-	(0)	(0)	-	-	-
Inactive codes	-	0	0	-	-	-
NET TOTAL COST	8,168	12,562	4,394	16,336	16,711	375

Subjective Analysis

Employee Costs	9,357	10,664	1,307	18,714	18,744	30
Premises Costs	180	51	(129)	361	361	-
Transport-Related Costs	16	8	(9)	33	33	-
Supplies and Services	3,072	4,943	1,870	6,144	6,154	10
Contracted Costs	3,238	2,218	(1,020)	6,476	6,476	-
Transfer Payments	607	1,416	809	1,214	1,383	169
TOTAL EXPENDITURE	16,471	19,299	2,829	32,942	33,151	209
Fees & Charges	(1,052)	(715)	337	(2,104)	(1,994)	110
Traded Services Income	(2,545)	(2,032)	513	(5,091)	(5,035)	56
Grants & Contributions	(4,705)	(3,990)	716	(9,411)	(9,411)	-
TOTAL INCOME	(8,303)	(6,737)	1,566	(16,606)	(16,440)	166
NET TOTAL COST	8,168	12,562	4,394	16,336	16,711	375

There is significant uncertainty in respect of the assumed levels of forecast income throughout the directorate arising from the impact of Covid-19. These forecasts are closely monitored and are updated monthly.

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<u>Objective Analysis</u>						
Chief Executive	426	428	1	853	853	-
Communications	348	386	38	696	729	33
NET TOTAL COST	774	814	39	1,549	1,582	33

Subjective Analysis

Employee Costs	714	693	(21)	1,429	1,429	-
Premises Costs	-	0	0	-	-	-
Transport-Related Costs	-	9	9	-	18	18
Supplies and Services	102	113	11	203	203	-
Contracted Costs	-	-	-	-	-	-
Transfer Payments	4	7	4	7	7	-
TOTAL EXPENDITURE	819	822	3	1,639	1,657	18
Fees & Charges	-	-	-	-	-	-
Traded Services Income	(18)	(2)	15	(35)	(20)	15
Grants & Contributions	(27)	(6)	21	(55)	(55)	-
TOTAL INCOME	(45)	(9)	36	(90)	(75)	15
NET TOTAL COST	774	814	39	1,549	1,582	33

There is significant uncertainty in respect of the assumed levels of forecast income throughout the directorate arising from the impact of Covid-19. These forecasts are closely monitored and are updated monthly.

GENERAL FUND REVENUE FORECASTS AND SAVINGS TRENDS

General Fund Revenue Forecasts and Weighted Risks

DACHS	DEGNS	DOR	Chief Exec	Children's Retained	BFFC	CORP	Total
(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)

Forecast Outturn

Period 2	4,180	5,553	22	(40)	-	-	(5,222)	4,493
Period 3	3,691	3,164	172	(40)	-	-	(3,568)	3,419
Period 4	3,691	3,164	172	(40)	-	-	(3,568)	3,419
Period 5	3,691	3,136	172	33	-	-	(3,959)	3,073
Period 6	4,201	3,567	375	33	-	-	(8,176)	-
Period 7								
Period 8								
Period 9								
Period 10								
Period 11								
Per 6 Change	510	431	203	-	-	-	(4,217)	(3,073)

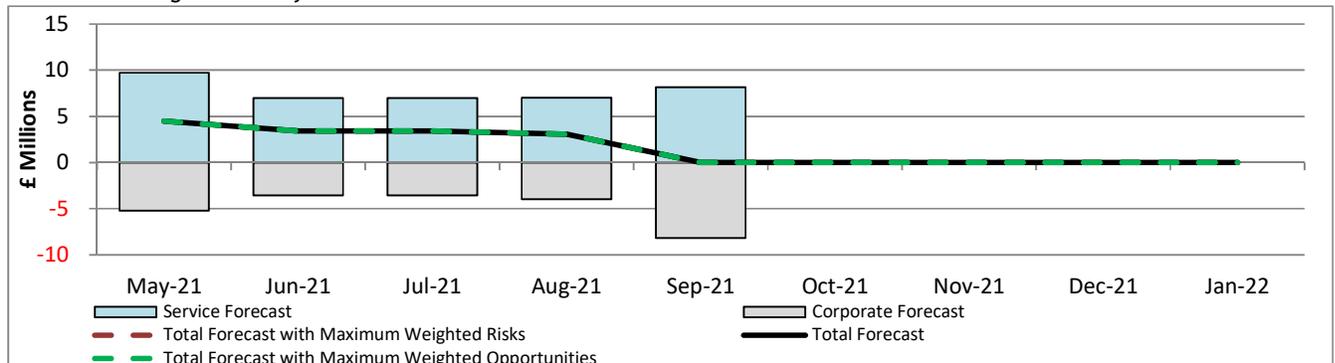
Weighted Risks

Period 2	-	-	-	-	-	-	-	-
Period 3	-	-	-	-	-	-	-	-
Period 4	-	-	-	-	-	-	-	-
Period 5	-	-	-	-	-	-	-	-
Period 6	-							
Period 7								
Period 8								
Period 9								
Period 10								
Period 11								
Per 6 Change	-							

Weighted Opportunities

Period 2	-	-	-	-	-	-	-	-
Period 3	-	-	-	-	-	-	-	-
Period 4	-	-	-	-	-	-	-	-
Period 5	-	-	-	-	-	-	-	-
Period 6	-							
Period 7								
Period 8								
Period 9								
Period 10								
Period 11								
Per 6 Change	-							

A Chart Showing the Monthly Forecast Trends with the Minimum and Maximum Potential Outturn Positions



GENERAL FUND REVENUE FORECASTS AND SAVINGS TRENDS

GENERAL FUND SAVINGS TRACKER

DACHS	DEGNS	DOR	CORPORATE	BFFC	TOTAL
(£000's)	(£000's)	(£000's)	(£000's)	(£000's)	(£000's)

Period 5

Red	2,971	685	279	326	-	4,261
Amber	1,595	1,772	-	-	-	3,367
Green	971	3,722	786	77	5,118	10,674
Blue	-	1,444	-	462	-	1,906
Total	5,537	7,623	1,065	865	5,118	20,208

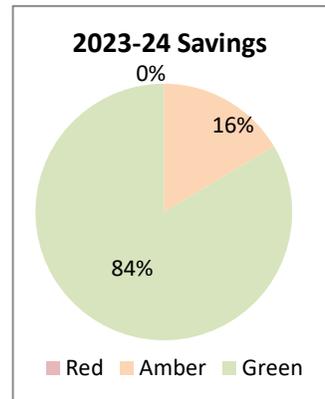
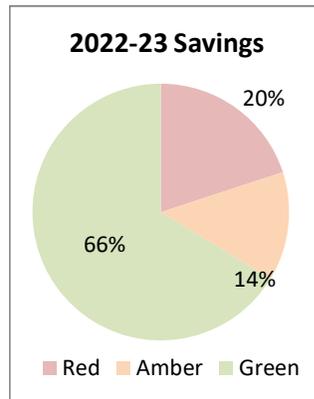
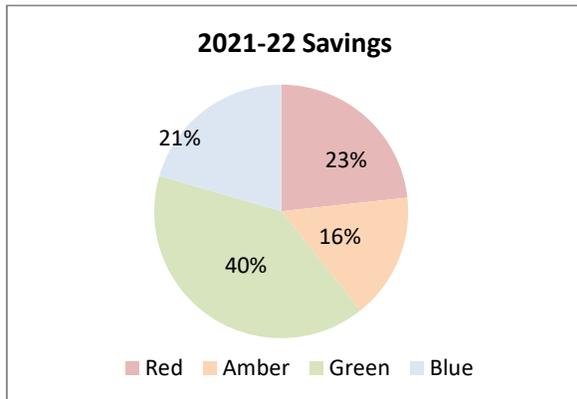
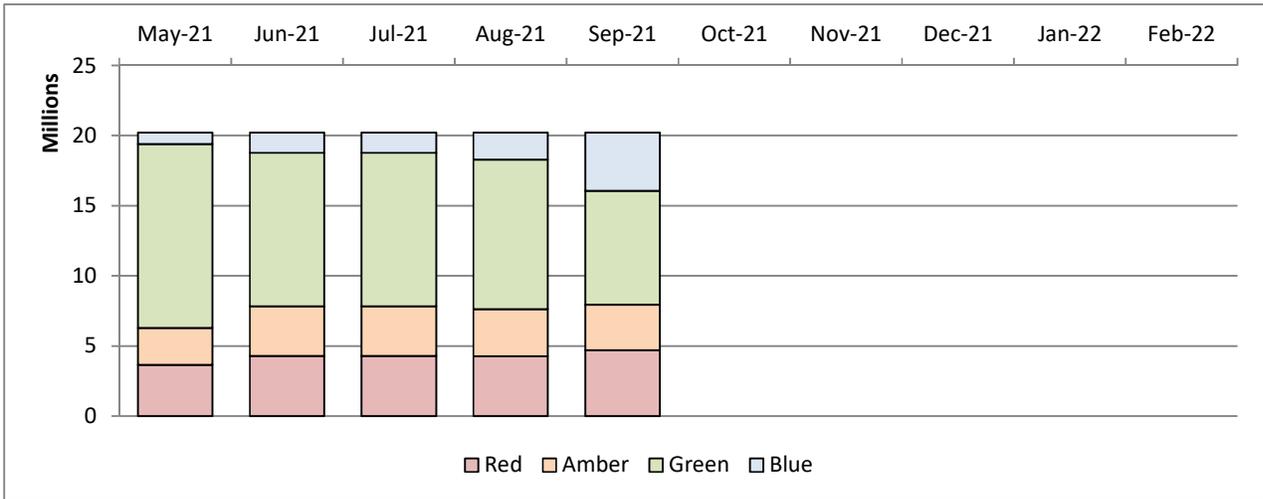
Period 6

Red	2,971	565	225	326	613	4,700
Amber	1,595	1,642	-	-	-	3,237
Green	971	3,972	840	77	2,266	8,126
Blue	-	1,444	-	462	2,239	4,145
Total	5,537	7,623	1,065	865	5,118	20,208

Period 6 Change

Red	-	(120)	(54)	-	613	439
Amber	-	(130)	-	-	-	(130)
Green	-	250	54	-	(2,852)	(2,548)
Blue	-	-	-	-	2,239	2,239
Total	-	-	-	-	-	-

The below bar chart shows the rated 21-22 Savings target by "RAGB".



Housing Revenue Account [HRA] - Period 6

Revenue Forecast

	Budget to Date £'000	Actual to Date £'000	Variance to Date £'000	Approved Budget £'000	Forecast Outturn £'000	Full Year Variance £'000
<u>Objective Analysis</u>						
Dwelling Rents	(18,164)	(18,056)	107	(36,327)	(36,327)	-
Service Charges	(478)	(439)	39	(955)	(955)	-
PFI Credit	(1,999)	(1,998)	0	(3,997)	(3,997)	-
Other Income	(173)	(113)	60	(346)	(346)	-
Interest on Balances	(67)	-	67	(133)	(133)	-
TOTAL INCOME	(20,879)	(20,606)	273	(41,758)	(41,758)	-
Management & Supervision	4,325	1,333	(2,992)	8,650	8,562	(88)
Special Services	1,545	838	(707)	3,090	3,073	(17)
Provision for Bad Debts	465	-	(465)	929	929	-
Responsive Repairs	1,207	817	(389)	2,413	2,241	(172)
Planned Maintenance	1,525	2,166	642	3,049	2,909	(140)
Major Repairs/Depreciation	5,355	2,758	(2,597)	10,710	10,710	-
Debt Costs	3,744	0	(3,744)	7,488	7,488	-
PFI Costs	3,659	2,900	(759)	7,318	6,861	(457)
TOTAL EXPENDITURE	21,824	10,812	(11,011)	43,647	42,773	(874)
Movement to/(from) Reserve	(945)	-	945	(1,889)	(1,015)	874
NET TOTAL COST	-	(9,794)	(9,794)	-	-	0

Subjective Analysis

Employee Costs	2,102	1,799	(303)	4,204	4,116	(88)
Premises Costs	8,912	5,978	(2,935)	17,825	17,353	(472)
Transport-Related Costs	17	3	(13)	34	34	-
Supplies and Services	718	144	(574)	1,436	1,419	(17)
Contracted Costs	3,686	2,900	(786)	7,371	6,914	(457)
Transfer Payments	6,389	143	(6,246)	12,777	12,777	-
TOTAL EXPENDITURE	21,824	10,967	(10,856)	43,647	42,613	(1,034)
Fees & Charges	0	-	(0)	0	0	0
Traded Services Income	(18,881)	(18,762)	118	(37,761)	(37,761)	-
Grants & Contributions	(1,999)	(1,999)	(1)	(3,997)	(3,997)	-
TOTAL INCOME	(20,879)	(20,761)	118	(41,758)	(41,758)	0
Movement to/(from) Reserve	(945)	-	945	(1,889)	(855)	1,034
NET TOTAL COST	-	(9,794)	(9,794)	-	-	-

	2021/22	2021/22	2021/22
Scheme Name	Revised Budget	Forecast	Forecast
	£000	Spend	Variance
		£000	£000
General Fund Capital Programme			
Delivery Fund (Pump priming for Transformation projects)	4,906	2,532	(2,374)
Loan To RTL (Bus replacement programme)	5,000	5,000	-
Oracle Shopping Centre capital works	100	109	9
Minster Quarter - Brownfield Land Grant Element	2,000	-	(2,000)
Minster Quarter	3,000	-	(3,000)
Corp Total	15,006	7,641	(7,365)
e-Marketplace & Equipment Renewal Portal Software	170	170	-
Mobile Working and Smart Device	150	150	-
Replacement of Community Re-ablement Software	85	85	-
Co-located profound and multiple learning disabilities day opportunities and respite facility and sheltered housing flats	867	867	-
DACHS Total	1,272	1,272	-
Additional School Places - Contingency	1,428	210	(1,218)
SEN Provision - Avenue Centre	1,617	490	(1,127)
Asset Management	566	566	-
Children in care Emergency Provision	35	-	(35)
Civitas- Synthetic Sports Pitch	28	9	(19)
Crescent Road Playing Field Improvements	316	316	-
Critical Reactive Contingency: Health and safety (Schools)	954	500	(454)
Fabric Condition Programme	2,000	2,300	300
Green Park Primary School	459	-	(459)
Heating and Electrical Programme - Manor Pry Power	146	140	(6)
Heating and Electrical Renewal Programme	1,671	1,300	(371)
Initial Viability work for the Free School at Richfield Avenue	141	40	(101)
Low Carbon Skills Fund - Bid Development	5	-	(5)
Low Carbon Skills Fund - Schools Estate Project Delivery	24	-	(24)
Katesgrove Primary Trooper Potts Building	119	119	-
Meadway Early Years Building Renovation	756	200	(556)
Modular Buildings Review	500	-	(500)
New ESFA funded schools - Phoenix College	5,943	5,800	(143)
New ESFA funded schools - St Michaels	274	2	(272)
Pinecroft-Children who have complex health, physical,sensory,disabilities & challenging behaviour	150	150	-
Dee Park Regeneration - Housing Infrastructure Fund (school)	3,852	300	(3,552)
Public Sector Decarbonisation Funds - School Estate Double Glazing Programme	1,293	1,293	-
SCD Units	473	73	(400)
School Estate Solar PV Programme	560	560	-
Schools - Fire Risk Assessed remedial Works	482	385	(97)
SEN early years at 1 Dunsfold	600	-	(600)
SEN Norcot	100	50	(50)
Thameside SEN Expansion	110	110	-
The Heights Temporary School	367	367	-
DCEEHS Total	24,969	15,280	(9,689)

Scheme Name	2021/22	2021/22	2021/22
	Revised Budget	Forecast	Forecast
	£000	Spend £000	Variance £000
Abbey Quarter restoration works	351	351	-
Accommodation Review - Phase 2A & B	133	133	-
Accommodation Review - Phase 2C (19 Bennet Road)	1,701	1,052	(649)
Active Travel Tranche 2	1,135	567	(568)
Additional Storage Capacity at Mortuary	15	15	-
Air Quality Monitoring	16	-	(16)
BFFC Accommodation Review	150	150	-
Annual Bridges and Carriage Way Works programme & Highway Infrastructure Works	5,854	5,854	-
Essential Bridge Works	200	200	-
Car Park Investment Programme (inc P&D, Red Routes & Equipment)	477	477	-
Cattle Market Car Park	523	-	(523)
CCTV	11	-	(11)
Central Library - Reconfiguration/Refurbishment Feasibility	970	20	(950)
Central Pool Regeneration	373	-	(373)
Chestnut Walk Improvements	35	35	-
Christchurch Meadows Paddling Pool	35	5	(30)
CIL Local Funds - Community	504	52	(452)
CIL Local Funds - Heritage and Culture	315	58	(257)
CIL Local Funds - Leisure and Play	1,103	107	(996)
CIL Local Funds - Transport	392	392	-
CIL Local Funds -Neighbourhood Allocation	477	477	-
Corporate Office Essential Works	350	350	-
Defra Air Quality Grant - Bus Retrofit	388	71	(317)
Defra Air Quality Grant - Go Electric Reading	30	12	(18)
Transport Demand Management Scheme - Feasibility Work	50	50	-
Development of facilities at Prospect Park/Play	546	546	-
Digitised TRO's	300	300	-
Disabled Facilities Grants (Private Sector)	1,285	1,285	-
Eastern Area Access Works	199	199	-
Electric Vehicle Charging Points	250	250	-
Purchase of food waste and smaller residual waste bins	1	-	(1)
Foster Carer Extensions	200	200	-
Green Homes Scheme - GF element	495	495	-
Construction of Green Park Station	8,197	11,000	2,803
Grounds Maintenance Workshop Equipment	3	4	1
High Street Heritage Action Zone	1,185	1,185	-
Invest in Corporate buildings/Health & safety works	1,185	1,185	-
Invest to save energy savings - Street lighting	1,371	775	(596)
Leisure Centre Procurement	21,539	21,539	-
Local Traffic Management and Road Safety Schemes	458	458	-
Local Transport Plan Development	796	796	-
National Cycle Network Route 422	157	100	(57)
New Kit/Vehicles for Commercial Services Dvlpt	84	84	-
New Vehicle for Highways & Drainage Commercial Service	71	71	-
Open Space Improvements	153	153	-
Oxford Rd Community Centre	147	147	-
Oxford Road Corridor Works	298	298	-
Playground equipment and Refreshment: Boroughwide	619	619	-

	2021/22	2021/22	2021/22
Scheme Name	Revised Budget	Forecast	Forecast
	£000	Spend	Variance
		£000	£000
Private Sector Renewals	412	412	-
Provision of Gypsy & Traveller Accommodation	6	50	44
Pumping Station Upgrade Scheme (new)	250	250	-
re3 extending range of recyclables	94	94	-
Reading Football Club Social Inclusion Unit to SRLC	1,534	-	(1,534)
Reading Town Centre Design Framework	86	86	-
Reading West Station	3,493	2,243	(1,250)
Regeneration Projects	250	250	-
Renewable Energy	2,073	406	(1,667)
Replacement Vehicles	2,931	955	(1,976)
Rogue Landlord Enforcement	75	75	-
S106 individual schemes list	334	334	-
Salix Decarbonisation Fund	800	261	(539)
Small Leisure Schemes	349	-	(349)
South Reading MRT (Phases 1 & 2)	400	400	-
South Reading MRT (Phases 3 & 4)	3,477	3,077	(400)
South Reading MRT (Phases 5 & 6)	2,000	-	(2,000)
The Heights Permanent Site Mitigation	615	615	-
Town Centre Improvements	450	350	(100)
Town Centre Street Trading Infrastructure	28	28	-
Town Hall Equipment	205	-	(205)
Traffic Management Schools	432	432	-
Tree Planting	30	30	-
Western Area Access Works	128	128	-
Harden Public Open Spaces to Prevent Incursion	40	40	-
Salix Re-Circulation Fund	497	363	(134)
Sun Street - Final Phase	76	-	(76)
Re-wilding highways, parks and open space verges	76	76	-
DEGNS Total	76,268	63,073	(13,195)
Customer Digital Experience	1,731	1,731	-
Universal Digital Systems	2,303	2,303	-
IT Future Operating Model	2,387	2,387	-
Re-Procurement / Reimplementation of Finance System	600	673	73
Cemeteries and Crematorium	85	85	-
Cremator Procurement	200	200	-
Cremator	103	103	-
DoR Total	7,409	7,482	73
Grand Total	124,925	94,748	(30,177)

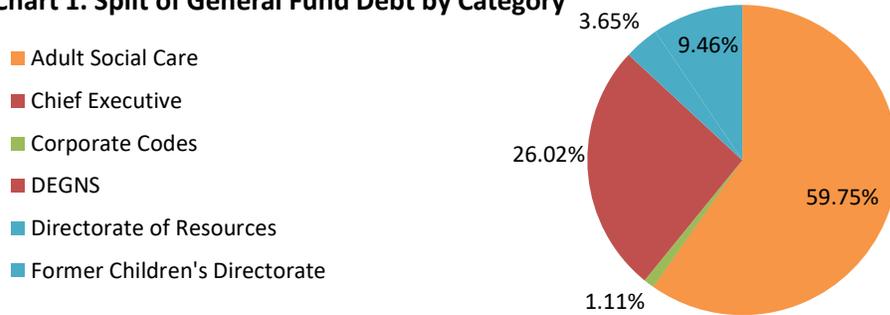
HRA Capital Programme

Major Repairs	10,188	7,238	(2,950)
Disabled Facilities Grants	512	645	133
Fire Safety Works	1,210	900	(310)
Green Homes Project - HRA element	831	550	(281)
New Build & Acquisitions - Phase 1	211	-	(211)
New Build & Acquisitions - Phase 2	12,619	6,463	(6,156)
New Build & Acquisitions - Phase 3	15,917	15,917	-
New Build & Acquisitions - Phase 4	1,400	1,400	-
Local authority new build programme for Older people and vulnerable adults	2,251	2,251	-
Housing Mngt System	355	257	(98)
Grand Total	45,494	35,621	(9,873)

Debt Performance - End of September 2021

The pie chart below shows the sundry debt as at the end of Period 6 (in excess of 30 days old) to total £9.391m.

Pie Chart 1. Split of General Fund Debt by Category

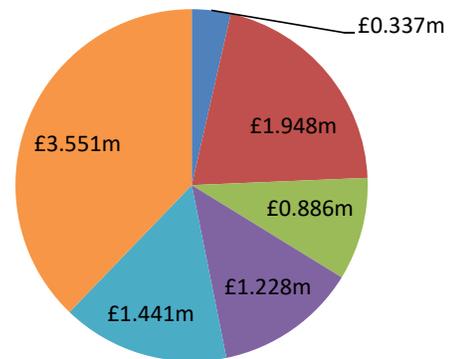


Note: Adult Social Care includes Adult Client debt and invoices relating to NHS/CCG. As of Period 6, debt totalling £437k has been secured against properties, however there is no guarantee that 100% of this is recovered upon sale of the property. Education Services includes the majority of Schools service level agreement invoices.

Key for Charts

- 1 to 2 months
- 2 to 3 months
- 3 to 6 months
- 6 months to 1 year
- 1 to 2 years
- Over 2 years

Pie Chart 2. Split of General Fund Debt Balance by Days Outstanding



Pie Chart 4. Split of HRA Debt Balance

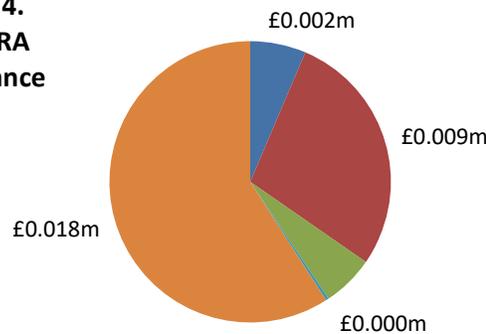
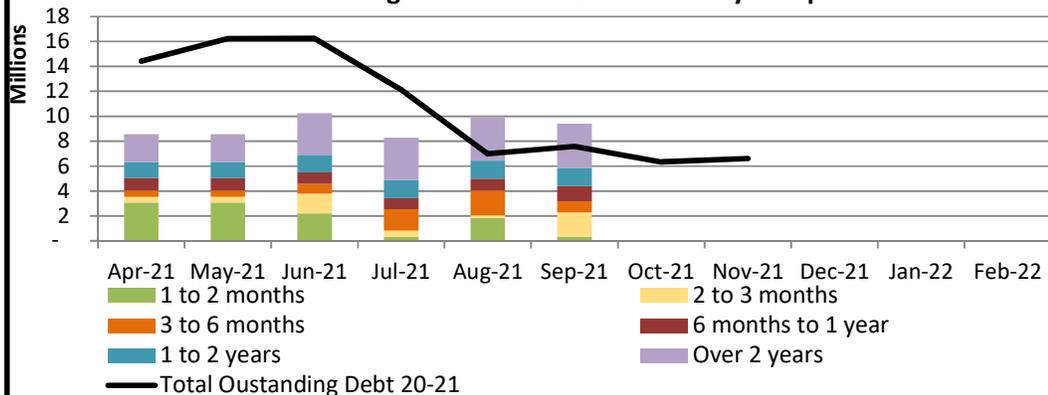


Chart 5. Outstanding General Fund Debt Monthly Comparison



Agency and Staffing - End of September

Agency contracts with the council as at the end of Period 6.

Number of agency workers by directorate

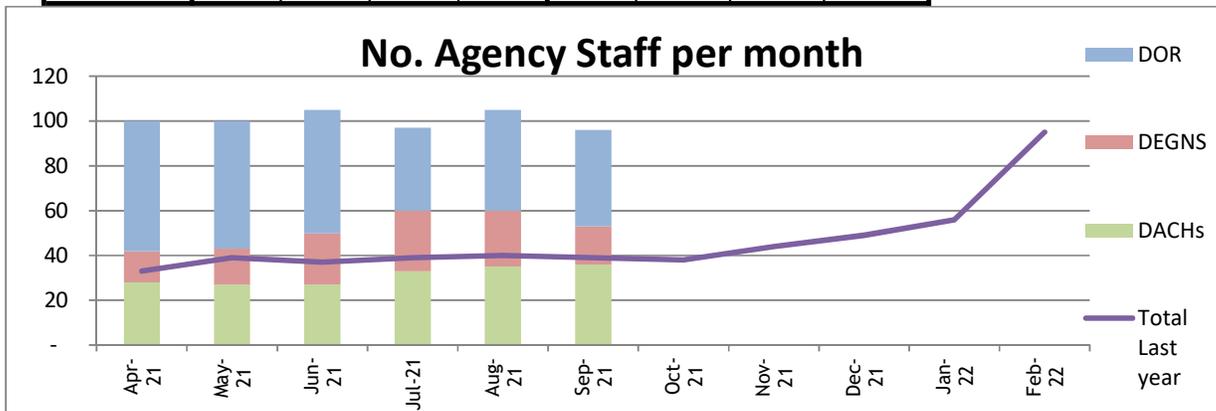
Directorate	Number of Agency Staff Period 6	Number of Agency Staff Period 5
DACHs	36	35
DEGNS	17	25
DOR	43	45
Total	96	105

Agency staff by post name (top 5)

Post name	No.
Social Worker	20
Occupational Therapist	8
Refuse Loader	7
Testing Operative	7
Childcare Solicitor	4

Agency spend by directorate per quarter (£000s)

Directorate	2020-21 (£000s)				2021-22 (£000s)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
DACHs	356	344	323	395	524	572		
DEGNS	271	300	279	326	288	256		
DOR	230	315	232	409	649	533		
Total	857	959	834	1,130	1,461	1,361	0	0



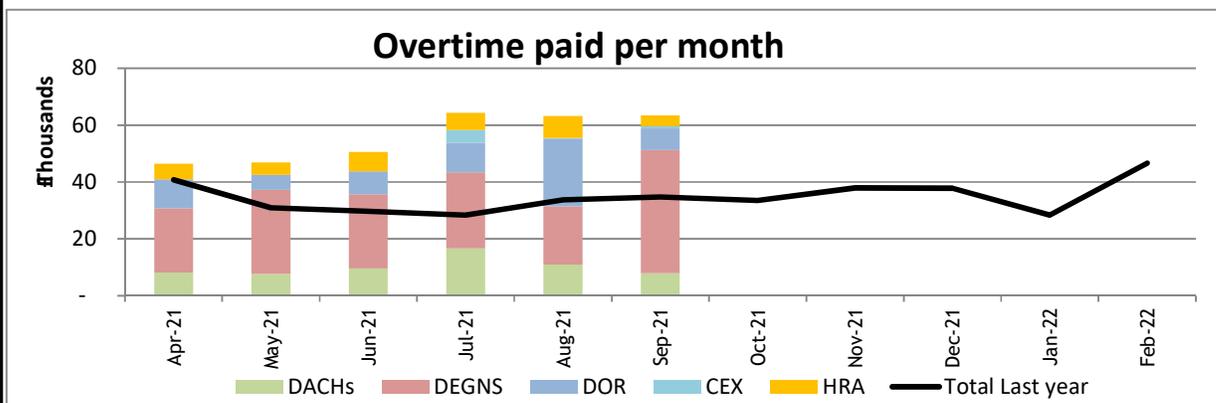
Redundancies within 2021-2022

Directorate	Redundancies Costs
DACHs	£ 25,000
DEGNS	£ 91,884
DOR	£ -
CEX	£ 9,723
HRA	£ -
Total	£ 126,607

Overtime paid by directorate 2021-22

Directorate	September 2021 Only	Actual to Date 2021-22
DACHs	£ 8,026	£ 61,249
DEGNS	£ 43,205	£ 168,614
DOR	£ 7,636	£ 65,403
CEX	£ 7,636	£ 5,744
HRA	£ 3,809	£ 34,088
Total	£ 70,313	£ 335,098

Redundancy expenditure will either be funded through the capitalisation directive if the redundancy relates to transformation or through use of the redundancy revenue reserve. Currently no redundancy charges have been reflected in the Period 6 monitoring.

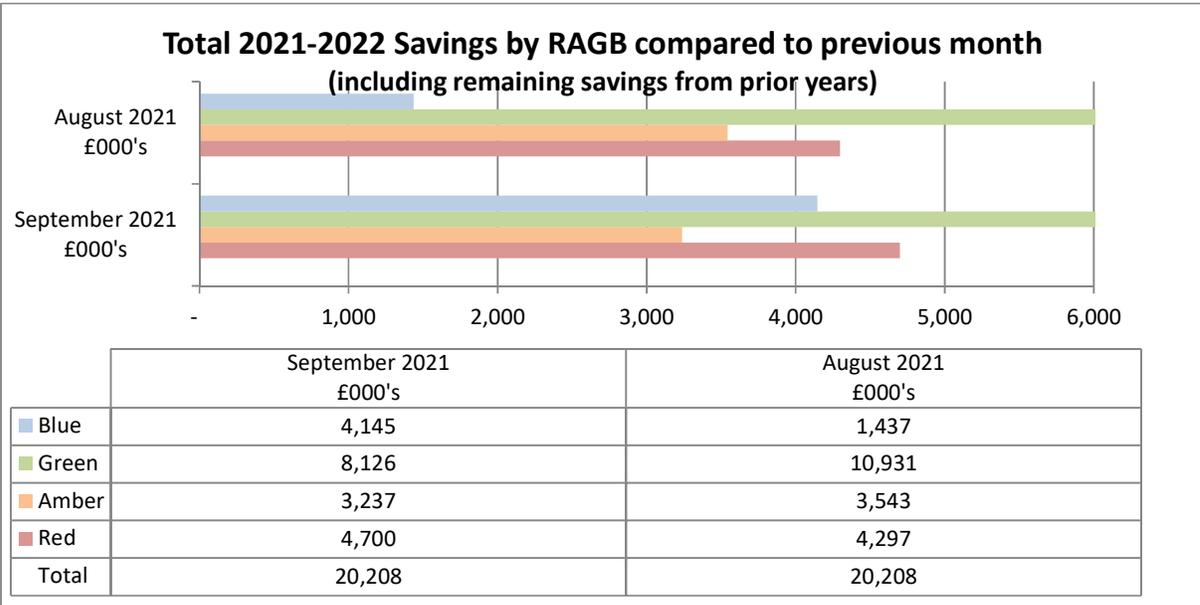


Savings and Delivery Fund 2021-2022 - End of September 2021

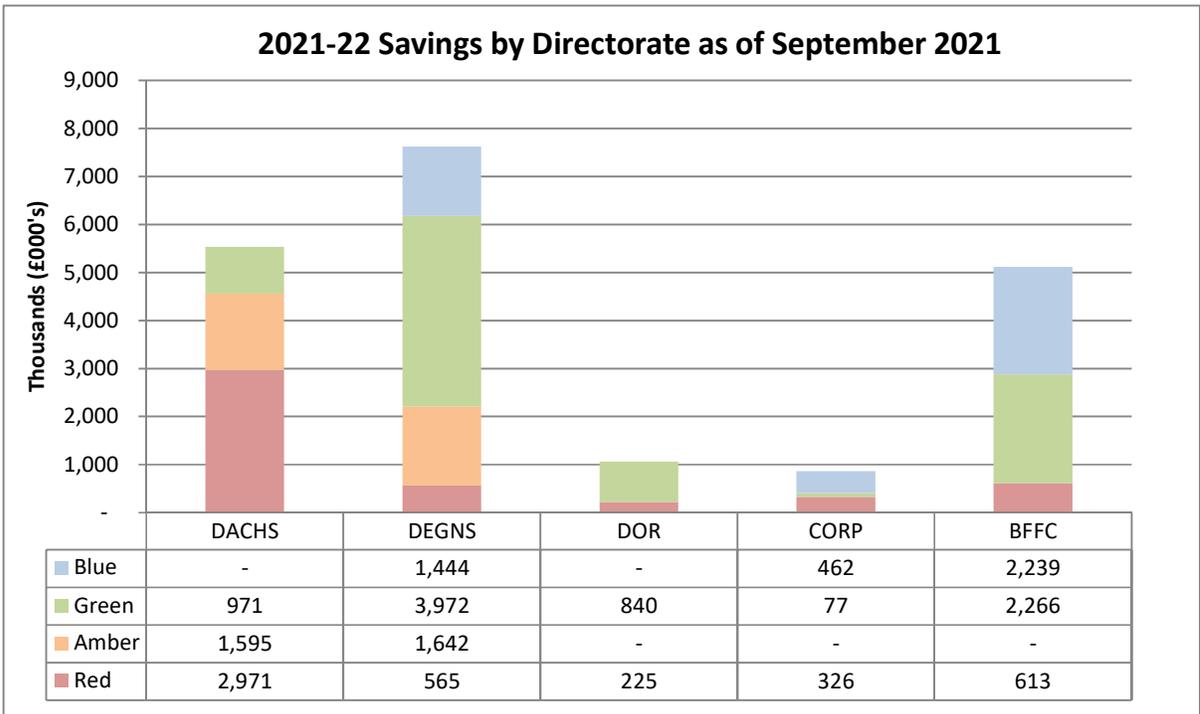
Savings

	Project delayed or unachievable and needs reviewing as part of MTFS
	Project has some issues or is at risk
	Project is progressing on track
	Project has been delivered and saving/income generation has been achieved

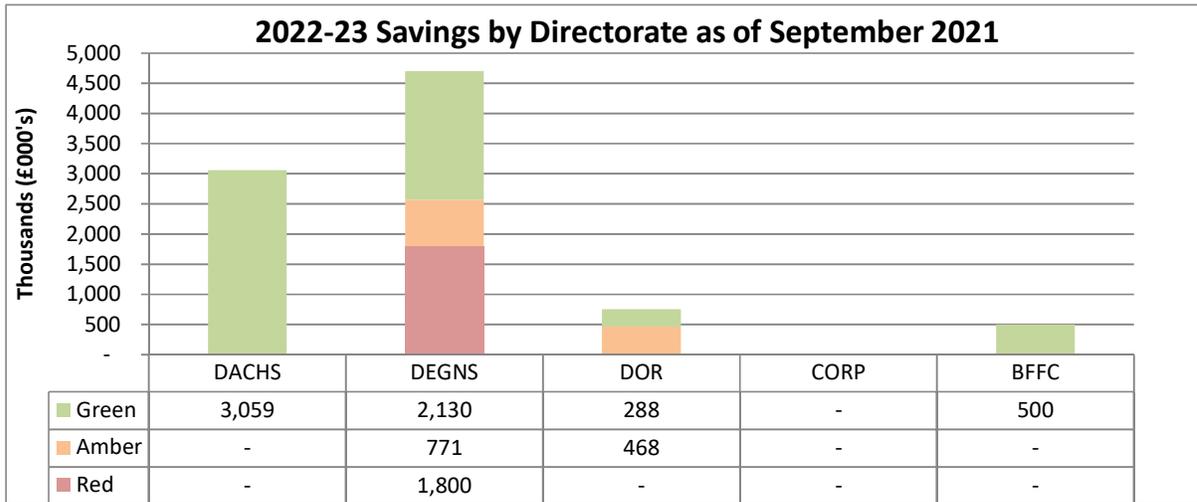
The below graphs shows the outstanding 2021-22 and prior year savings programme. This totals £15.344m for the overall council.



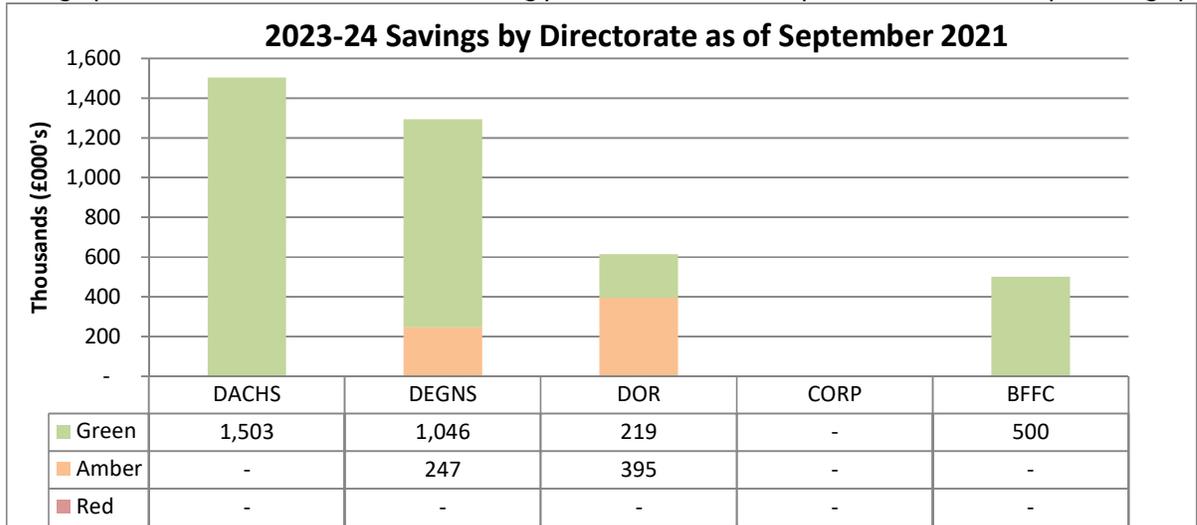
The graph below shows the 2021-22 RAGB rating per directorate as at September 2021 and the percentage per area.



The graph below shows the 2022-23 RAGB rating per directorate as at September 2021 and the percentage per area.



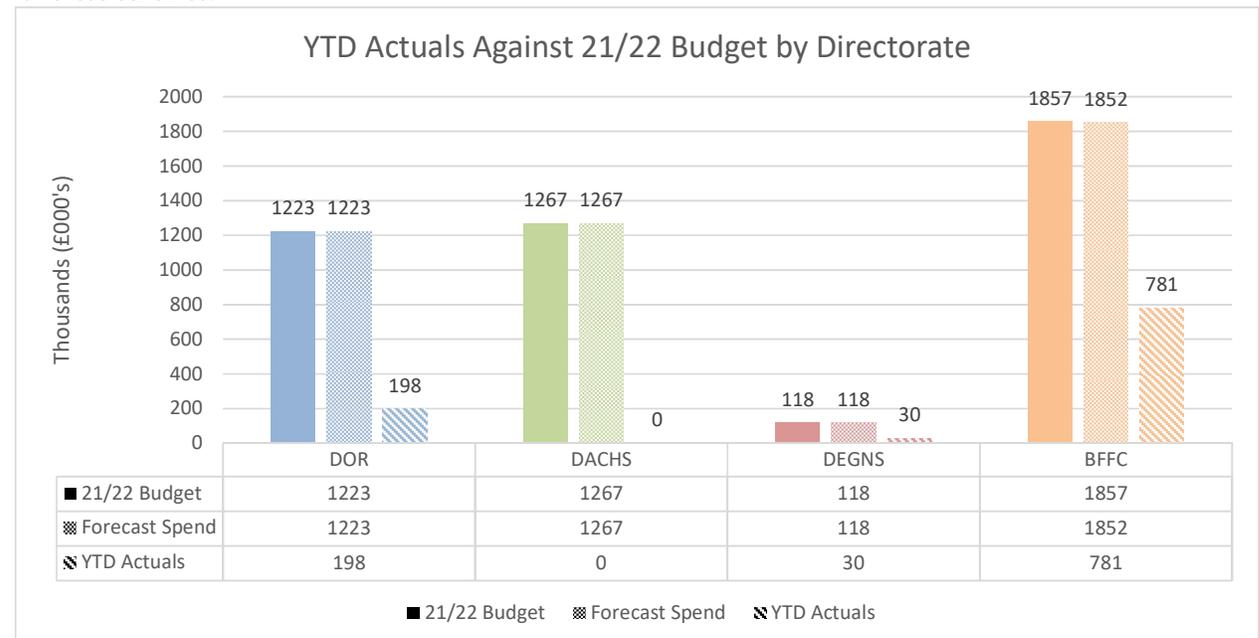
The graph below shows the 2023-24 RAGB rating per directorate as at September 2021 and the percentage per area.



Delivery Fund

There are currently 44 approved Delivery Fund schemes being monitored across DACHS, DEGNS, DOR and BFFC.

The graph below shows the actual spend on Delivery Fund schemes, by directorate, compared to the 21/22 budget for these schemes.



List of Savings within 2021-22

Savings

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
Directorate of Adults Care and Health Services					
Extension of Front Door Project; Stretch for Front Door Project	50	0	0	0	50
Reducing Adult Social Care contracts spend (Commissioning Delivery Model)	161	0	0	0	161
Mental Health and Locality Team Restructure	145	0	0	0	145
Extension of Provider Services	100	0	0	0	100
Additional Contract Reductions	179	0	0	0	179
DACHS Asset Review (incl. research on Dementia Outreach models)	200	0	0	0	200
Young people Transitions - Supporting young people into adulthood	0	333	167	0	500
Adult Social Care Day Service Review	0	0	150	0	150
Additional DACHS Staffing Efficiencies	550	0	0	0	550
TEC: Promoting the use of Assistive Technology	0	345	0	0	345
Increased usage of Direct Payments	250	0	0	0	250
Development of the Personal Assistant Market	109	0	0	0	109
Promoting Independence (Outcome Based Service Delivery)	0	0	427	0	427
Community Reablement (best practice and expansion)	250	0	0	0	250
Development of the Dementia Carers Offer	75	0	0	0	75
Income Maximisation - debt recovery	231	140	0	0	371
Increased usage of Assistive Technology and Equipment	200	0	0	0	200
Public Health Grant Reduction and Alternate Delivery Model	93	0	0	0	93
Alternative to Residential and Nursing Care for 18 to 64 Year Olds	0	94	0	0	94
Strengthening DACHS Decision Making & Supporting Practice Change	378	0	0	0	378
Review and Rightsizing of Care Packages (2021/2022)	0	683	227	0	910
Total Directorate of Adults Care and Health Services	2,971	1,595	971	0	5,537

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
Directorate of Economic Growth & Neighbourhood Services					
School Crossing Patrollers	0	14	0	0	14
Fundamental Service Review - Parking	0	0	75	0	75
Smart Cities - communications saving	0	0	70	0	70
Review of Enforcement Contracts	50	0	0	0	50
Increased revenue from on-street Pay and Display	0	540	0	0	540
Increased income from Parking Enforcement	0	220	0	0	220
Increased provision of Red Routes	0	50	0	0	50
Extend Residents Parking permit areas	0	0	40	0	40
Increase to park permit charges	0	0	53	0	53
Review Public Car Park provision borough wide	200	0	0	0	200
Increase off street parking charges	150	0	0	0	150
Electric Vehicle Charging	0	26	0	0	26
Increase in fees and charges	0	0	3	0	3
Mandatory HMO Licensing	0	0	0	120	120
Discretionary HMO Licensing	20	0	0	0	20
Increase in charges for pre-planning application and planning fees	0	0	0	25	25
Reforecast income Licensing income budget	0	0	0	64	64
Increase in fees and charges	0	0	0	34	34

SAVINGS PROPOSAL	Current Year Savings (£000s)				
Directorate of Economic Growth & Neighbourhood Services	RED	AMBER	GREEN	BLUE	TOTAL
Reduction in professional specialist, management, enforcement and administrative resources; an increase to pre-planning application fees by 10%.	120	0	0	0	120
Town Centre Street Trading - New Pitches	0	0	30	0	30
Charge for pre-application for planning	0	0	0	25	25
Housing Property Services - income generation to General Fund	0	0	60	0	60
Housing Building Maintenance Income	0	0	31	0	31
Increase in fees and charges	0	0	4	0	4
Contribution from Public Health Grant	0	0	200	0	200
Additional Fees & Charges from Schools	0	0	0	110	110
Theatre Fees and Charges	0	0	0	50	50
In-house management restructuring of Cultural Services	0	52	0	48	100
Increase in fees and charges	0	0	0	56	56
Town Hall and Museum Additional income	0	0	0	100	100
Increase in Savings - Waste Operations	0	0	138	0	138
Food Waste and Smaller Bins	0	0	367	0	367
Fundamental Service review of Highways	0	0	100	0	100
Increase in trading through Reading Commercial Services	0	0	50	0	50
Increase income on green waste due to additional uptake in years 1-3 and fee increase in years 2-3	0	0	68	0	68
Fundamental Service Review - Parks and Street Cleansing	0	62	38	0	100
Increased income from traded waste services	0	0	369	0	369
Gross up budget for capital cost on recycling bins	0	0	19	0	19
Increase in fees and charges	0	0	5	0	5
Explore creation of coordinated enforcement operation across Regulatory & Transportation services	0	0	21	0	21
Review of Neighbourhood and Streetcare Services fees and charges and enforcement activity.	0	0	69	0	69
Additional income from advertising	25	0	0	0	25
Introduce a 24 hours a day, 7 days a week charge for all Town Centre Pay & Display (P&D)	0	0	25	0	25
Savings arising from the closure of Darwin Close, Hamilton Centre and more efficient use of Bennet Road	0	150	80	0	230
Increase income From Commercial Property Acquisitions	0	0	0	469	469
Review of Rents on Garages and Shops	0	0	30	0	30
Increase in fees and charges	0	0	22	0	22
Review and Restructure of Cleaning Services	0	125	0	0	125
Reductions on Training Budget	0	0	13	0	13
Digitisation Saving	0	0	69	0	69
Workforce Review [Transportation]	0	127	0	0	127
Increase parking permit charges	0	0	40	0	40
Concessionary Fares	0	0	400	0	400
Reduced expenditure/Review of expenditure budgets	0	0	0	67	67
Proposed Contract Savings - Young Persons Accommodation	0	0	70	0	70
Reduced operations at the Town Hall	0	127	0	241	368
Arts Fundraising campaign	0	20	0	0	20
Visa Verification	0	0	100	0	100
Rewilding highway verges	0	0	15	0	15
Waste Contract - Budget realignment inline with anticipated expenditure	0	0	500	0	500
Continued commercial growth of Highways service	0	0	31	0	31
In-sourcing of Highways Structures Consultancy	0	0	45	0	45
Review of office and workspace requirements	0	0	133	0	133
Energy savings in office space due to reduced occupation under Covid-19	0	0	100	0	100
Printing, Scanning & Post Efficiencies	0	80	0	0	80

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
Directorate of Economic Growth & Neighbourhood Services					
Workforce Review [Planning & Regulatory Services]	0	49	0	0	49
Workforce Review [Housing]	0	0	70	0	70
Workforce Review [Cultural Services]	0	0	0	35	35
Workforce Review [Environmental and Commercial Services]	0	0	325	0	325
Workforce Review [Regeneration and Assets]	0	0	94	0	94
Directorate of Economic Growth & Neighbourhood Services	565	1,642	3,972	1,444	7,623

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
Directorate of Resources					
Customer Services savings (Call Centre/Hub)	0	0	24	0	24
New customer services model	169	0	88	0	257
Exec Recruitment	56	0	0	0	56
Review of SLA with Schools	0	0	24	0	24
Re-procurement of agency contract	0	0	100	0	100
Realignment of Revenues and Benefits Transformation Target	0	0	25	0	25
Income generation from charging for services	0	0	2	0	2
Digitisation Saving	0	0	46	0	46
Redesign of Reception Centre to reflect greater self service options	0	0	42	0	42
Additional Service Proposals for Registrar Services	0	0	30	0	30
Reduction in staffing levels for HR and OD	0	0	58	0	58
Reduction in employer contributions arising from new Agency Contract	0	0	90	0	90
Increase in Fees and Charges (Kennet Day Nursery)	0	0	10	0	10
Reduction in annual contribution to self insurance fund	0	0	235	0	235
Flexible Retirement	0	0	21	0	21
Procurement of Case Management system	0	0	45	0	45
Directorate of Resources	225	0	840	0	1,065

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
Corporate					
Appropriation of Land & Buildings to the HRA	0	0	0	462	462
Corporate Contractual Savings	326	0	0	0	326
Reducing mileage expenses through increased use of alternatives e.g. online meetings	0	0	77	0	77
Corporate	326	0	77	462	865

SAVINGS PROPOSAL	Current Year Savings (£000s)				
	RED	AMBER	GREEN	BLUE	TOTAL
Brighter Futures For Children					
BFFC Savings	613	0	2,266	2,239	5,118
Brighter Futures For Children	613	0	2,266	2,239	5,118
TOTAL of Savings with Red rated elements within 2020-2021	4,700	3,237	8,126	4,145	20,208

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CORPORATE PLAN MEASURES 2021-22											
Corporate Priority	Measure/KPI	Reporting frequency	June 21			Sept 21			DoT	Comments	
			Actual	Target	Performance against target	Actual	Target	Performance against target			
Foundations	Deliver 3-year savings plan (2021-24)	Quarterly	Total £1,437k DACHS £0 DEGNS £975k BFFC £0 Resources £0 Corporate £462k			Total £1,906k DACHS £0 DEGNS £1444k BFFC £0 Resources £0 Corporate £462k			↑	✓	
	Customer satisfaction in the Customer Fulfilment Centre (CFC)	Quarterly	88%	88%	●	88%	88%	●	→		
	Enquiries solved at first point of contact (CFC)	Quarterly	87%	86%	●	86%	86%	●	↓	✗	
	New services achieving the national customer services accreditation	Quarterly	0			0			→		
	Number of services transitioned to the new customer model	Quarterly	3	8	●	3	8	●	→		There has been a pause in service reviews.
	Transactions completed via My Account/self-serve	Monthly	70,683			49,727			↓	✗	The Q1 figure includes annual service renewals which typically at Reading fall towards the end and start of the financial year, such as garden waste subscription (14,539 applications in 2021). This is reflected in the increase (relative to the adjacent quarters) in the amount of online form submissions for the Q1 period
Covid Response & Recovery	Contact Tracing Rate	Monthly	91%	80%	●	89%	80%	●	↓	✗	Despite high case rates this period the number of positive cases contacted has remained well above target.
	Covid Cases contacted	Monthly	896			1917			↑	✓	Despite high case rates tracing of positive cases has been maintained above target.
Thriving Communities	Children in care in same placement for 2+ years	Quarterly	71%			72%			↑	✓	Data for June and July only
	Placements for children more than 20 miles from Reading	Quarterly	33%			32%			↑	✓	Data for June and July only
	Education, Health and Care Plans completed within 20 weeks	Quarterly	83%			80%			↓	✗	Data for June and July only
	LA schools rated good or outstanding	Quarterly	93%	98.5%	●	94%	98.5%	●	↑	✓	Data for June and July only
	Sufficiency of early years providers	Quarterly	186			n/a					Data not yet available
	Youth re-offending rate (Youth Offending Service)	Quarterly	32%			24%			↑	✓	Data for June and July only
	% service users receiving direct payments	Monthly	21.1%	22%	●	21.4%	22%	●	↑	✓	Additional training for staff and updated guidance for service users are positively impacting on the achievement of this target.

	Number of Technology Enabled Care Turnkey Assessments	Monthly	44	30		25	30		↓	✘	Technology Enabled Care (TEC) usage by service users in Reading has doubled since the same period in 2020, which highlights the impact of the project. Service user satisfaction levels in relation to TEC have been high and staff feedback on the ease of the TEC system has also been received.
	Percentage of new people who contact Advice & Wellbeing Hub who don't go on to a long term service	Monthly	91.4%	85%		91.1%	85%		↓	✘	The Hub has seen at times a 30% increase in referrals, with increased numbers of self neglect , hoarding and deconditioning due to covid restrictions , 2 lockdowns and closure of many services . This has lead to increased numbers of carers in crisis and impacted very negatively on those people suffering with dementia. Which makes the continued excellent performance of the Hub even more impressive. The Hub continues to embed the 3 conversations model with empowerment and prevention at the core . To manage the increasing number of referrals and higher complexities the Hub has stream lined duty systems to prevent long waits for services such as assistive technology, simple adaptations and equipment. The Hub has also seen an increase in referrals for simple solutions to prevent further deconditioning , falls prevention and reduced mobility at home such as rails and equipment. As a result Case Coordinators have all received training as Trusted Assessors for equipment, assistive technology and minor adaptations. In addition work has started on a project to enable sheltered housing wardens to train as Trusted Assessor for equipment, assistive technology and minor works. The Hub has piloted a Kickstart assistant case coordinator apprentice
	Percentage of adult social care service user reviews completed annually	Monthly	41.4%	70%		39.9%	70%		↓	✘	Performance in this area has reduced this quarter due to the Review Team being focused solely on assessing and supporting people who have been discharged from hospital under a Hospital Discharge Scheme 2. Once this work has cleared the focus will shift back to annual reviews.
	Residential admissions 65+ (per 100,000)	Monthly	19	36		29	36		↓	✘	The dependency levels of people presenting to Adult Social Care from Hospital is increasing. Whilst the Home First ethos is embedded in our practice there are examples where peoples needs cannot be met at home and therefore need to be admitted into residential homes. However we are continuing to operate well below the target and seek to maintain this impressive performance.
	% HMOs licensed under mandatory scheme	Quarterly	40%	43%		41%	43%		↑	✓	
	No of cases where positive action was successful in preventing & relieving homelessness	Monthly	58	36.6		58	36.6		→		
	Superfast broadband coverage	Quarterly	99.2%	100%		99.2%	100%		→		
Healthy Environment	Food waste collection participation	Quarterly	n/a	50%		n/a	50%				
	Waste recycling	Quarterly	52%	45%		52%	45%		→		
	Food waste collected (Kg/hh/wk)	Monthly	2.85	1.4		2.78	1.4		↓	✘	
	Percentage of municipal waste land filled	Monthly	10.46%	16%		11.43%	16%		↓	✘	

	Tonnes of food waste processed via anaerobic digestion	Quarterly	1,978	750	●	1,911	750	●	↓	×	
	Number of actionable potholes reported	Quarterly	524	2,750	●	1,133	2,750	●	↓	×	
	Percentage of actionable potholes filled	Quarterly	100%	100%	●	99%	100%	●	↓	×	
	Percentage of actionable potholes repaired within timescale	Quarterly	100%	99%	●	99%	99%	●	↓	×	
Inclusive Economy	Young people in NEET	Quarterly	29%			32%			↓	×	
	Number of jobs created (Kickstart scheme)	Quarterly	30			35			↑	✓	Total KickStart 65 Starts 60 people supported by Start Up training (3 courses since Jan 21) Catch up careers work with schools - approx. 120 Yr 10 and 11. Ikea work event for 25 residents, Job Fair programmed for Nov at BSM
	Participation at council cultural venues	Quarterly	5,172.00			52,408			↑	✓	Venues opened to the public fully in mid July, when restrictions fully eased.
	People aged 16-64 who are unemployed	Quarterly	6.0%			5.3%			↑	✓	Registered UC claimants declines again (by 1,500 since Mar 21) Still above regional and national average - Over 50s especially affected. No major redundancies identified, as furlough ends in Sept. Nearly 6,000 vacancies currently live in greater Reading.

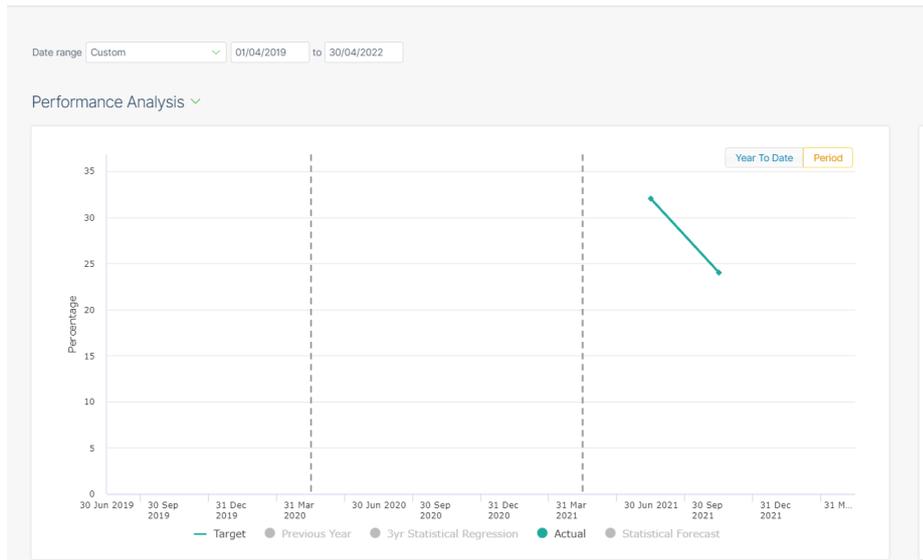
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APPENDIX 3 - CORPORATE PLAN MEASURES SHOWING SIGNIFICANT CHANGE IN PERFORMANCE

Measures showing significant positive change between Q1 and Q2

Youth re-offending rate

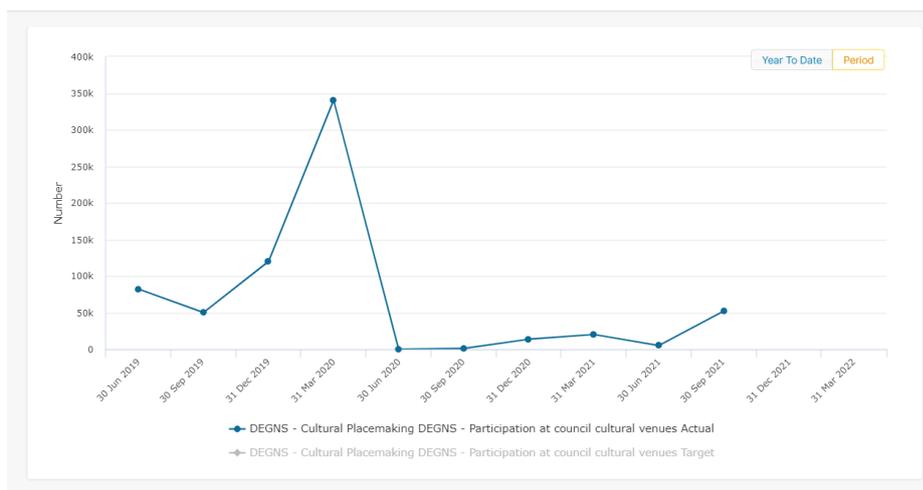
Measure: BFC - Re-offending rate (Youth Offending Service)
Deliverable: BFC



Participation at Council cultural venues

Commentary: Venues opened to the public fully in mid July, when restrictions fully eased.

Measure: DEGNS - Participation at council cultural venues
Deliverable: DEGNS - Cultural Placemaking



Measures showing significant negative change between Q1 and Q2

Transactions completed via My Account/ self-serve

Commentary: The Q1 figure include annual service renewals which typically at Reading fall towards the end and start of the financial year, such as Garden Waste Subscription (14,539 applications in 2021). This is reflected in the increase (relative to the adjacent quarters) in the amount of online form submissions for the Q1 period

Measure: DoR - Transactions completed via My Account/Self Serve
Deliverable: DoR - Implementation of the Customer Experience Programme



No of TEC Turnkey Assessments

Commentary: Technology Enabled Care (TEC) usage by service users in Reading has doubled since the same period in 2020, which highlights the impact of the project. Service user satisfaction levels in relation to TEC have been high and staff feedback on the ease of the TEC system has also been received.

Measure: DACHS - Number of TEC Turnkey Assessments
Deliverable: DACHS - Adult Transformation Programme



Residential admissions 65+

Commentary: The dependency levels of people presenting to Adult Social Care from Hospital is increasing. Whilst the Home First ethos is embedded in our practice there are examples where peoples needs cannot be met at home and therefore need to be admitted into residential homes. However we are continuing to operate well below the target and seek to maintain this impressive performance.

Measure: DACHS - Residential admissions 65+ (per 100,000)
Deliverable: DACHS - Adult Transformation Programme



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READING BOROUGH COUNCIL

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT AND GOVERNANCE COMMITTEE		
DATE:	25 JANUARY 2022		
TITLE:	INFORMATION GOVERNANCE QUARTERLEY UPDATE		
LEAD COUNCILLOR:	CLLR RUTH McEWAN	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:		WARDS:	ALL
LEAD OFFICER:	MICHAEL GRAHAM	TEL:	
JOB TITLE:	ASSISTANT DIRECTOR LEGAL AND DEMOCRATIC SERVICES	E-MAIL:	michael.graham@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report provides an update on the actions in progress to improve the Council's policies, systems and processes for better Information Governance.
- 1.2 In the last two years, the Committee has received several limited assurance reports in relation to information governance and work is ongoing to address the underlying issues in the following areas:
 - Freedom of Information
 - Data Transparency
 - Records Management

2. RECOMMENDED ACTION

Audit and Governance Committee is asked:

- 2.1 To note the progress to date and future actions outlined in this report.
- 2.2 To identify matters of interest for future reports.

3. POLICY CONTEXT

- 3.1 The Council's new Corporate Plan (2021) has established three themes for the year 2021/22. These themes are:
 - Healthy Environment
 - Thriving Communities
 - Inclusive Economy
- 3.2 These themes are underpinned by "Our Foundations" explaining the ways we work at the Council:
 - People first

- Digital transformation
 - Building self-reliance
 - Getting best value
 - Collaborating with others
- 3.3 Full details of the Council’s Corporate Plan and the projects which will deliver these priorities are published on the [Council’s website](#). These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective and economical.
- 3.4 Data is playing an increasing role in designing, delivering and transforming public services to improve outcomes for customers and drive efficiencies within current financial constraints.
- 3.5 The Local Government Association describe the value of data to public services as facilitating:
- The design of services around user needs
 - The engagement and empowerment of citizens to build their communities
 - Efficiencies and public service transformation
 - Economic and social growth
 - Greater transparency and accountability
- 3.6 Effective information governance is a key requirement for the Council which has duties to be both open and transparent whilst at the same time protecting the confidential information it holds about people and businesses. How it collects, uses, stores, shares and destroys personal data is governed by the Data Protection Act. The Council also must comply with the Freedom of Information Act, the Environmental Information Regulations and the Access to Information Act in relation to its records. Compliance is monitored by the Information Commissioner who has wide ranging powers including the ability to impose considerable financial penalties for breaches of the Data Protection Act.

4. UPDATE

Recruitment

- 4.1 Since the last report when the Information Governance Team secured the services of an experienced Information Governance Team Leader and an Information Governance Officer, the Information Governance Officer did not take up the post. This post is still vacant as recruitment, despite two rounds of advertising, has been unsuccessful. We will review the job description and the possibility of adding a market supplement and advertise the post in early February 2022. The apprentice for the team is gaining more experience and we still have the services of an Interim Information Governance Officer, seconded from another service, who started at the end of June. This officer and the apprentice are continuing to help address a backlog of Subject Access Requests.

FOI cases

- 4.2 As previously reported, the new case management system for FOIs went live in March 2021. Training has been provided to officers and the initial signs are that the system is working as envisaged. The FOI function is now centrally managed through the Customer Relations Team, with all requests and answers being channelled via the team. This was done to improve response times for FOIs. The Council wishes to see a response rate of 90% within 20 working days and will be reviewing the performance of this function to establish where improvements can be made within the new centralised system. 90% is the expected response rate of the Information Commissioner.

- 4.3 FOIs, Complaints, Responses to MP and Cllr enquiries continue to be monitored weekly by CMT which ensures good organisational oversight and stresses the importance the Council gives to these matters.
- 4.4 Following the update provided at the September meeting for the year 20/21, the table below shows the information available for quarter 2 of 21/22. Please note that there is a lag in the monthly data as time for compliance is 20 days which means that requests received at the end of a month can't be counted as being sent until the following month.

Freedom of Information Requests

Total number received in Q2

Directorate	Total No. Received	%	Q1 Total
BFFC	29	20.1%	30
DACHS	10	6.5%	22
DEGNS	81	48.1%	68
DoR	34	25.3%	66
Total	154	100%	186

- 4.5 The Council and BFFC have seen a decrease in the number of requests received from 272 in Q4, 186 in Q1 to 154 in Q2, this may be attributed to the fact that all FOI response are now published on the disclosure log and requestors have to search the log before they can submit an FOI via the online form. This allows them to find the information they may want, without having to submit their request.

FOI's Responded to in Timescale by Directorate

Directorate	No. sent in timescale	%
BFFC	20	69%
DACHS	8	80%
DEGNS	60	74%
DoR	29	85%
Mixture	0	0
Total	117	77%

- 4.6 In Q2 the Council and BFFC responded to 177 FOI request and overall, 77% of these were sent out in timescale which is an improvement from Q1 when 106 FOI's were responded to and 56% of these were sent out in timescales.
- 4.7 Below is a monthly breakdown of the number of FOI's received and the % responded to in timescale. As stated above the number of FOI's coming into the organisation is reducing and the response time is showing improvement in this quarter.

Breakdown by month

Directorate	FOI's received - July	% Sent in Time - July	FOI's received August	% Sent in Time - August	FOI's received - Sept	% Sent in Time- Sept
BFfC	8	87%	11	55%	10	70%
DACHS	1	100%	N/A	N/A	4	75%
DEGNS	23	70%	24	71%	34	79%
DoR	8	87%	13	90%	13	92%
Overall	40	70%	48	72%	61	79%

Data Transparency

- 4.8 Members will recall that the audit in this area revealed that some of the information, which was required to be published, was not available on the Council's website. All the relevant information and sources of data have now been identified and a Transparency Code page has been added to the Council's [website](#). A process for review and publishing the required information for the future was considered at the Information Governance Board and has been checked by the Council's Audit Team who asked for clarification on the use of Government Procurement cards. The Customer Relations & Information Governance Manager has established that the Council does not use Government Procurement cards. The website and process are being updated to reflect the feedback from the Audit Team.

Information Commissioner's Office

- 4.9 Since the last report to this committee, three breaches were reported to the ICO as precautionary measures. The ICO has closed these cases stating no further action is required of the Council other than to continue to train staff and raise awareness of risks in particular around emailing the incorrect recipients. There is nothing further of note to report to members in relation to these issues.
- 4.10 The Information Governance Board asked for a review to be carried out by the Information Governance Team and the IT Security team to explore whether further measures can be put in place for outgoing emails to be more secure, for example by the use of the Egress system or switching off the auto fill function on the TO field within an email. The Board agreed that switching off the autofill will cause staff and managers some degree of inconvenience. A specialist new system could prove to be an excessive cost to the Council and as such staff are advised to use the existing Encrypt system and to be more vigilant when populating the TO and CC fields of outgoing emails. The matter is to be reviewed further when options are provided by CICTS.

Information Management Strategy

- 4.12 As previously advised, the Information Governance Team is currently preparing an Information Management Strategy and Action Plan which outlines the Council's proposed approach to information management and governance. This Strategy will be informed by the technical review which was completed by Leicester City Council last year. The Strategy is will be provided to Policy Committee in March.
- 4.13 The technical review is complete and has been finalised. Broadly, the recommendations cover the areas below in more granular detail which have been amalgamated with the existing actions from the Strategy. An action plan for all the recommendations has been prepared with many of the actions underway or complete.

a) Data Protection Governance - The extent to which data protection responsibility, policies and procedures, performance measurement controls, and reporting

mechanisms to monitor DPA compliance are in place and in operation throughout the organisation.

b) Training and Awareness - The provision and monitoring of staff data protection training and the awareness of data protection requirements relating to their roles and responsibilities.

c) Records Management (manual and electronic) - The processes in place for managing both manual and electronic records containing personal data. This will include controls in place to monitor the creation, maintenance, storage, movement, retention and destruction of personal data records.

d) Security of Personal Data - The technical and organisational measures in place to ensure that there is adequate security over personal data held in manual or electronic form.

e) Subject Access Requests - The procedures in operation for recognising and responding to individuals' requests for access to their personal data and other rights exercisable.

f) Freedom of Information Governance - The extent to which responsibilities, policies and procedures, performance measurement controls, and reporting mechanisms to monitor compliance with the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIR) are in place and in operation throughout the service.

g) Data Sharing - The design and operation of controls to ensure the sharing of personal data complies with the principles of the GDPR and DPA, and the good practice recommendations set out in the Information Commissioner's Data Sharing Code of Practice.

Training

- 4.14 The Board continues to monitor the Cyber Security training which is currently rolled out for all staff and members through Learning Pool, the Council's e-learning package. The Board is monitoring the uptake of this training and its effectiveness. The Board was presented with data on 17 January 2022 asking them to make recommendations to CMT around the importance of relating the training requirements to staff roles and responsibilities and monitoring the uptake of training as part of staff supervision and appraisal process. Further reminders have been sent to Assistant Directors to follow up with individual staff who are yet to complete these training requirements.
- 4.15 Data has been provided to managers about compliance in their service and the current figures set out below are as at 30 November 2021. The completion of the Cyber Security Training has improved from the 50% completion rate reported in September 2021 to the current report which is now 79%.

Current figures are below:

	Cyber			Information Governance		
	Complete	Not Complete	% Complete	Complete	Not Complete	% Complete
DACHS	236	108	79	183	161	53
DEGNS	554	154	78	432	277	61
DoR	386	51	88	321	115	74
No dept*	13	2	87	12	2	80
Total	1189	315	79	948	556	63

* *Unions and Interpretation and Translation Services*

4.16 There has been an increase in the completion of both modules since the last report. Members should note there is again a change to the staffing figures since the previous report to this Committee. As stated in the September Committee report, further analysis has taken place to ensure there is accurate reporting going forward. The number of staff has been adjusted to 1869 and 365 members of staff have been identified as not having access to IT. The main types of role that fall within this are:

- Refuse Management/Streetcare
- Cleaners
- Nursery staff
- Grounds people/Arborists/Gardeners
- Casual/Election staff
- Entertainment staff (Hexagon, South Street etc)
- Casual staff (Registrars service, Libraries etc)

These staff will need to have tailored team meeting/paper-based training to ensure they are aware of the subjects covered in the online training. A training pack with key messages was approved at the 17 January 2022, Information Governance Board meeting, and will be rolled out to Services in the forthcoming weeks.

4.17 The Board is also continuing to monitor the take up of the new Information Governance and Data Protection module. The Committee should note the table above which show that 63% of staff identified as IT users have now completed the Information Governance and Data Protection Training. Again, this is a marked increase from the data presented in September when 29% of staff had completed this. We recognise this 63% require further improvement and further work is being done to promote this training and provide information to managers about revised frequency of this training and its mandatory nature.

4.18 The Board will make further recommendations to CMT on which training is to be mandated and the frequency of refresher training. CMT has already mandated Cyber Security and Data Protection training on an annual basis. FOI training is mandated for new starters and is being kept under review to see if this needs to be added to the annual list.

Next Steps

4.19 The focus is the Information Management Strategy, Action Plan and reporting mechanisms, and to continue to work with Assistant Directors to further improve on the

training uptake and roll out the paper based Cyber Security and Information Governance and Data Protection training to the non-IT users.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The purpose of Information Governance is cross-cutting and relevant to all Services of the Council and to all our public facing services which collect and retain data about the public. The role of Information Governance contributes to the Corporate Priority foundation of “Getting the best value”.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 The Council declared a Climate Emergency at its meeting on 26 February 2019 (Minute 48 refers).
- 6.2 There is nothing within this report which is of relevance for the Council’s strategic priority of Climate Change.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out “any of its functions” by providing information, consulting or “involving in another way”.
- 7.2 It is not anticipated that there will be public consultation on the Information Management Strategy or Action Plan. It will however be in the public domain at Policy Committee and this Committee, and I anticipate members will wish to receive regular updates at this Committee. This will ensure that progress in this field is visible to residents.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to—
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it
- 8.2 An Equality Impact Assessment (EIA) is not relevant to this report. All citizens have rights to information and there is no evidence that any section of the community is disadvantaged in accessing those rights under the current service provision. There is no reason to think that any section of society will be adversely affected by the roll-out of better Information Governance and an Information Management Strategy within the Council.

9. LEGAL IMPLICATIONS

- 9.1 The Council is required to comply with a number of information governance regulations including the Data Protection Act and the Freedom of Information Act. Effective governance, policies and practices are essential to minimising the risk of data protection breaches and to help ensure the appropriate handling of information requests. Failure to do so could result in regulatory action being taken against the Council.

10. FINANCIAL IMPLICATIONS

10.1 There are no direct financial implications arising from this report.

11. BACKGROUND PAPERS

11.1 There are none

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF FINANCE

TO:	Audit and Governance Committee		
DATE:	25 January 2022		
TITLE:	Redmond Review Update		
LEAD COUNCILLOR:	Ruth McEwan	PORTFOLIO:	Corporate and Consumer Services
SERVICE:	Finance	WARDS:	Boroughwide
LEAD OFFICER:	Darren Carter	TEL:	
JOB TITLE:	Director of Finance	E-MAIL:	Darren.carter@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 The purpose of this report is to:

- update Audit and Governance committee on the progress for the implementation of the recommendations contained in the Redmond Review;
- recommend that the committee endorses the proposal that the Council opts-in to the sector-led option for the appointment of external auditors from 1 April 2023.

Redmond Review

1.2 During 2021, the Government published two further Redmond Review updates and a technical consultation. A summary of these is detailed in the main body of the report.

1.3 CIPFA is to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including considering the appointment of independent members. Following consultation, the Government will consider whether it should make the guidance a statutory requirement. A further report will be brought back to Audit and Governance Committee in due course to consider the implications of that updated guidance.

External Auditor Appointment

1.4 Under the Local Government Audit & Accountability Act 2014, the Council is required to have appointed an external auditor to audit the accounts. The Council has previously opted into the 'appointing person' national auditor

appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

- 1.5 The national offer supplied by PSAA provides the appointment of an independent auditor at limited administrative cost to the Council. By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market. Due to the framework in which the audit of local government accounts is undertaken, the Council has very limited influence over the nature of the audit services being procured, the nature and quality of which are determined or overseen by third parties. Therefore, the recommended approach is that the Council opt-in to the national auditor appointment scheme.

2. RECOMMENDED ACTION

- 2.1 That Audit and Governance Committee notes:
- 1) the progress on the implementation of the Redmond Review; and
 - 2) that a further report will be presented to Audit and Governance Committee following the publication of the updated CIPFA guidance on audit committees.
- 2.2 That Audit and Governance Committee agree the recommendation to accept the Public sector Audit Appointments' (PSAA) invitation to opt into the sector-led option for the appointment of external auditors for five years from 1 April 2023.

3. BACKGROUND

- 3.1 In June 2019, the Secretary of State for Housing, Communities and Local Government (MHCLG) asked Sir Tony Redmond to undertake an independent review (The Redmond Review) of the effectiveness of local audit and the transparency of local authority financial reporting.
- 3.2 The findings and recommendations of the review were published on 8 September 2020 and the response of the MHCLG was published on 17 December 2020. These were reported to Audit & Governance Committee on 28 January 2021.
- 3.3 This report provides an update on progress over the last year, including details of:
- An update published by MHCLG in May 2021;
 - A technical consultation that ended in September 2021;
 - A new package of measures to support the improved timeliness of local audit published by Department for Levelling Up, Housing and Communities (DLUHC) in December 2021

4. UPDATE

May 2021 Update

- 4.1 On 19 May 2021, MHCLG published an update to their previous response. This update included details of action taken to address immediate market instability, including the extension of the 2019/20 audited accounts deadline to 30

November for all local authority bodies, a deadline that was missed by over 260 (55%) of authorities, and an additional £15million of funding being provided to councils to meet increasing audit fees. The amount allocated to Reading Borough Council was £43,241.

- 4.2 The update also included a consideration of system leader options to deliver a strong and coordinated local audit framework, a buoyant local audit market, and improved transparency and governance. In the current local audit framework, there are different organisations responsible for procurement and contract management of local audit contracts (PSAA), determining the Code of Local Audit Practice (National Audit Office (NAO)), regulating the local audit sector (the Financial Reporting Council (FRC)), and monitoring and review of local audit performance (the FRC and the Institute of Chartered Accountants in England and Wales (ICAEW)).
- 4.3 In March 2021 the government published a White Paper setting out its plans to reform corporate audit, reporting and governance. The White Paper set out details of how the government proposes to establish a new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC, with ARGA taking on the local audit system leader role.
- 4.4 The update indicated that ARGA will have forums for engaging directly with both local bodies and audit firms to ensure that local audits are focused on areas of most risk to local bodies, and that firms have a clear understanding of priorities for the sector, and are able to escalate issues and concerns where necessary.
- 4.5 ARGA will also have responsibility for producing annual reports summarising the state of local audit.

Technical Consultation

- 4.6 A further technical consultation ran from 28 July 2021 to 22 September 2021, and included consultation questions on:
 - strengthening the effectiveness of audit committees in English local government
 - the role of the Audit Reporting and Governance Authority (ARGA) in providing system leadership over local audit
 - addressing concerns about auditor training and supply
 - the local audit of smaller bodies

New measures published in December 2021

- 4.7 On 16 December 2021 the Department for Levelling Up, Housing and Communities published a range of measures to support the timely completion of local government audits and the ongoing stability of the local audit market.
- 4.8 In 2017/18 the deadline for issuing audit opinions was brought forward from 30 September to 31 July. Since this point there has been a reduction in the number of local government audit opinions delivered on time, with significant reductions from 2018/19 onwards. This downward trend accelerated during the COVID-19 pandemic, with only 45% of 2019/20 audits completed by the extended deadline of 30 November 2020 and, most recently, only 9% of 2020/21 audits completed by the extended deadline of 30 September 2021.

- 4.9 The National Audit Office (NAO) has outlined a variety of complex factors as contributing to audit delays. Audit firms are struggling with a net loss of qualified staff, with many qualified accountants choosing to leave the audit sector entirely. For auditors that are choosing to stay within the profession, alternative audit opportunities are often perceived as more attractive than local audit, which is contributing a high turnover of staff within firms.
- 4.10 In addition, increasing workload and regulatory pressure on auditors have contributed to further delays. The NAO found that the additional requirements of new International Financial Reporting Standards (IFRS), along with increased expectations from the Financial Reporting Council (FRC) following high-profile corporate failures such as Carillion and Patisserie Valerie, had combined to produce a significant increase in audit work, particularly on asset and pensions valuations.
- 4.11 In some cases, issues with the preparation of local authority accounts have also led to delays in audits being signed off. In the face of competing workload pressures, some local authorities have diverted staff resources away from completing working papers and preparing accounts, while the quality of processes within the finance functions of some local authorities has affected their preparedness for audit. These issues, have, understandably, been exacerbated by the impact of the COVID-19 pandemic.
- 4.12 In order to address these issues, the Government has set out a series of additional measures to support improved timeliness and the wider local audit market. These are set out in 4 sections:

1) Measures relating to audit firms and timely completion of audit

- FRC to publish updated Key Audit Partner (KAP) guidance by spring 2022, including new routes for an experienced Registered Individual to become a KAP
- Work with CIPFA to further develop the proposal for a new local audit training diploma in local government financial reporting and management aimed at different levels of auditor, and a new technical advisory service that could provide support to firms, and in particular new entrants

2) Measures relating to local bodies and quality of accounts preparation

- DLUHC to provide further funding of £45 million over the course of next Spending Review period to support local bodies with the costs of strengthening their financial reporting, new burdens related to appointment of independent members and other Redmond recommendations and increased auditing requirements.
- CIPFA to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. Following consultation, consider making the guidance, committees and the independent member statutory

- DLUHC to provide via the Local Government Association sector grant for a number of targeted training events for audit committee chairs

3) Proposed measures relating to accounting and audit requirements

- To assist with the delivery of 20/21 audits, the NAO and FRC made amendments to guidance, including Auditor Guidance Notes 03 and 07, as well as the guidance note on going concern. The changes which included altering the timing of elements of the VFM arrangements work, have allowed more focus on fully delivering opinions on financial statements.
- CIPFA/LASAAC is undertaking a project to improve the presentation of local authority accounts to inform the development of the 22/23 Accounting Code and comply with IFRS and statutory accounting principles
- HM Treasury to undertake thematic review of financial reporting valuations for non-investment properties to inform development of the Accounting Code from 22/23 onwards
- The government has asked CIPFA/LASAAC to consider the merits of a time-limited change to the Accounting Code for 21/22
- Delaying implementation of standardised statements and associated audit requirements

4) Longer-term measures to help stabilise the market and address long-term supply issues

- PSAA to progress their proposed procurement strategy for the next round of local audit contracts from 2023/24
- Extending the deadline for publishing audited local authority accounts to 30 November 2022 for 21/22 accounts and the 30 September date for 5 years from 2023/24 - 2027/28.
- NAO to prepare for a re-laying of the Code of Audit Practice 2020 in parliament, so that it will apply for the whole of the next appointing period
- Developing an industry-led workforce strategy, working with the system leader and audit firms, to consider the future pipeline of local audits, and associated questions related to training and qualifications

External Auditor Appointment

4.13 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

4.14 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015 and is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, (2023/24 - 2027/28) and to complete a

procurement for audit services. The national opt-in scheme provides the following:

- (a) The appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023.
- (b) Appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints.
- (c) Managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy.
- (d) Ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period.
- (e) Minimising the scheme management costs and returning any surpluses to scheme members.
- (f) Consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed.
- (g) Consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk.
- (h) Ongoing contract and performance management of the contracts once these have been let.

4.15 If the Council does not opt into the scheme it will have to tender independently. It is recommended that the Council opt into the national auditor appointment arrangements in order to minimise administration costs to the Council and take advantage of the leverage being part of the national scheme brings.

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 None arising from this report.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

6.1 None arising from this report.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1 Not applicable to this report.

8. EQUALITY IMPACT ASSESSMENT

8.1 Not applicable to this report.

9. LEGAL IMPLICATIONS

9.1 None arising from this report.

10. FINANCIAL IMPLICATIONS

10.1 None arising from this report.

11. BACKGROUND PAPERS

11.1 None

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READING BOROUGH COUNCIL REPORT

REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	25th Jan 2022	AGENDA ITEM:	
TITLE:	IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER		
LEAD COUNCILLOR:	COUNCILLOR MCEWAN	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	AUDIT	WARDS:	BOROUGHWIDE
LEAD OFFICER:	JACQUELINE YATES	TEL:	x74710
JOB TITLE:	DEPUTY CHIEF EXECUTIVE	E-MAIL:	Jackie.Yates@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The outcomes of all internal and external audit reports are reported to this Committee.
- 1.2 The April 2018 Audit and Governance Committee agreed that, to provide a greater focus on the importance of implementation of agreed audit recommendations, an implementation tracker report would be reported to all future meetings of this Committee.
- 1.3 Appendix 1 attached sets out all audit recommendations, the status of each recommendation, the officer responsible for implementation and progress with delivery.

2. RECOMMENDED ACTION

- 2.1 The Committee are asked to consider the report.

Appendix 1 - Implementation of Audit Recommendations Tracker - Jan 2022.

3. POLICY CONTEXT

- 3.1 This report supports the 'our foundations' theme of the Council's Corporate Plan 2021/22.

4. THE PROPOSAL

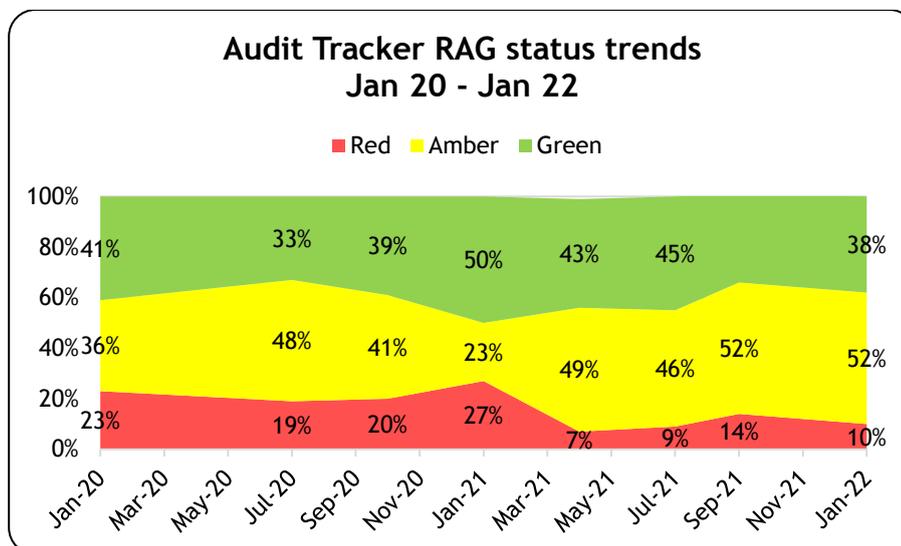
- 4.1 A summary of Internal Audit recommendations and updated management responses since the last Committee are provided in Appendix 1 attached. For continuity, and ease of monitoring, a unique tracker recommendation number is assigned to each recommendation.

- 4.2 As reported previously the Audit Tracker has been cleansed to ensure it remains relevant and up-to-date and that recommendations are not duplicated as a result of follow up or subsequent audits. In addition, it has been agreed by the Director of Finance and Chief Auditor that priority 3 recommendations would not be added to the tracker going forward, as these are advisory points made by the Auditor. Whilst it is important that all agreed audit recommendations are implemented, the focus of the Committee should be on the high to medium risk recommendations.
- 4.3 There is currently a total of 61 recommendations on the tracker attached at Appendix 1, of which 11 are reporting as complete and will be removed prior to the next meeting.
- 4.4 Prior to reporting to Committee, officers responsible for implementing the specific recommendations are asked to update the 'Audit Implementation Tracker'. Each recommendation is marked with a percentage complete which correlates to a red/amber/green rating. Up to 25% complete is marked red, between 26% and 75% complete is amber and over 75% complete is green. However, any recommendations that are less than 50% complete but have exceeded their agreed completion date are also marked red.
- 4.5 Where there is a lack of progress with implementation, e.g. successive missing of implementation dates etc., the Director/Assistant Director and responsible officer (if they are different) can be asked to attend a meeting of the Committee to explain the difficulties with implementation and the steps they are taking to address them.
- 4.6 The status of the recommendations detailed in Appendix 1 is as follows:

RAG Status	Percentage	Number
Complete	18%	11
Green (but not complete)	20%	12
Amber	52%	32
Red	10%	6

RAG Status	Audit & Governance Meetings				Trend since previous meeting
	April 21	July 21	Sept 21	Jan 22	
Green	43%	45%	35%	38%	Increasing
Amber	49%	46%	52%	52%	No change
Red	7%	9%	14%	10%	Decreasing

- 4.7 Whilst there has been positive movement since the last meeting (there has been a 3% increase in those rated green, no change in those which are amber, and 4% decrease in the proportion rated red), more needs to be done to improve implementation times as there are a number of recommendations which are more than 12 months old.
- 4.8 The graph below shows trends in status for recommendations presented to Audit & Governance meetings over the period from Jan 21 - Jan 22.



5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The proposals contained in the report support the Council’s Corporate Plan priority of “Ensuring the Council is Fit for the Future” and therefore remains financially sustainable to deliver its service priorities.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1. Audit plans and the implementation of recommendations tracker will continue to be reported to this Committee.

7. ENVIRONMENTAL IMPACT

- 7.1 The Council declared a Climate Emergency at its meeting on 26 February 2019. There are no specific environmental and climate implications to report in relation to the recommendations set out in this report.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 The equality duty is relevant to the implementation of Audit recommendations. Specific recommendations are subject to consultation and equality impact assessments where required and are progressed as appropriate.

9. LEGAL IMPLICATIONS

- 9.1 The Council has a duty under the Accounts and Audit Regulations to ensure it has in place a financial control framework which is fit for purpose. It also has a duty to ensure Value for Money in the provision of services.

10. FINANCIAL IMPLICATIONS

- 10.1 Whilst there are no specific financial implications arising directly from this report, the timely implementation of audit recommendations is critical in strengthening the Council’s internal control and governance arrangements.

- 10.2 The Council’s Chief Internal Auditor’s reports have over several years repeatedly reported that audit recommendations made in previous audits have not been implemented. This does not represent value for money from either an audit or wider organisational perspective.

- 10.3 Poor systems of internal control and financial governance potentially leave the Council exposed to loss and will result in higher external audit costs due to the lack of assurance they provide, and the consequential higher testing thresholds required by the Council's external auditors.
- 10.4 Whilst there are still recommendations that are RAG rated red, there has been positive engagement with the arrangements and significant improvement since implementing the new tracking and reporting process and the number of red recommendations has reduced year on year

11. BACKGROUND PAPERS

- 11.1 Internal Audit Reports presented to Audit and Governance Committee, Chief Internal Auditors Annual Reports.

Count	Unique Tracker Rec No.	Dir	Audit Title	Recommendation	Rec Yr.	Original Audit Completion Date	1st Follow-up Date	Responsible Officer	Responsible Officer Latest Update	Updated on (date)	Status (% Complete)	Overall Status	Improvement Programme Workstream				
1	105 20/21	DEGNS	Rent Guarantee Scheme	It is recommended that all housing related systems establish consistent naming conventions that will allow for easy data verification across systems, followed by a data cleansing operation to update current records to the new standard.	20/21	11/08/20		Housing system project team - Project manager Johnnie Stanley	11/1/22 JS - Project ongoing and below actions ongoing. Project aimed go live is Oct 22. OHMs migration project started, the project is addressing how to align the naming convention to GIS/Gazetee. This will be achieved using the "address matching" module in NPS Housing. Person(s) data is also being standardised where possible.	11 January 2022	25 or less	Red					
2	107 20/21	DEGNS	Rent Guarantee Scheme	A review of the Council's duties and legal responsibilities for housing needs and homelessness should be considered to see if / how these impact / contradict the tenancy agreement and regulations of the RGS scheme.	20/21	11/08/20		Emma Tytel, RGS Team Leader	We are still awaiting Government guidelines as the stated intention is to extend pre-action protocol to the private sector. Once guidelines have been published we will compare these to our existing practice, which mirror that used for Council-owned properties, and make amendments as required.	11 January 2022	51 to 75	Amber					
3	110 20/21	DOR	Intercompany transfers	Financial Procedures should be updated to reflect the standards and requirements for conducting intercompany accounting and the relationship with the financial coding structure. For example, there should be common standards for substantiating and approving transfers whether these relate to intercompany transactions or not, a procedure detailing the use of the group account use etc.	20/21	15/07/20		Annette Trigg, Chief Accountant Andy Jehan, Financial Systems Accountant	Intercompany accounting and related regulations & procedures are a dedicated sub-strand of the Reconciliations strand of the Finance Improvement Programme. As such, common standards for substantiating and approving transfers are in course of being devised and implemented, although for a transfer to be made the approval of the receiving business is required first. The preventative use of CHAPS / Swiftpay is already in place. Starting in April 2022 intercompany transfers will be completed by the Senior Accounts Payable Assistant and Authorised by the Exchequer Manager/AP Senior	11 January 2022	76 or more	Green					
4	111 20/21	DOR	Intercompany transfers	The routines and methodology for scheduling and paying the contract and SLA payments to BFFC should be standardised, processing actions confirmed and then reconciled on a monthly basis so that differences or any anomalies can be investigated in a timely way.	20/21	15/07/20		Kate Graefe (AD Procurement & Contracts) & Finance	Monthly reconciliations between payroll and GL have been produced and agreed. Guidance notes are in progress and will be included as part of the improvement programme. KG to confirm with finance percentage complete prior to closure.	05 January 2022	76 or more	Green					
5	112 20/21	DOR	Intercompany transfers	The reason for the payment anomalies and queries highlighted in the report should be investigated to help inform the review of the intercompany transfer procedure.	20/21	15/07/20		Annette Trigg, Chief Accountant Andy Jehan, Financial Systems Accountant	Intercompany accounting and related regulations & procedures are a dedicated sub-strand of the Reconciliations strand of the Finance Improvement Programme. As such, common standards for substantiating and approving transfers are in course of being devised and implemented, although for a transfer to be made the approval of the receiving business is required first. The preventative use of CHAPS / Swiftpay is already in place. Starting in April 2022 intercompany transfers will be completed by the Senior Accounts Payable Assistant and Authorised by the Exchequer Manager/AP Senior	11 January 2022	76 or more	Green					
6	114 20/21	DOR	Intercompany transfers	The procedures for reconciling and monitoring the receipt of SLA income should be urgently reviewed and updated to ensure any payment deviations/variations to the contract sum are highlighted on a timely basis for investigation. This should include:- •The preventative use of CHAPS/SwiftPay •The payment status and variation approvals should become a standard agenda item as part of any regular management contract review procedure. •Procedures governing budgetary control.	20/21	15/07/20		Annette Trigg (Chief Accountant) Andy Jehan (Financial Systems Accountant) Kate Graefe (AD Procurement & Contracts) / Stuart Donnelly (Financial Planning & Forecasting)	Intercompany accounting and related regulations & procedures are a dedicated sub-strand of the Reconciliations strand of the Finance Improvement Programme. As such, common standards for substantiating and approving transfers are in course of being devised and implemented. The fixed element of the contract is processed and paid on a regular monthly schedule via an inter company transfer. The preventative use of CHAPS / Swiftpay is already in place. Further work to document the process in relation to variable aspects is currently underway.	11 January 2022	76 or more	Green					
7	115 20/21	DEGNS	Stores Contract	A copy of the sealed contract should be located, and a copy should be forwarded to Housing in order they can ensure that they are working from and using the correct version.	20/21	03/08/20		Mike Carpenter, Housing Projects Team Manager	This has been done.	11 January 2022	Complete	Green					
8	116 20/21	DEGNS	Stores Contract	For reconciliation purposes, although Travis Perkins provides Housing with a listing of all invoicing data and credit notes to support the consolidated invoice, we recommend TP is approached to request that it provides a detailed report of all stores issue and return transactions from the 'point of sale' onwards. Confirmation of the return policy specification within the contract and definition of faulty goods also needs to be clarified and confirmed.	20/21	03/08/20		Mike Carpenter, Housing Projects Team Manager	This is a known weakness, and we are working with Travis to resolve it, with a view to tracking materials retroactively. Ultimately the cost of providing a solution to the problem may not be economically viable to track the small number of returns. A returns form is now available for staff to complete when they return a product and returns will be tracked from this. The returns policy specification will be identified and clarified as part of the contract review process. 01/07/21 - This will now be picked up and included in the retender exercise. No further update required	11 January 2022	Complete	Green					
9	118 20/21	DEGNS	Stores Contract	A report on the opportunities and disadvantages of the Housing Contract should be produced periodically for corporate consideration.	20/21	03/08/20		Jane Bloomfield, Quality & Business Assurance Manager	We propose to do this on an annual basis going forward, but with due consideration of the contract end date which is April 2022, propose to undertake a benchmarking exercise to understand how competitive the current charges are to start the review. A formal report on the opportunities and disadvantages will be produced for April 2021 09/01/21 - The benchmarking exercise has now been completed (by Cirrus Purchasing) and indicates that the contract is providing good value for money). This will be used to discuss the findings with Travis Perkins and inform the contract review. 31/03/21 - Due to other pressures (COVID and Client/Contractor split) it is not possible to produce the report for April now. This has been revised to the end of May 2021 and will contain recommendations for the way forward with this contract. 01/07/21 - Although the benchmarking report was fairly positive about the value it provided, there continues to be unresolved service delivery issues with the 'inbranch' solution provided. A decision has been made by Officers to retender this contract to try and obtain a merchant solution that better suits the needs of the DSO and Commercial Services as a whole. This contract has been extended for 12 months whilst the tender process is ongoing. No further updates required	11 January 2022	Complete	Green					
10	124 20/21	Cross directorate	Transparency Code	Procedures for ensuring full compliance with the Transparency Code need to be reviewed and brought up to date. Where any gaps are identified these should be established. Procedures should include and address:- Management ownership and responsibility for coordinating the collation, checking and monitoring of information and for responding to queries resulting from information published under the terms of the Code. • Information should be appropriately labelled, be able to be easily located and accessible under a common section or directory of the Council's website. • Posted information should be monitored and kept up to date to ensure the data requirements are met and that publication of information is in accordance with the Code's timeframe requirements. • The protocol for publishing historical information from previous years needs to be agreed so that this is appropriately applied on a consistent basis.	20/21	01/10/20		Michael Graham, Assistant Director of Legal and Democratic Services	Actions to address this have been agreed at Information Governance Board. This is in progress, information owners have been identified except for the Housing Asset Legal information required under the Code have been published and a procedure written to accompany this clearly labelling the information owners the requirements under the Code. Both the website and policy to be reviewed by the Information Governance Board and signed off by 20 October. Following comments from the IG Board and further comments from the Audit Team received in November, Nayana George has submitted an enquiry to the Govt dept responsible for the TC asking for some clarifications. The information on the website require a slight amendment and NG will complete this by the end of Jan 2022.	11 January 2022	76 or more	Green					

11	125 20/21	Cross directorate	Transparency Code	The Council needs to be more proactive and visible in its commitment to being open and transparent. For example, although a copy of the Transparency Code 2015 is available via government website, the Council should confirm its policy and approach for complying with the code.	20/21	01/10/20		Michael Graham, Assistant Director of Legal and Democratic Services	Actions to address this have been agreed at Information Governance Board. Actions from the Audit Report are being followed up. Information owners for all the requirements under Code have been identified apart from the Housing Asset Data. A Transparency Code page for the Website is being drafted and we hope to publish this as soon as possible stating the Housing Asset Data will follow. A process document will also be drafted, identifying the information owners and will include guidance to follow for keeping the information updated as required by the Code.	11 January 2022	76 or more	Green					
12	138 20/21	DEGNS	Licensing	Given the vulnerability of school transport users, discretionary decisions to allow vehicles to continue to operate when they are in excess of the upper age limit should be well documented, to ensure it aligns with licensing objectives.	20/21	02/12/20		Clyde Masson, Principal Licensing Officer	We are reviewing out specifications and conditions in respect of School Transport vehicle Licensing to reflect the changes in the industry which include the age of vehicles licensed. We are still reviewing our conditions in respect of all areas of taxi / private hire and private hire (school transport) licensing and are still looking to complete by the end of July 2021 Due to covid there has been a delay in reviewing the conditions. Officers have now revised conditions and are finalising sign off. Aim for end of July. Delays due to staff shortages. Conditions still being finalised aim for completion April 2022	01 November 2022	51 to 75	Amber				1	
13	139 20/21	DEGNS	Licensing	To maximise the effectiveness of the available enforcement resource, premises enforcement should be formalised by way of a documented risk assessment of type, location and individual premises. Consideration should be given to issuing self-assessment forms to low risk licence holders.	20/21	02/12/20		Catherine Lewis, Acting Licensing & Environmental Protection Manager	Officers are currently working on producing a self assessment inspection form to be completed by licence holders which will provide a risk level to aid determination whether an officer inspection is required. A self assessment inspection form has been drafted and sent to a sample of the licensed premises within the borough as a trial 15/03/2021 Feedback from the self assessment form has been received and amendments made to the form. A further trial group will be sent the form before the form is actively used for all licensed premises. 6/07/21. Covid has impacted the role out of issuing the self assessment forms due to the follow up needed. The trial has been completed and we are now rolling this out for specific premise types. Starting with off licences. 11/01/22	11/01/22	76 or more	Green				1	
14	140 20/21	DEGNS	CIL 15% Local Projects	It is recommended that policies and procedures governing CIL, including the 15% aspect, are periodically reviewed and updated to ensure these reflect both the latest local and legislative requirements and that these are updated on the website.	20/21	07/12/20		Mark Worringham, Planning Policy Manager / Neal Gascoine, CIL Officer	As part of the review mentioned in 140, the process and procedures associated with the delivery of the 15% CIL local schemes is being reviewed to define each of the relevant officers roles within the delivery process of projects funded via the 15% CIL funds. This is linked to 142 below. A revised protocol for allocation of CIL funds was agreed at Policy Committee in February 2021, which particularly sets out procedures for consulting on and allocating 15% local CIL funds. This involves consulting on local priorities every 3-4 years, and the first such consultation took place between 19th February and 16th April. Results were reported to Policy Committee in May 2021 and will inform an expected new allocation of 15% CIL in March 2022.	14th January 2022	51 to 75	Amber				1	
15	141 20/21	DEGNS	CIL 15% Local Projects	The discrete roles and responsibilities of Planning staff and other staff responsible for the delivery of 15% Local CIL schemes need to be reviewed, understood and adopted by all parties. It is recommended that these are reviewed, documented, approved and then adopted. These should include reference to the work of other services used in the delivery of such schemes, i.e. Legal Services. In particular these should concisely address and include responsibility for: + roles and activities of the different services and officers involved + the early capture and recording of the purpose and cost of schemes + the coordination and monitoring of schemes + the timely delivery and reporting of schemes. These guidelines should also define the role(s) of each project officer in respect of their responsibilities for 15% CIL schemes and their commitment to work with and to respond to other officers' enquiries as necessary. Once documented, these roles and responsibilities should be agreed and authorised as appropriate by the CIL Working Group(s) and then copied to 15% CIL scheme managers.	20/21	07/12/20		Mark Worringham, Planning Policy Manager / Neal Gascoine, CIL Officer	As part of the review mentioned in 140, the process and procedures associated with the delivery of the 15% CIL local schemes is being reviewed to define each of the relevant officers roles within the delivery process of projects funded via the 15% CIL funds. This is linked to 142 below. The CIL working group has now been running for some time and officers understand the roles related to 15% CIL much better.	14th January 2022	51 to 75	Red				1	
16	143 20/21	DEGNS	CIL 15% Local Projects	In order to ensure that the required outcomes are clearly defined at the earliest stage possible, it is recommended that a simple Project Initiation Document (PID) is completed and agreed for each 15% CIL scheme and a copy held by the Infrastructure Monitoring Officer. This should include the following suggested details and inform the regular monitoring by the respective officer / Member working groups: a) The purpose for each scheme or project and a brief narrative or overview b) Details of the Member approval process c) Details of assigned responsible officer(s) and their roles d) Budget and scope of the scheme (details of what is to be achieved) e) Any potential risks or obstacles f) Start / finish target dates g) Any reporting milestones.	20/21	07/12/20		Neal Gascoine, CIL Officer	As part of the process/document review being undertaken in 140/141 a PID has been designed and will form part of the roles responsibilities defined to relevant officers and each individuals input defined to confirm relevant elements are captured and recorded. This is part of the new process agreed at Policy Committee in February 2021. A draft document has been prepared and will be the basis for the report to Policy Committee on the next set of allocations.	14th January 2022	51 to 75	Red					
17	144 20/21	DEGNS	CIL 15% Local Projects	Issues around accurate financial reporting and the Infrastructure Monitoring Officer having the necessary reporting or access to Oracle Fusion need to be resolved, in order to be able to provide required financial accountability and reporting of 15% local area CIL funded schemes. It is recommended this is followed up with the support of the Assistant Director of Environmental & Commercial Services.	20/21	07/12/20		Andrew Edwards, Assistant Director of Environmental & Commercial Services	A series of meetings has been held between Capital Finance colleagues, Infrastructure Monitoring officer and AD E&CS to provide regular financial reporting for CIL 15% projects and also to allow the Infrastructure Monitoring Officer greater access to the information needed. These meetings have now taken place and the monitoring office is now able to upgrade to access to the information required.	12th January 2022	51 to 75	Amber				1	
18	145 20/21	DEGNS	CIL 15% Local Projects	It is explicitly recommended that in the Infrastructure Monitoring Officer experiences either poor or no assistance from the managers of the 15% CIL schemes that this should be reported to the Planning Manager and /or Deputy Director of Planning, Transport & Regulatory Services for their intervention, support and follow up.	20/21	07/12/20		Mark Worringham, Planning Policy Manager / Neal Gascoine, CIL Officer	As part of the process/document review being undertaken in 140/141 clear escalation routes are to be defined to confirm the relevant support needed for reporting.	14th January 2022	25 or less	Red				1	
19	150 20/21	DOR	Purchasing cards	Procedures should be established to highlight the cancellation requirements of VPC due to staff leaving or changing role. This should coincide with the usage monitoring controls to identify those cards which are not being used because the cardholder has left the employ of the Council.	20/21	09/12/20		Andrew Jehan (Exchequer Manager)	A six monthly review will take place in September and March to review card usage.	11 January 2022	51 to 75	Amber	VPC				1
20	151 20/21	DOR	Purchasing cards	Corporate monitoring systems should be established to highlight VPC Holder and Budget Holder areas of non-compliance. An exception report should be produced on a periodic basis for management for continuous improvement purposes. This should include highlighting for management attention: - - Claims which have not been authorised at all or inappropriately. - Expenditure which has occurred after the cardholder has left the employ of the Council. - Material expenditure which isn't supported by a VAT compliant receipt or Invoice. - Material expenditure which exceeds the general-purpose value of £500 in accordance with the VPC policy. Any extraordinary expenditure which could give rise to concern i.e. of public interest or HMRC taxation risks.	20/21	09/12/20		Andrew Jehan (Exchequer Manager) / Annette Trigg (Chief Accountant)	New processes and procedures introduced and Card Holders and Budget Holders will be advised of transgressions. RBC will apoted a three strikes and you are out policy with cards being withdrawn.	11 January 2022	Complete	Green	VPC				1
21	152 20/21	DOR	Purchasing cards	A reconciliation between the Fusion system total, the claim total and the Lloyds bank statement should be carried out on a regular basis. This reconciliation should be appropriately substantiated and certified.	20/21	09/12/20		Annette Trigg (Chief Accountant)	This reconciliation is now in place and operational and is currently reconciled up to and including December 2021.	12 January 2022	Complete	Green					
22	153 20/21	DOR	Purchasing cards	In conjunction with recommendation 8, the Visa Purchasing Cards should be monitored to ensure it is not being used to circumnavigate the local purchase order policy and procedures. Areas of concern should be raised with the card holder and budget holder.	20/21	09/12/20		Andrew Jehan (Exchequer Manager)	All purchases will be retrospectively reviewed by an Accounts Payable Processing Assistant at the time of submission to ensure that they are applicable for Visa Purchasing Cards use. VPC payments over £500 will be subject to a further check by the AP Senior or Exchequer Manager and areas of concern will be raised with the card holders and budget holders and cards may be withdrawn if being used to circumnavigate the purchase order policy.	11 January 2022	Complete	Green	VPC				1

23	154 20/21	DoR	Purchasing cards	In conjunction with recommendation 8, the Visa Purchasing Cards expenditure categories and respective providers should be monitored to ensure purchases are not being made outside an existing corporate contract, or to ascertaining if there would be a benefit to developing a contract. Prevention controls should be applied to re-enforce the protocols of use in the Visa Purchasing Cards Rules. Appropriate consideration should be given to the different uses by the general services and those purchased for emergency planning.	20/21	09/12/20		Kate Graefe (AO of Procurement & Contracts)	It is the intention of Procurement & Contracts to commission an external tail-spend analysis across the Council, which would include Purchase Card spend data, to determine whether spend should or could otherwise be routed through a corporate contract or more cost-effective arrangement. Such analysis and work will be shared with Finance to determine if refinement of Purchase Card controls and/or policy is required. This is dependent on funding for the analysis work. Separately, a corporate Amazon Business Account has been set up, allowing Procurement & Contracts and Finance to track expenditure via PCards with the organisation. This is now regularised under a YPO framework, providing assurance of compliance with procurement legislation	05 January 2022	26 to 50	Amber			1
24	157 20/21	DoR	Purchasing cards	The Council should review the operational platform for managing and accounting for VPC expenditure e.g. an integrated management system that manages the authorisations, records and payments in conjunction with existing/future accounts payable and contract requirements.	20/21	09/12/20		Annette Trigg (Chief Accountant)	Consideration will be given to this recommendation as part of the implementation of a new finance system, however it is important to note that this area may be a lower priority when considering finance systems functionality compared with other essential system requirements. The process changes and agreed actions included in this report will result in improved processes and will reduce the financial risks for this area of expenditure.	12 January 2022	25 or less	Red			1
25	158 20/21	Cross directorate	Records Management & Document Retention	The revised policy needs to be reviewed in conjunction with ICO guidelines (to ensure all areas are covered or reference made to relevant associated policies and legislation). It also needs to clearly define roles and responsibilities, include Council systems and records for obsolete teams, link to the Council's corporate plan, and take an integrated approach to records, regardless of their format.	21/22	15/01/21		Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand to be picked up as part of the wider information governance projects which are to be initiated this year. Planning session arranged for 17 Jan 2022 to take this work forward with sign off from the Information Governance Board.	11 January 2022	26 to 50	Amber			
26	159 20/21	Cross directorate	Records Management & Document Retention	There needs to be clearly defined links between the Information Governance team, Modern Records and Individuals responsible for records management and document retention across the Council. All staff need to be aware of this and consideration also given to documenting this role in relevant job descriptions.	21/22	15/01/21		Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand. See comments above.	11 January 2022	26 to 50	Amber			
27	160 20/21	Cross directorate	Records Management & Document Retention	There should be a centralised register, detailing records held across the Council, their format, location and responsible officer. Consideration also needs to be given to clearly documenting and	21/22	15/01/21		Michael Graham, Assistant Director of Legal and Democratic Services	Actions have been identified and are in hand to be picked up as part of the wider information governance projects which are to be initiated this year. See comments above.	11 January 2022	26 to 50	Amber			
28	161 20/21	Cross directorate	Records Management & Document Retention	There should be a clear understanding regarding roles and responsibilities in relation to old and closed records and action required at the end of retention periods, including for those held in the Modern Records Office and Mosaic.	21/22	15/01/21		Nayana George, Customer Relations & Information Governance Manager	Actions have been identified and will be completed as part of the wider Information Governance project.	11 January 2022	26 to 50	Amber			
29	162 20/21	Cross directorate	Records Management & Document Retention	The revised records management policy needs to include reference to information sharing protocols and/or reference to the relevant documentation and where this is addressed.	21/22	15/01/21		Nayana George, Customer Relations & Information Governance Manager	Actions have been identified - as above	11 January 2022	26 to 50	Amber			
30	164 20/21	DEGNS	Car Parks (off street)	Procedure notes should be set out for each reconciliation that set out in detail: •The frequency with which reconciliations should be completed. •The format and working papers that are required to be retained. •The process of completing the reconciliation. •The standards required in maintaining an audit trail and working papers.	21/22	11/02/21		James Crosbie Interim Assistant Director Paul Allcock Car Parks Manager	Procedure notes should be set out for each reconciliation that set out in detail: Partially written • The frequency with which reconciliations should be completed. Whilst the target will be weekly, due to delays in banking deposits and Oracle, fortnightly. • The format and working papers that are required to be retained. Not sure what this means. Reconciliations will be shown on the relevant spreadsheets. Numbers will agree to each data source. • The process of completing the reconciliation. Data entry from system reports reconciled with cash collection reports and Oracle Still unable to reconcile spreadsheets with Oracle	10 January 2022	76 or more	Green			
31	165 20/21	DEGNS	Car Parks (off street)	In conjunction with the Finance Business Partner a reconciliation template should be set out that sufficiently performs the task required and working papers to support the reconciliation should be maintained in an agreed upon fashion. Items to be addressed in the reconciliations should include but not be limited to the following: a) The printed name of the officer that has prepared the reconciliation b) The signature of the officer that has prepared the reconciliation c) The date on which the reconciliation has been prepared d) The printed name of the officer that has checked the reconciliation, if different to the approver e) The signature of the officer that has prepared the reconciliation, if different to the approver f) The date on which the reconciliation has been checked g) The printed name of the officer that has approved the reconciliation h) The signature of the officer that has approved the reconciliation i) The date on which the approving officer has reviewed the document j) A record of the unreconciled items for the period and commentary with respect to their cause and treatment. h) Information recorded within the reconciliation should be sufficient to demonstrate that systems reconcile and links to source data should be included.	21/22	11/02/21		Alyson Few Finance Business Partner Paul Allcock Car Parks Manager Janet Ofili Car Park Administration Officer	A review of the existing spreadsheet is ongoing and will be appropriately updated following this review.	10 January 2022	76 or more	Green			
32	171 20/21	RES	Housing Revenue Account	The process for HRA 30-year model, annual budget setting, budget monitoring and reporting should be confirmed and followed to ensure there is consistent practice. This needs to include input and appropriate ownership from the service. Relevant documentation should be retained to allow reconciliation to be conducted between the 30-year financial model and the relevant MTFP and annual budget.	2020/21	06/04/21		Darren Carter Director of Finance	The HRA Budget monitoring forms part of monthly reports to OMT and quarterly reports to Policy Committee. The HRA 30-year model has been updated as part of the 2022/23 budget planning and a summary will be included in the February 2022 budget report. The update of this model has been undertaken jointly between the service and the finance team and in consultation with the Lead Member.	12 January 2022	Complete	Green			
33	172 20/21	RES	Housing Revenue Account	It needs to be ensured that there is appropriate finance resource, ideally with specialist knowledge of HRA (or developing this knowledge from within the organisation), in place. Where possible, this should also avoid over-reliance on a sole individual as this creates a single point of failure.	2020/21	06/04/21		Darren Carter Director of Finance Zelda Wolfe Assistant Director of Housing	The new Strategic Business Partner for DEGNS is now in post and has been fully involved in the development of the 30-year business plan. A highly experienced HRA specialist has been appointed on an interim basis to support this work.	14/01/2022	Complete	Green			
34	173 20/21	RES	Housing Revenue Account	Finance should ensure that the transfer of 4 sites from the GF to the HRA is recognised in Oracle Fusion.	2020/21	06/04/21		Stuart Donnelly Financial Planning & Strategy Manager	The movement has been reflected within both the General Fund and HRA Capital Financing Requirements. The assets will be transferred to the HRA within the Fixed Asset Register as part of the 2020/21 accounts process.	12 January 2022	51 to 75	Amber			
35	175 20/21	RES	Housing Revenue Account	Consideration should be given to conducting reviews of various areas (such as service charges and cleaning services) with a view to obtaining improved value for money.	2020/21	06/04/21		Zelda Wolfe Assistant Director of Housing	Consideration has been given to carrying out reviews and this will be done further to sufficient finance resources being in place to do so. Reviews programmed to be carried out in 22/23	10 January 2022	76 or more	Green			
36	176 20/21	RES	Housing Revenue Account	There needs to be a common understanding regarding agreed Budget, coding of expenditure and overhead allocation between finance and service teams. Reports need to be comprehensive, user friendly, automated where possible, and have clear line of sight between the agreed budget and that shown on budget monitoring reports. Regular reconciliations need to be conducted between reports and service plans to ensure that they are aligned.	2020/21	06/04/21		Stephen MacDonald Strategic Business Partner (from November 2021 formerly Stephen Adams)	New written procedures for housing finance have been approved by the Director of Finance and are now in operation. These capture the principles of the audit recommendation, which are now being applied. In January 2021 the HRA 30 year Business Case was reworked and fully updated and is being presented as part of the Budget setting process which will then feed into the Budget for the HRA.	10 January 2022	Complete	Green			

37	177 20/21	RES	Accounts Payable	Documented processes for all areas of operation linked to clearly defined roles and responsibilities for members of staff. There should be monthly reporting on performance against KPIs available to the organisation and management.	2020/21	09/04/21		Andy Jehan Exchequer Manager Annette Trigg Chief Accountant	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes. KPIs are in the process of being produced to improve management information and highlight areas of concern. The production of these KPIs will be incorporated to the reporting requirements for the new finance system to ensure that these can be produced without manual intervention.	11 January 2022	76 or more	Green	AP				
38	178 20/21	RES	Accounts Payable	Supplier set up process need review to understand the volume requirements for certain types of supplier and how effective control over verification can be established.	2020/21	09/04/21		Kate Graefe (AD of Procurement & Contracts)	This is being captured as part of the new supplier set-up process and data capture to understand the base data before proposed solutions are determined/ assessed. Data available now for 5 months. To link to proposed commission of tail spend review for ways to manage demand	05 January 2022	51 to 75	Amber	AP				
39	179 20/21	RES	Accounts Payable	There should be a reporting framework that identifies and records where there are outstanding invoices awaiting processing and days taken to process invoices. If possible, every area of the authority should receive management information regarding outstanding overdue payments and be encouraged to report if there are issues in their areas with outstanding unprocessed invoices.	2020/21	09/04/21		Andy Jehan Exchequer Manager	This is being Addressed as a part of the Finance Improvement Programme, which is reviewing end-to-end processes. KPIs are in the process of being produced to improve management information and highlight areas of concern.	11 January 2022	51 to 75	Amber	AP				
40	180 20/21	RES	General Ledger	To ensure greater consistency and checks as to why Journals are being completed, consideration should be given to centralising all Journal uploads to the finance function.	2020/21	01/06/21		Annette Trigg Chief Accountant	Centralisation of the Journal posting process will be considered as part of the new financial system implementation.	12 January 2022	26 to 50	Amber					
41	181 20/21	RES	General Ledger	Finance should conduct a timely review of requirements for Journal supporting documentation and reminder of what equates to good quality evidence.	2020/21	01/06/21		Annette Trigg Chief Accountant	Guidance relating to the Journals and Accruals process has been issued.	12 January 2022	Complete	Green					
42	182 20/21	RES	General Ledger	There should be an agreement/understanding put in place between the Council and Brighter Futures for Children, to ensure a common understanding as to where supporting documentation relating to part Brighter Futures Journals is held, including right(s) of access for relevant RBC staff. (If held by Brighter Futures).	2020/21	01/06/21		Stuart Donnelly Financial Planning & Strategy Manager Jenny Bruce Financial Systems Manager	A new working group has been established to give consideration to key financial systems issues and this recommendation will now be progressed through this group. This specific task has been delayed due to recent unavailability of key staff and other corporate priorities.	12 January 2022	25 or less	Red					
43	183 20/21	RES	General Ledger	Journal reports should be run and reviewed on a regular basis by Finance, to include monitoring numbers of journals being raised, raised but not authorised, who is authorising them and any unusual activity, emphasising that "first time right" principle should be adopted where possible.	2020/21	01/06/21		Jenny Bruce Financial Systems Manager	Initial system report strawman provided to Chief Accountant on 13th July 2021; no feedback from this as to suitability, or further discussion of specification	14 January 2022	25 or less	Red					
44	184 20/21	DEGNS	Travel Demand Management Grant	Transport should produce a register of all expected grant funding for the financial year together with their appropriate grant determination notices, letters and guidance of usage, so that the necessary accounting and auditing resource and scheduling arrangements can be put into place to meet the required deadlines. This will help: - •Mitigate repayment or missed claim risks which could seriously impact the council's financing. •Reaffirm cash receipting, cash flow and budgetary expectations and plans.	2021/22	24/06/21		Chris Maddocks Strategic Transport Manager Alyson Few Business Partner DEGNS	Sharepoint site for Grant Register has been setup - Transport and Finance are collating all of the relevant information and uploading to the site.	05 January 2022	26 to 50	Amber					
45	185 20/21	DEGNS	Travel Demand Management Grant	Checks need to be put into place within the Service and Finance to ensure grant income is received and posted to the correct Fusion further analysis code to ensure the grant is specifically accounted for. This is particularly important where the accounting involves identifying and differentiating between: - •Capital and revenue grants •Ring-fenced grants •Repayment of unspent / unallocated grants	2021/22	24/06/21		Chris Maddocks Strategic Transport Manager Alyson Few Business Partner DEGNS	Sharepoint site for Grant Register has been setup - Transport and Finance are collating all of the relevant information and uploading to the site.	05 January 2022	26 to 50	Amber					
46	186 20/21	DACHS	Mosaic Payment Controls	The Assessment and Planning Tool (APT) needs to be completed, authorised and signed off in a timely manner to ensure that appropriate services can be put in place.	01/07/21		Sunny Mehmi Locality Manager, Adult Care	Weekly reports are now supplied by Performance on outstanding APTs, this is circulated to managers to follow up with staff.	01/10/22	51 to 75	Amber						
47	187 20/21	DACHS	Mosaic Payment Controls	All purchase orders should be raised in a timely manner on Mosaic to ensure commitments are accurately reflected, with invoices always attached to the relevant transaction in Oracle Fusion as supporting evidence. To assist in this process, the APT needs to be completed to allow the workflow to be generated in Mosaic.	01/07/21		Melissa Wise, Deputy Director - Commissioning & Transformation Andrew Jehan Acting Accounts Payable and Accounts Receivable Manager	Rigour around Purchase Orders being raised on the back of APT is in place. The team cannot raise a Purchase Order until the APT is finished as per MOSAIC process. We have assurances that this is the case as the PBST Senior Officer regularly verifies cases and their payment status. The timeliness of APTs being completed sits as an Operational Responsibility (see other recommendation).	01/10/22	51 to 75	Amber						
48	188 20/21	DACHS	Mosaic Payment Controls	Service user reviews should be conducted in a timely manner to ensure that provision meets, and continues to meet, service users' needs. Any changes to service provision should also be reflected on Mosaic in a timely manner. This helps to ensure accurate reflection of financial commitments and avoid over/underpayment of providers.	01/07/21		Sunny Mehmi Locality Manager, Adult Care	A Review Policy has been developed and this covers Reviews undertaken in other areas of ASC. We are now in discussions with the Mosaic Team to ensure that these Reviews are monitored, recorded and collected.	01/10/22	26 to 50	Amber						
49	189 20/21	DACHS	Mosaic Payment Controls	As a priority, supplier prepayment balances due to Covid need to be reviewed to determine if they relate to services provided not yet invoiced, overpayment of suppliers or a combination of both. Where overpayment is identified, a documented arrangement needs to be put in place with the providers to recoup the additional amount paid.	01/07/21		Neil Sinclair, Interim DACHS Strategic Business Partner	Ongoing recovery work is underway, any prepayment remaining balances are being offset against current invoices where agreements have been reached with providers on outstanding balances. Work is ongoing to ensure engagement is maintained with all providers. Review of invoices submitted by providers where there is a material difference between invoice submitted and PO is completed. Once this has been completed, January 2022, final agreements will be established with providers to recover outstanding amounts during February and March 2022.	01/11/22	25 or less	Red						
50	191 20/21	DEGNS	Commercialisation	a)The Commercialisation Programme Board (CPB) governance and committee structure should be reviewed in order to determine whether the structure as set out remains appropriate and whether responsibilities should be re-ordered in order to deliver the desired outcomes. b)Consideration should be given to the development to a cross Council commercialisation policy / strategy in order to better define Commercialisation and to communicate common principles in order that services work consistently c)The engagement of cross Council commercialisation workstreams with the Commercialisation Programme Board (CPB) should be reviewed and consideration given to alternative approaches where it is felt there is currently insufficient engagement.	16/07/21		Marcus Hermon, Business Development Manager	a) Revised Terms of Reference (ToR) written for the Commercialisation Programme Board (CPB) and adopted at 1st September meeting. The group is now structured to focus on the activity of the DEGNS Directorate, with an open door policy that will allow participation from other Directorates as appropriate/required. b) A revised Commercial Strategy has been written for Environmental & Commercial Services, which was approved and adopted at its meeting on the 1st September 2021. The document acts as a template/best practice example for the future production of other DEGNS strategy documents.	01/05/22	Complete	Green						

51	193 20/21	DEGNS	Commercialisation	a)The cost models developed for commercialisation workstreams should be reviewed and an assessment made of the potential risks associated with estimated as opposed to actual staff costs, alongside periodic reviews to ensure that they are performing appropriately. b)Where it is felt necessary mitigations should be implemented e.g. mechanisms for recording the actual staff time. c)The program for the development of cost model by the Cost Model Accountant should be reviewed and progress determined, and a decision made as to how to progress it if necessary.	16/07/21			Marcus Hermon, Business Development Manager	a) The existing cost models used by EBCs are the subject of both annual and mid-year review to ensure they perform appropriately. Extra-ordinary reviews/updates are also undertaken in the event that third party/material costs alter during the course of the year and revised market rates are required to be reflected in the associated schedules. b) Services are required to record the amount of time a job takes and to retrospectively compare this to the amount of time quoted. This learning enables better informed (if required) forecasting of resource requirements and their pricing. National schedules of rates are subscribed to and used in order to benchmark the Council's performance against the market/industry as a whole. This work is underway and it is hoped that it will be further supported by the additional functionality of the Council's new FMS Advanced. c) Some service areas now feel equipped to continue this work within existing resources and will continue to make progress as required. Where services require specialist support due to complexities of legislation and/or financial records, assistance will be sought in consultation with the Director of Finance on a ROI/Risk of challenge basis.	01/05/22	76 or more	Green					
52	194 20/21	DEGNS	Facilities Management	The list of properties held on Planet FM should be reconciled periodically by Property Services against the list of properties held by Valuations. This list should then be used to verify the Council's legal repair obligations for both its corporate, non-corporate and other service level agreement requirements to ensure there are no omissions in the scope or repair obligations.	28/07/21			Mark Atree, Engineering Services Manager Martin Sheldrick, (Corporate Services Support Officer	The list of properties have now been reconciliation completed 09/07/2021. The list includes all properties in which the council has an interest however Valuations need to confirm RBC responsibilities for Leased property where it exists. Still awaiting a response	01/06/22	51 to 75	Amber					
53	195 20/21	DEGNS	Facilities Management	A project plan needs to be produced to ensure the information on the FM register is complete and accurate. The aim should be to ensure current and future information is recorded consistently.	28/07/21			Mark Atree, Engineering Services Manager Martin Sheldrick, (Corporate Services Support Officer Glyn Bethell, Corporate Facilities Manager	Responsible Officer for Planet data identified and in place - Martin Sheldrick. The responsible officer will ensure consistent an accurate data in the future. Requirements and principles of planet operation agreed and implementation meeting due to be held. Gaps in information relating to assets and planned maintenance being addressed as part of the Planet improvement project. MSE assets have been varified and are to be uploaded into the new Planet FM asset management database	01/06/22	51 to 75	Amber					
54	196 20/21	DEGNS	Facilities Management	The protocol, process map and definitions for assessing the different risk priorities should be appropriately approved by management and documented to ensure works are appropriately scheduled for repair. For example, it should be clear what factors determine whether a job is a priority 1 or a priority 2 task.	28/07/21			Mark Atree, Engineering Services Manager Martin Sheldrick, (Corporate Services Support Officer Glyn Bethell, Corporate Facilities Manager	Proposed priorities identified and descriptions have been produced. The revised priorities and descriptions have been circulated for comment and will be embedded as part of the Planet project.	14/01/2022	51 to 75	Amber					
55	198 20/21	DEGNS	Facilities Management	Exception reports should be produced and monitored showing the reason(s) for delay(s) and should be used, managed and assessed for follow up investigation and action. Prolonged or excessive delays should be reported to the CRG for strategic consideration and decision.	28/07/21			Mark Atree, Engineering Services Manager Martin Sheldrick, (Corporate Services Support Officer Glyn Bethell, Corporate Facilities Manager	Weekly reports are produced identifying work not completed and a proactive approach is in place. Customer fulfilment will attend contractor monthly meetings. All issues may not be fully resolved until the Planet project is complete and the portal is operational and all contractors are using - above process is in place and the Planet project is proceeding	01/06/22	51 to 75	Amber					
56	199 20/21	DEGNS	Facilities Management	Facilities Management and Property Services should provide the AD of Property & Asset Management, Regeneration & Assets with an assurance that none of the outstanding works and actions unduly compromise the health and safety at or of the Council's corporate assets.	28/07/21			Mark Atree, Engineering Services Manager Martin Sheldrick, (Corporate Services Support Officer Glyn Bethell, Corporate Facilities Manager	Weekly report produced identifying work not completed proactive approach in place. Contractor meetings are held monthly. Planet is updated where gaps are identified in contractor meetings. All issues may not be fully resolved until the Planet system has been updated to include all assets and PPMs and the portal is operational and everyone is using. Even at this stage there will still be some residual risk. H&S is an agenda item at the Property and Assets team meeting.	14/01/2022	51 to 75	Amber					
57	200 20/21	DEGNS	Facilities Management	We fully support the product review being undertaken of this area by Corporate Procurement and recommend this should include any issues arising from: - Lessons learnt from the contract management / provider experience - any developing or emerging service issues arising from contractor performance and/or business transformation improvement	28/07/21			Mark Atree, Engineering Services Manager Glyn Bethell, Corporate Facilities Manager	Addressing outstanding work via the production of weekly job reports from Planet works reordering system and regular meetings with contractors at which customer fulfilment and Property Services attend. Working with Procurement Officer Steve York to forward for all Plan contracts. Working towards contractors using Planet Portal so that work detail and progress are current. The project to re-launch Planet with cleansed data, PPM schedules and a suite of suitable reports is on going and the first phase is due to go live during Feb22	01/11/22	51 to 75	Amber					
58	201 20/21	DEGNS	Facilities Management	The placement of contracts, existence and type of contract agreements held should be confirmed by Property Services and Facilities Management to demonstrate compliance with the Public Contract Regulations	28/07/21			Mark Atree, Engineering Services Manager Glyn Bethell, Corporate Facilities Manager	We are working closely with Procurement Officer Steve York and updating the contracts register database regularly along with contract to forward planning. All contracts held are available for scrutiny. Lack of human resource has been for a number of years and continues to be a significant issue. This should be addressed in the proposed re-structure but until then, progress is and will continue to be slow.	01/11/22	51 to 75	Amber					
59	202 20/21	DOR	Bank & Cash Reconciliations	The decision not to implement the control designed by the previous Chief Accountant whereby completion of control account reconciliations would be monitored to ensure they are timely, completed satisfactorily and reviewed should be revisited.	19/20	16/06/20		Chief Technical Accountant	Identification of various key financial recs there are across RBC; has been completed, -still lack of clarity over responsibility for central / accountancy monitoring (and inspection / review etc) of feeder recs, so the recommendation is still work in progress.	12 January 2022	26 to 50	Amber					
60	203 20/21	DOR	Bank & Cash Reconciliations	Procedure notes for the completion of reconciliations should be updated and reflect the current process.	19/20	16/06/20		Chief Technical Accountant	Main bank rec process clearly documented, transparent, up to date, simple to follow supporting audit trail and confidence as a result. Written procedures for control account/feeder system reconciliations are still work in progress.	12 January 2022	26 to 50	Amber					
61	204 20/21	DOR	Bank & Cash Reconciliations	Where issues are identified in the completion of a reconciliation, the issue should be escalated along the appropriate channels to a sufficiently senior officer, and an audit trail established of decisions and actions taken in response.	19/20	16/06/20		Chief Technical Accountant	This is still work in progress	12 January 2022	26 to 50	Amber					
									25 or less	Red	6	9.8%	9.8%				
									26-50	Amber	13	21.3%	52.5%				
									51-75	Amber	19	31.1%					
									76+	Green	12	19.7%	37.7%				
									Complete	Green	11	18.0%					
									Total		61						

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READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	25 th JANUARY 2022		
TITLE:	CLOSING FINANCIAL ACCOUNTS UPDATE		
LEAD COUNCILLOR:	COUNCILLOR MCEWAN	PORTFOLIO:	CORPORATE AND CUSTOMER SERVICES
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	DARREN CARTER	TEL:	
JOB TITLE:	DIRECTOR OF FINANCE	E-MAIL:	Darren.Carter@reading.gov.uk

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report updates the Committee on progress with the completion of the audit of the Council's Final Accounts for 2019/20. The information contained in the report was the position as at 5th January 2022. A verbal update will be provided at the meeting.

2. RECOMMENDED ACTION

- 2.1 That the Committee notes the progress made on the audit of the 2019/20 accounts.

3. SUMMARY

2019/20 Accounts

- 3.1 The draft 2019/20 accounts were published on 10 November 2021.

- 3.2 Substantial audit work has been undertaken, including:

Income & Expenditure Sampling

- 3.3 466 audit samples have been requested by our external auditors. 464 (99.6%) of these have been reviewed; 386 (83%) have been passed; 75 (16%) require further clarification; and 3 (0.6%) have failed the initial assessment but are now in the process of being resolved.

Walk Throughs

- 3.4 The following walk through tests are 100% complete and are now subject to review:

- Accounts Payable (short term creditor)
- Adult Care & Health Services

- Children, Education & Early Help Services
- Corporate Support Services expenditure
- Environment & Neighbourhood Services
- Business Rates
- Council Tax
- Housing Rents
- Housing Repairs
- Payroll (including pensions)
- PPE - Fixed asset register
- School System

3.5 A further four walk through tests are in progress:

- Accounts receivable (short term debtor)
- Cash and treasury management
- Financial statement close process and journals
- Housing Benefits

Adjusting Items

3.6 One adjusting item has been agreed in relation to a miscoding error between short and long-term borrowing.

Technical Assessments

3.7 Technical assessments of Asset valuations; PFI contracts and pension liabilities are underway and feedback is expected in January 2022.

2020/21 Accounts

3.8 A draft Statement of Accounts for 2020/21 is currently being prepared. Substantial work has already been done but the focus of activity has been on the 2019/20 audit.

Staffing Update

3.9 The former Chief Accountant, Annette Trigg, left the Council on 21st January 2022 to undertake a role at another Council.

3.10 A successful recruitment process was undertaken during December 2021 and Mark Sanders, an experienced Chief Accountant from Worcestershire County Council, will be joining the Council in March 2022. An experienced interim Jo Nacey will be covering the role in the intervening period.

4. CONTRIBUTION TO STRATEGIC AIMS

4.1 The production of annual Statement of Accounts results in the publication of accurate, transparent financial information which gives a true and fair view of Reading Borough Council's economic performance and financial stability.

5. ENVIRONMENT AND CLIMATE CHANGE IMPLICATIONS

5.1 None arising.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 The draft 2019/20 accounts were made available for public inspection during November / December 2021 as required under Part Five of the Accounts and Audit Regulations 2015.

7. EQUALITY IMPACT ASSESSMENT

- 7.1 Not applicable.

8. LEGAL IMPLICATIONS

- 8.1 Part Five of the Accounts and Audit Regulations 2015 requires authorities to allow the public to inspect the accounts for a single period of 30 working days and stipulates that must include the first 10 working days of June of the financial year immediately following the financial year to which the accounts relate. The Council was unable to comply with this requirement in respect of the 2017/18, 2018/19, 2019/20 and 2020/21 accounts as they were not ready for inspection.

9. FINANCIAL IMPLICATIONS

- 9.1 The audit fees for 2019/20 will be reported in due course.

10. BACKGROUND PAPERS

- 10.1 None.

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Reading Borough
Council and Group
Draft Audit Planning Report

Year ended 31 March 2020

14 January 2022

14 January 2022



Dear Audit & Governance Committee Members

We are pleased to attach our Draft Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit & Governance Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Draft Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit & Governance Committee if there are any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the Committee.

This report is intended solely for the information and use of the Audit & Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 25 January 2022 as well as understand whether there are other matters which you consider may influence our audit. At that meeting we will also be able to update you on the progress being made with the 2019/20 audit and our plans for completing the audit.

Yours faithfully

Maria Grindley

Associate Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee of Reading Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee of Reading Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee of Reading Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01

Overview of our 2019/20 audit strategy



Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition - incorrect capitalisation of revenue expenditure	Fraud risk/ Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. From our initial planning we believe this risk manifests itself in the incorrect capitalisation of revenue expenditure.
Potential misstatement in valuation of land, buildings and investment properties due to significant judgements involved	Significant risk	Change in risk or focus	<p>The carrying amount of PPE and the fair value of IP represent significant balances in the Council's accounts and are subject to impairment reviews, depreciation charges and valuation changes, respectively. Management, through the external valuers, performed valuation of the PPE and IP and incorporated material judgemental inputs and applied estimation techniques to calculate the year-end balances of PPE and IP in the balance sheet. Moreover, the emergence of Covid 19 global pandemic in the first quarter of 2020 affected the economic operation which in turn impacted significantly the value of the properties across UK.</p> <p>As a result of the above matters, we considered the related risk on the valuation of PPE (specifically land and building) and IP as significant for the financial year 2019/20.</p>
Incorrect valuation for pension liability due to significant judgement involved	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme with administration provided by Royal Borough of Windsor and Maidenhead on behalf of the Royal Berkshire Pension Fund. The Council uses the services of Barnett Waddingham, an actuarial expert, to support them with the actuarial assumptions and disclosures supporting the IAS 19 figures. Due to the significant estimation and judgements involved, we assess the IAS19 figures to carry a higher inherent risk.

Overview of our 2019/20 audit strategy (continued)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Higher estimation uncertainty over the valuation of PFI	Inherent risk	No change in risk or focus	The Council's PFI Long-Term Liability is a material liability which is calculated by a modeller into which the Council inputs assumptions. The assumptions entered into the model are a form of management estimate, which triggers a higher inherent risk.
Going concern disclosures	Inherent risk	No change in risk or focus	We consider that the unpredictability of the current environment gave rise to a risk that the Council would not appropriately disclose the key factors relating to going concern, underpinned by management's assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
Potential error in the accounting treatment of cash reconciling items in main bank account reconciliation	Inherent risk	New area of audit focus	In 2018/19 we identified issues with unexplained and untraceable cash reconciling items in the main bank account reconciliation of the Council. There is a higher inherent risk that errors in accounting treatment of the related cash reconciling items may occur. We will review the bank reconciliations to assess any potential impact in 2019/20.
Group accounts: differences in accounting policies of the components	Inherent risk	No change in risk or focus	We are aware that all the subsidiaries follow FRS102 for their accounts preparation, while the Council's group accounts follow the CIPFA Code, supported by IFRS. There is a higher inherent risk that the consolidated figures might not be harmonised to comply with the Group accounting policies.
Group accounts: potential error in consolidation process due to the change in accounting period of RTL	Inherent risk	New area of audit focus	In 2019/20, Reading Transport Limited (RTL), as wholly owned subsidiary of the Reading Borough Council changed its financial accounting period from 23 September to 5 April. RTL issued an audited financial statement covering an 18 month period from 24 September 2018 to 5 April 2020. As a result of the related changes, there is a high likelihood that an error may occur on the consolidation process of RTL to the Group Accounts of the council.

Overview of our 2019/20 audit strategy (continued)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Group Materiality

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Planning
materiality
£5.798m

Materiality has been set at £5.798m, which represents 1% of the gross expenditure on provision of services as per 2019/20 unaudited accounts. This is consistent with the threshold applied in the prior year.

Performance
materiality
£2.899m

Performance materiality has been set at £2.899m, which represents 50% of planning materiality. This is consistent with the threshold applied in the prior year.

Audit
differences
£0.290m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account, collection fund) greater than £0.290m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit & Governance Committee.

Overview of our 2019/20 audit strategy (continued)

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit & Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Single - entity Materiality

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Planning
materiality
£4.842m

Materiality has been set at £4.842m, which represents 1% of the gross expenditure on provision of services as per 2019/20 unaudited accounts. This is consistent with the threshold applied in the prior year.

Performance
materiality
£2.421m

Performance materiality has been set at £2.421m, which represents 50% of planning materiality. This is consistent with the threshold applied in the prior year.

Audit
differences
£0.242m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account, collection fund) greater than £0.242m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit & Governance Committee.

Overview of our 2019/20 audit strategy (continued)

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Reading Borough Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Reading Borough Council's audit, we will discuss these with management as to the impact on the scale fee.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

<p>*Risk of fraud in revenue and expenditure recognition - Inappropriate capitalisation of revenue expenditure</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services.</p> <p>Achievement of the budget is critical to minimizing the impact and usage of the Council's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the Council and management, and therefore this desire to achieve the budget increases the risk that the financial statements may be materially misstated.</p> <p>Whilst there is no more than normal pressure on the Council to meet the outturn position, due to the size of the capital programme there is a risk of inappropriate capitalisation of revenue expenditure.</p>	<ul style="list-style-type: none"> • Review the capital programme to assess what schemes are included and identify anything unusual or unexpected; • Review capital expenditure incurred by the Council to ensure that it has been correctly classified as capital rather than revenue; and • We will specifically test Property, Plant and Equipment (PPE) additions with a specific focus on incorrect capitalisation of revenue expenditure. <p>In addition to the above, our audit procedures in relation to fraud and error also include review of:</p> <ul style="list-style-type: none"> • Journal entries; specifically manual journals posted by management in the preparation of the financial statements. • Significantly unusual transactions entered into by management that are outside of the normal scope of business of the Council; and • Management bias in key accounting estimates and judgements.

Our response to significant risks (continued)

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p data-bbox="118 443 517 568">Potential misstatement in valuation of land, buildings and investment properties due to significant judgements involved</p> <p data-bbox="118 802 472 831">Financial statement impact</p> <p data-bbox="109 855 544 1206">Misstatements that occur in relation to above risk would affect the value of the report other land and buildings and investment property as well as the revaluation increases (decreases) recognised in revaluation reserve or surplus/deficit on the provision of services and income and expenditure in relation to the changes in fair value of investment</p> <p data-bbox="109 1241 517 1366">In 2019/20 draft statement of account, the council reported the value of PPE and IP at £1,017m and £79m, respectively</p>	<p data-bbox="580 459 1171 619">The carrying amount of PPE and the fair value of IP represent significant balances in the Council's accounts and are subject to impairment reviews, depreciation charges and valuation changes, respectively.</p> <p data-bbox="580 655 1151 970">The management through the external valuers performed valuation of the PPE and IP and incorporate material judgemental inputs and apply estimation techniques to calculate the year-end balances of PPE and IP in the balance sheet. Moreover, the emergence of Covid 19 global pandemic in the first quarter of 2020 affected the economic operation which in turn impacted significantly the value of the properties across UK.</p> <p data-bbox="580 1007 1160 1131">As a result of the above matters, we considered the related risk on the valuation of PPE (specifically land and building) and IP as significant for the financial year 2019/20.</p>	<p data-bbox="1209 408 1429 437">What will we do?</p> <ul data-bbox="1209 459 2112 1107" style="list-style-type: none"> • Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Engage our EY Real Estate team to perform a review the valuation of selected PPE and IP performed by the valuers. EY Real Estate will provide us a report which we will be using to test the valuation (including all key asset information) of the sample PPE and IP we selected for testing. • Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the CIPFA Code for PPE and annually for IP. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; • Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; • Consider changes to useful economic lives as a result of the most recent valuation; and • Test that accounting entries have been correctly processed in the financial statements.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Incorrect valuation for pension liability due to significant judgement involved

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Royal Borough of Windsor and Maidenhead.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2020 this totalled £396 million (2019: £454 million).

Higher estimation uncertainty over the valuation of PFI

The Council is engaged in two Private Finance Initiatives (PFI) contracts: one is with FCC (RE3 Limited) for the shared Waste PFI with Bracknell Forest Borough Council and Wokingham Borough Council and the other with Affinity (Reading) Limited for the North Whitley Housing PFI scheme. After an assessment under the requirements of IFRIC 12, it has been determined that both arrangements are controlled by the Council.

What will we do?

We will:

- Liaise with the auditors of Royal Berkshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Reading Borough Council;
- Assess the work of the Pension Fund's actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19; and
- Obtain evidence as to the impact of the McCloud ruling and Goodwin on the 2019/20 accounts.
- Engage EY Pensions Consulting team to carry out roll forward calculations related to the accounting numbers for the fund, to reconcile the year-end liability figures with those from the previous year disclosures.

We will:

- Engage EY Internal PFI Specialist to review of the assumptions used in the PFI accounting model to assess whether there have been any changes since our last review;
- Comment on adjustments, if any, by the Council; and
- Review the planned entries and disclosures for the Council's 2019/20 accounts and ensure that they are reported in line with the standards.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

Going concern disclosures

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

We believe the risk has increased following Covid-19. We consider the unpredictability of the current environment to give rise to a risk that the Council will not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19.

Potential error in the accounting treatment of cash reconciling items in main bank account reconciliation

During the 2018/19 audit, we have identified issue on unexplained and untraceable cash reconciling items in the main bank account reconciliation of the council. Management was required to provide resolution over the related issue noted in 2018/19. However, initial discussion with the management revealed that the same issue still exist and the management is currently working on to resolve the issue.

As a result of the above issue, we believe that there is a higher inherent risk that errors in accounting treatment of the related cash reconciling items may occur.

We will:

- Assess the adequacy of disclosures required in 2019/20, and the impact on our opinion, should these be inadequate;
- Discuss management's going concern assessment and consider any evidence of bias and consistency within the accounts;
- Ensure that an appropriate going concern disclosure has been made within the financial statements; and
- Consider the impact on our audit report and compliance with EY consultation requirements.

We will:

- Obtain the management revised bank reconciliation for the main bank account/s.
- Perform a review of the bank reconciliation of the main accounts focusing on the bank reconciling item and testing at lower thresholds.
- Assess the accounting treatment of the reconciling items and trace the journal entries made to identify any inappropriate treatment.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Group accounts: differences in accounting policies of the components</p> <p>We performed the group scoping for the subsidiaries of Reading Borough Council and subsidiaries as being significant for our audit of the Council's group accounts for 2019/20 including Brighter Futures For Children Limited and Homes for Reading Limited and Reading Transport Limited</p> <p>We are aware that all the subsidiaries follow FRS102 for their accounts preparation, while the Council's group accounts follow the CIPFA Code, supported by IFRS.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify material subsidiary balances and transactions consolidated in the Group accounts and assess whether the accounting treatment of those amounts complies with the Group accounting policies and also the CIPFA Code; Where exceptions are identified, we will request for management's assessment and will review it for reasonableness; Instruct the relevant component auditors to report to us under the group accounting policies; Check additional disclosure requirements in the Group accounts of the Council.
<p>Group accounts: potential error in consolidation process due to the change in accounting period of RTL</p> <p>In 2019/20, Reading Transport Limited (RTL), as wholly owned subsidiary of the Reading Borough Council changed its financial accounting period from 23 September to 5 April. RTL issued an audited financial statement covering an 18 month period from 24 September 2018 to 5 April 2020. As a result of the related changes, there is a high likelihood that an error may occur on the consolidation process of RTL to the Group Accounts of the council.</p>	<p>We will:</p> <ul style="list-style-type: none"> Obtain management group consolidation working paper for 2019/20 and perform review of the individual subsidiary balance whether the balance were traced back to the audited financial statements of subsidiaries Review RTL consolidation balances if correctly reflecting balance covering period from 1 April 2019 to 31 March 2020. Assess whether the eliminating entries for consolidation is appropriate and reflected correctly in the disclosures. Check additional disclosure requirements in the Group Accounts of the Council relating to the change in the accounting period of RTL.



03

Value for Money Risks





Background

We are required to consider whether the Reading Borough Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

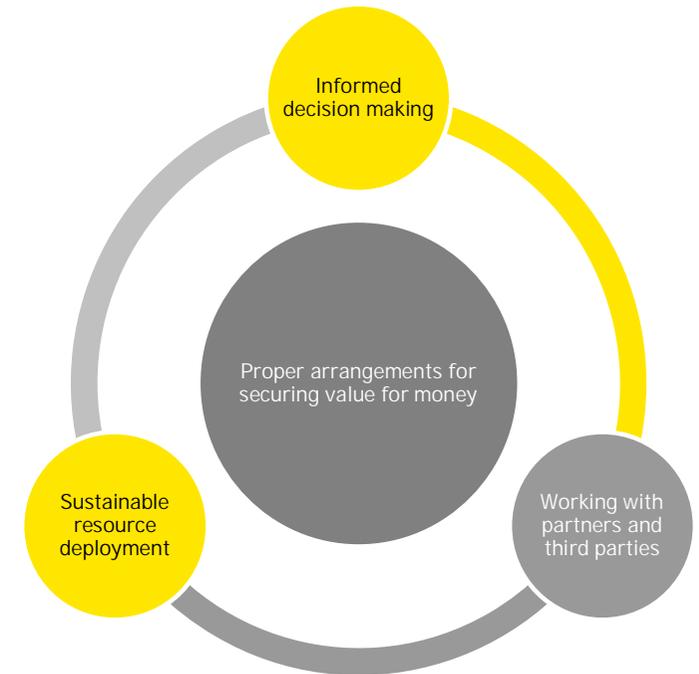
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2019/20 this has included consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Councils will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>In February 2017 we issued Section 24 Schedule 7(2) Statutory Recommendations covering a number of areas. In 2016/17 and 2017/18 the value for money conclusion was qualified due to the issues arising and identified in our report.</p> <p>Whilst we can see progress being made and changes coming through at the Council, a number of the issues in our report and covered by the recommendations still existed during the 2017/18 and 2018/19 financial year. We therefore need to consider what progress was made during the 2019/20 year and the impact on our report.</p>	<p>Take informed decisions / Deploy resources in a sustainable manner / Work with partners and other third parties</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> • Revisiting the recommendations made as part of the 2018/19 audit to understand the Council's progress against these; • Reviewing the financial resilience of the Council with reference to the Medium Term Financial Plan, considering any budget gaps in that period and considering the Council's position in respect of Usable Reserves. • Considering the Council's outturn position in 2019/20 and considering the impact of the financial outturn on the Reserves balances. • Considering any regulatory findings from key inspectorates, such as Ofsted, with a view to understanding other non-financial performance.



04

Audit materiality



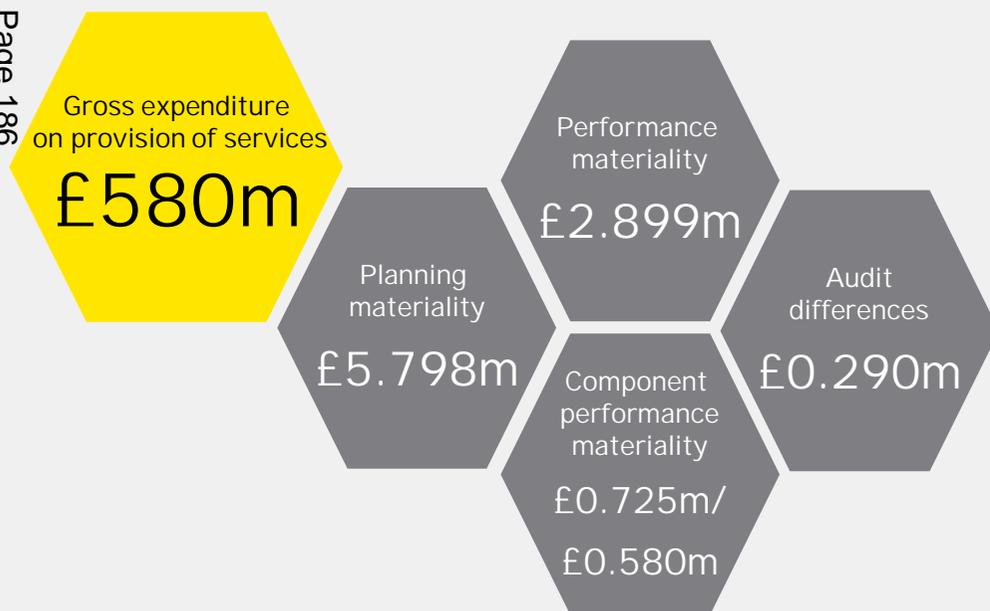
Materiality

Group Materiality

For planning purposes, group materiality for 2019/20 has been set at £5.798m. This represents 1% of the Council's 2019/20 unaudited group gross expenditure on provision of services. It will be reassessed throughout the audit process.

Component performance materiality is allocated based on the relative size and risk identified at component level and it is calculated as a percentage of the group performance materiality. We set the performance materiality for Reading Transport Ltd at £0.725 m and for Brighter Futures for Children Ltd and Homes for Reading Ltd at £0.580m. We have provided supplemental information about audit materiality in Appendix D.

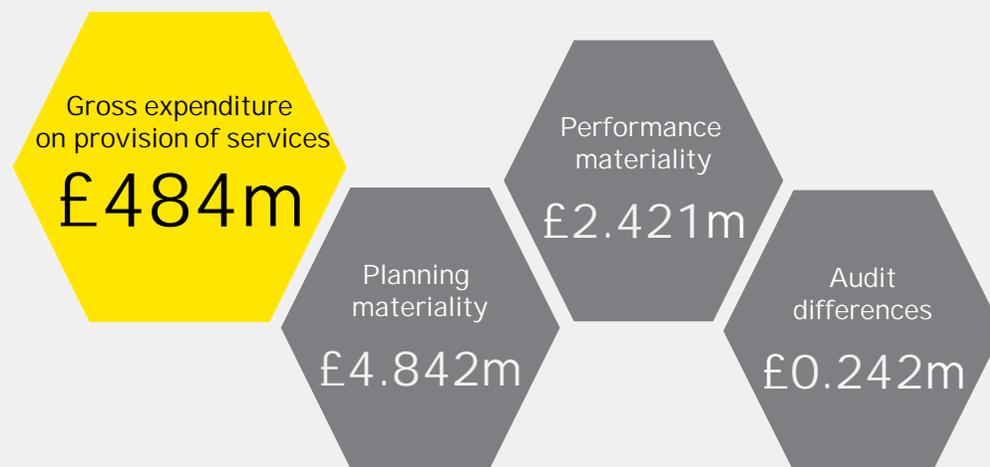
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We request that the Audit & Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Single-entity Materiality

For planning purposes, single-entity materiality for 2019/20 has been set at £4.841 million. This represents 1% of the Council's 2019/20 unaudited gross expenditure on provision of services. It will be reassessed throughout the audit process.



We request that the Audit & Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Materiality

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.421 million for the council and £2.899 million for the Group which represents 50% of planning materiality. We have set the 50% threshold based on the issues noted in 2018/19 and also to reflect the anticipated errors in 2019/20.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account, collection fund and firefighters' pension fund financial statements that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit & Governance Committee, or are important from a qualitative perspective.

Specific materiality – We have set a materiality lower than that specified above for specific accounts for e.g. remuneration disclosures, related party transactions, and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Governance Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. Significant components: A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix E.

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2	A	Full scope audits
2	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit (continued)

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

Location name	Planned involvement by the Group team
Full scope 1 – Reading Borough Council	The accounts of the parent and the largest component, Reading Borough Council, will be fully audited by us, representing the primary team. We assessed that the materiality levels applied for the audit of the separate accounts of Reading Borough Council are appropriate for the overall group accounts' audit.
Full scope 2 – Reading Transport Limited	We sent group audit instructions to the statutory auditor of Reading Transport Limited and will review the audit work described in their deliverables covering the significant risk areas. We will ensure consistency and sufficiency of audit procedures for our group audit purposes.
Specific scope 1 – Homes for Reading	We will perform full audit procedures in accordance with EY's methodology over the in-scope accounts identified at the subsidiary level. We determined the direct audit approach to be most suitable due to the nature of the in-scope accounts identified and the timing of the audit in relation to the reporting date.
Specific scope 2 – Brighter Futures for Children	We sent group audit instructions to the statutory auditor of Brighter Futures for Children and will review the audit work described in their deliverables covering the in-scope accounts identified by us. We will ensure consistency and sufficiency of audit procedures for our group audit purposes.



06

Audit team



Audit team

Audit team structure:

Maria Grindley
Associate Partner *

Adrian Balmer
Senior Manager

Francis Llave
Assistant Manager

Tomisin Aliu
Senior

EY Valuation
Team

EY Pension
Consulting

EY Internal PFI
Specialist

* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Sanderson Weatherall (external valuer) Reading Borough Council (internal valuer) EY Valuations Team (EY specialist)
Pensions disclosure	Barnet Waddingham (actuary) Deloitte LLP (actuary's external auditor) EY Pension Consulting (EY specialist)
PFI	Arlingclose (external expert) EY Internal PFI Specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Audit & Governance Committee and we will discuss them with the Audit & Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit & Governance Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October		
Walkthrough of key systems and processes	November		
Year end audit testing	December		
	January	Audit & Governance Committee	Draft Audit Planning Report
	February		
	March		
Audit completion procedures	April	Audit & Governance Committee	Draft Audit Results Report Draft Audit opinions and completion certificates
	May - July	Audit & Governance Committee	Annual Audit Letter

Our audit of the 2019/20 accounts is progressing well. We are aiming to have substantially completed the majority of our audit work by the end of March 2022 with a view to completing final procedures and checks and issuing our audit opinion in April/May 2022 subject to satisfactory conclusion of all outstanding queries and internal consultation processes.



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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>▶ The overall assessment of threats and safeguards;</p> <p>▶ Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, we are in the process of agreeing the Final Scale Fee Variations for 2018/19 audit and have provided detail submissions to the Public Sector Audit Appointments Ltd as part of an agreed process for discussing Scale Fee Variations. We will supply further information to management as part of the agreement of the audit fee for 2019/20.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 12%. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Relationships, services and related threats and safeguards

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
 - A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
 - A narrow list of permitted services where closely related to the audit and/or required by law or regulation
 - Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- Page 202
- An absolute prohibition on contingent fees.
Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
 - A requirement for the auditor to notify the Audit & Governance Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
 - A requirement to report to the Audit & Governance Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020.

We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales. We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021:

[EY UK 2021 Transparency Report | EY UK](#)



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table below.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee - Code work	83,884	83,884	83,884
Additional Fee	TBC*2	TBC*2	TBC*1
Other - Housing Benefits	45,500	45,500	34,591
Total audit			
Other non-audit services: Housing Capital Receipts	TBC	TBC	TBC*3
Other non-audit services: Teacher's Pensions	13,000	13,000	12,500
Total other non-audit services	TBC	TBC	TBC
Total fees	TBC	TBC	TBC

All fees exclude VAT

(1) We experienced extensive significant delays in completion of the 2018/19 accounts' audit. We have submitted our proposed additional fee to PSAA for consideration and will report this in future communication with the Audit & Governance Committee once agreed.

(2) For 19/20 the planned fee represents the base fee, i.e. not including any extended testing. For 2019/20, the scale fee will be impacted by a range of factors which will result in additional work. We will update the Audit & Governance Committee at the conclusion of the audit.

(3) Certification of 2018/19 has not yet been completed due to some technical issues. We will provide an update when the claim is fully certified.

*The certification of the 19/20 Housing Benefits subsidy claim and also the Teacher's Pension were completed in line with the agreed deadlines for those returns and the fees noted above represent the final fees paid.

We are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Required communications with the Audit & Governance Committee

We have detailed the communications that we must provide to the Audit & Governance Committee.



Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Draft Audit planning report presented to the January 2022 Audit & Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee

Required communications with the Audit & Governance Committee (continued)



Our Reporting to you

Required communications	 What is reported?	 When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Draft Audit planning report presented to the January 2022 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Financial statements Page 207	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Draft Audit planning report presented to the January 2022 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Draft Audit planning report presented to the January 2022 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee

Required communications with the Audit & Governance Committee (continued)

 Our Reporting to you

Required communications	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Draft Audit planning report presented to the January 2022 Audit & Governance Committee; and Draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee</p>

Required communications with the Audit & Governance Committee (continued)



Our Reporting to you

Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	Draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit & Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance Committee may be aware of. 	Draft Audit planning report presented to the January 2022 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Group audits	<ul style="list-style-type: none"> • An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Draft Audit planning report presented to the January 2022 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee

Appendix B

Required communications with the Audit & Governance Committee (continued)



Our Reporting to you

Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Draft Audit planning report presented to the January 2022 Audit & Governance Committee; and draft Audit Results Report to be presented at the April 2022 Audit & Governance Committee
Certification work	Summary of certification work undertaken	Certification report presented to the January 2020 Audit & Governance Committee

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit & Governance Committee reporting appropriately addresses matters communicated by us to the Audit & Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Appendix D

Scoping the group audit

The below table sets out the scoping details of all locations. We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each reporting unit.

Detailed scoping							
In scope locations	Scope	Statutory audit performed by EY	Coverage			Current year rationale for scoping	
			Gross expenditure	Total assets	Net assets	Size	Risk
Reading Borough Council	Full	✓	76%	93%	97%	Yes	Yes
Reading Transport Limited	Full	No	8%	4%	2%	No	Yes
Homes for Reading	Full	No	0%	2%	1%	No	Yes
Brighter Futures for Children	Specific	No	16%	1%	0%	No	Yes
TOTAL FULL & SPECIFIC SCOPE			100%	100%	100%		

Changes from last year includes the change in the financial accounting period of Reading Transport Limited from 23 September to 5 April. The Reading Transport Limited accounts for 2019/20 will be covering periods from 23 September 2018 to 5 April 2020.

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READING BOROUGH COUNCIL

REPORT OF DEPUTY CHIEF EXECUTIVE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	25 JANUARY 2022		
TITLE:	HOUSING BENEFIT & COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2022/23		
LEAD COUNCILLOR:	COUNCILLOR	PORTFOLIO:	CORPORATE AND CUSTOMER SERVICES
SERVICE:	MCEWAN	WARDS:	BOROUGHWIDE
LEAD OFFICER:	FINANCE	TEL:	0118 937 2711
JOB TITLE:	SAMANTHA WILLS	E-MAIL:	Samantha.wills@reading.gov.uk
	REVENUES & BENEFITS MANAGER		

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This report proposes the continued use of the Council's Risk Based Verification (RBV) process in 2022/23. Risk Based Verification was introduced by the Council in June 2010 following recommendation by the Department of Work and Pensions. The process enables the Council to streamline the processing of new claims for both Housing Benefit payments and Council Tax Support, thereby enabling customers to receive decisions sooner. The approach also helps mitigate risk and fraud entering the system.

1.2 All Local Authorities opting to apply risk-based verification are required to have in place a Policy detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. The Policy must be reviewed annually but not changed in-year and it is considered good practice for the Policy to be examined by the authority's Audit and Governance Committee.

1.1 The Council's Risk Based Verification Policy principles remain unchanged from 2021/22.

1.2 There are 5 recommended scheme changes to the Council's 2022/23 Council Tax Reduction Support Scheme, these changes have no impact on the Risk Based Verification Policy.

2. RECOMMENDED ACTION

2.1 That the Committee agree:

- a) the Council's Risk Based Verification Policy as set out at Appendix 1; and
- b) the continued use of a Risk Based Verification approach to evidence supporting claims for Housing Benefit and Council Tax Reduction Support in 2022/23.

Appendix 1 Risk Based Verification Policy 2022/23 & Desk Aid (Appendix A)
(NOT FOR PUBLICATION By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.)

Appendix 2 Temporary Covid Measures (NOT FOR PUBLICATION By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.)

3. POLICY CONTEXT

- 3.1 The Policy as attached at Appendix 1 sets out the arrangements for verifying the evidence needed to support claims for Housing Benefit and Local Council Tax Support. Its objective is twofold: firstly, to provide more efficient and effective processing of claims and thereby improve customer service, and secondly, to more accurately detect fraud and error at the time claims enter the benefits system.
- 3.2 In deciding benefit entitlement, the Council must adhere to the legal rules for Housing Benefit and Local Council Tax Support. The regulations do not specify the evidence and information that must be obtained in connection with claims but do specify that evidence must be reasonably required to provide for an accurate assessment of benefit entitlement.
- 3.3 Risk Based Verification is an automated process that sits alongside the Council's on-line application form. It risk scores new benefit claims and categorises them as either low, medium or high risk. This enables speedier processing of low risk claims and more intense verification activity to be targeted at claims presenting with a potentially higher risk of fraud and error.
- 3.4 Risk Based Verification is also used by the Department for Work and Pensions (DWP) and is applied to all Universal Credit claims.
- 3.5 The risk score is derived from a mathematical assessment based on historical intelligence and statistical information about which claim types represent risks.
- 3.6 Risk scoring means officers can focus resources on new claims with a higher risk of fraud and error by allowing a reduced level of verification on lower risk claims. RBV has been shown to be effective in identifying fraud and error whilst also improving customer service. It has an immediate impact on work processes allowing resources to be targeted more effectively and improving new claim processing times.
- 3.7 The continued use of Trust ID scanners by the Customer Services Team assists in identifying cases where queries or concerns exist over a customer's identity. Trust ID scanners carry out advanced-level checks on original identity documents, to assist in identifying fraudulent documents. (See Appendix 2 - Temporary Covid Measures)

4. THE PROPOSAL

- 4.1 It is recommended that the Policy as set out at Appendix 1 is approved and that the Council continue with its current approach to RBV as per the guidance issued by the Department for Works and Pensions in November 2011 - HB/CTB Circular S11/2011.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 This Policy supports ensuring that Housing Benefit and Local Council Tax Support claims are processed quickly and efficiently enabling recipients to sustain their tenancies with the minimum impact on their requirement to provide evidence to support their claims
- 5.2 It also ensures a fair and consistent approach to claim processing whilst protecting the financial stability of the Council by safeguarding against fraud entering the system.

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 The requirements for Local Authorities that have adopted a risk-based verification process state that the information held in the Policy, which includes the risk categories, should not be made public due to the sensitivity of its contents (HB/CTB Circular S11/2011).

7. EQUALITY IMPACT ASSESSMENT

- 7.1 The Risk Based Verification approach applies equally to all claimants; therefore, no equalities issues arise.

8. LEGAL IMPLICATIONS

- 8.1 HB/CTB Circular S11/2011 sets out the legal implications and best practice recommendations should an authority choose to implement a Risk Based Verification approach.

- 8.2 Housing Regulation 86 and Council Tax Benefit Regulation 72 of the Social Security Act 1992 sets out the minimum level of evidence required and HB/CTB Circular S11/2011 provides further guidance by advising:

- All Local Authorities opting to apply RBV will be required to have in place an RBV Policy detailing the risk profiles, verification standards which will apply and the minimum number of claims to be checked. They consider it to be good practice for the Policy to be examined by the authority's Audit and Risk Committee or similar appropriate body if they exist.
- The Policy must be submitted for Members' approval and sign-off along with a covering report confirming the Section 151 Officer's agreement. The information held in the Policy, which would include the risk categories, should not be made public due to the sensitivity of its contents.
- The Policy must allow Members, officers and external auditors to be clear about the levels of verification necessary. It must be reviewed annually but not changed in-year as this would complicate the audit process. It is also considered good practice for the Policy to be examined by the authority's Audit and Governance Committee. The Policy must be submitted for Members' approval and sign-off along with approval from the Section 151 Officer.

9. FINANCIAL IMPLICATIONS

- 9.1 The on-going costs for the software and support are £2.5k per annum which is met from within the service budget.

- 9.2 There are subsidy implications if the Council does not have an RBV policy and does not apply the standards within its HB claims as stipulated in its RBV Policy. Failure to do this will cause the expenditure to be treated as LA error. The auditor will identify this error and if deemed necessary extrapolate the extent and, where appropriate, issue a qualifying letter. In determining the subsidy implications, the extrapolation of this error will be based on the RBV cases where the error occurred.

10. ENVIRONMENT AND CLIMATE CHANGE IMPLICATIONS

10.1 None arising.

11. BACKGROUND PAPERS

11.1 HB/CTB Circular S11/2011

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/633018/s11-2011.pdf

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